

September 30, 2016

Complete Financial Statements in IFRS

Report on review of consolidated interim financial statements

To the Board of Directors and Stockholders
Itaú Unibanco Holding S.A.

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Itaú Unibanco Holding S.A. and its subsidiaries ("Company") as at September 30, 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the three-month and nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and ISRE 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of Itaú Unibanco Holding S.A. and its subsidiaries as at September 30, 2016, and their consolidated financial performance and cash flows for the three-month and nine-month period then ended, in accordance with IAS 34 - "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information - statement of value added

We have also reviewed the consolidated statement of value added for the three-month and nine-month period ended September 30, 2016, which is the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for purposes of International Financial Reporting Standards (IFRS). This statement was subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not properly prepared, in all material respects, in relation to the consolidated financial statements taken as a whole.

São Paulo, October 28, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Washington Luiz Pereira Cavalcanti
Contador CRC 1SP172940/O-6

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Balance Sheet
(In millions of Reais)

Assets	Note	09/30/2016	12/31/2015
Cash and deposits on demand	4	20,176	18,544
Central Bank compulsory deposits	5	76,388	66,556
Interbank deposits	6	23,108	30,525
Securities purchased under agreements to resell	6	257,122	254,404
Financial assets held for trading	7a	189,895	164,311
Pledged as collateral		18,177	11,008
Other		171,718	153,303
Financial assets designated at fair value through profit or loss	7b	741	642
Derivatives	8 and 9	26,187	26,755
Available-for-sale financial assets	10	86,602	86,045
Pledged as collateral		21,357	16,706
Other		65,245	69,339
Held-to-maturity financial assets	11	41,186	42,185
Pledged as collateral		4,064	9,460
Other		37,122	32,725
Loan operations and lease operations portfolio, net	12	465,350	447,404
Loan operations and lease operations portfolio		495,680	474,248
(-) Allowance for loan and lease losses		(30,330)	(26,844)
Other financial assets	20a	50,880	53,506
Investments in associates and joint ventures	13	5,022	4,399
Goodwill	3	9,375	2,057
Fixed assets, net	15	7,920	8,541
Intangible assets, net	16	7,772	6,295
Tax assets		44,133	52,149
Income tax and social contribution - current		2,427	2,088
Income tax and social contribution - deferred	27b	38,697	47,453
Other		3,009	2,608
Assets held for sale	36.7	630	486
Other assets	20a	11,635	11,611
Total assets		**1,324,122**	**1,276,415**

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Balance Sheet
(In millions of Reais)

Liabilities and stockholders' equity	Note	09/30/2016	12/31/2015
Deposits	17	308,599	292,610
Securities sold under repurchase agreements	19a	347,790	336,643
Financial liabilities held for trading	18	482	412
Derivatives	8 and 9	26,144	31,071
Interbank market debt	19a	137,556	156,886
Institutional market debt	19b	97,158	93,918
Other financial liabilities	20b	63,939	68,715
Reserves for insurance and private pension	30c II	147,663	129,305
Liabilities for capitalization plans		3,091	3,044
Provisions	32	20,966	18,994
Tax liabilities		4,735	4,971
Income tax and social contribution - current		2,229	2,364
Income tax and social contribution - deferred	27b II	759	370
Other		1,747	2,237
Other liabilities	20b	30,434	25,787
Total liabilities		**1,188,557**	**1,162,356**
Capital	21a	97,148	85,148
Treasury shares	21a	(1,250)	(4,353)
Additional paid-in capital	21c	1,652	1,733
Appropriated reserves	21d	2,299	10,067
Unappropriated reserves	21e	24,330	20,947
Cumulative other comprehensive income		(2,237)	(1,290)
Total stockholders' equity attributed to the owners of the parent company		**121,942**	**112,252**
Non-controlling interests	21f	13,623	1,807
Total stockholders' equity		**135,565**	**114,059**
Total liabilities and stockholders' equity		**1,324,122**	**1,276,415**

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Income
Periods ended
(In millions of Reais, except for number of shares and earnings per share information)

	Note	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Banking product		**27,882**	**17,061**	**89,362**	**64,041**
Interest and similar income	23a	40,862	40,219	118,776	109,180
Interest and similar expense	23b	(25,009)	(18,095)	(70,402)	(53,087)
Dividend income		2	8	118	23
Net gain (loss) on investment securities and derivatives	23c	1,444	(4,649)	7,629	(3,320)
Foreign exchange results and exchange variations on transactions		700	(9,824)	4,235	(16,197)
Banking service fees	24	8,108	7,359	23,595	21,593
Income related to insurance, private pension and capitalization operations before claim and selling expenses		1,447	1,721	4,457	4,972
Income related to insurance and private pension	30b III	6,150	5,726	18,008	16,415
Reinsurance Premiums	30b III	(20)	(18)	(77)	(55)
Change in reserves for insurance and private pension		(4,840)	(4,142)	(13,932)	(11,817)
Revenue from capitalization plans		157	155	458	429
Other income	25	328	322	954	877
Losses on loans and claims		**(5,511)**	**(5,213)**	**(15,954)**	**(15,262)**
Expenses for allowance for loan and lease losses	12b	(6,075)	(5,870)	(17,575)	(17,365)
Recovery of loans written-off as loss		938	1,095	2,742	3,294
Expenses for claims		(388)	(440)	(1,175)	(1,203)
Recovery of claims under reinsurance		14	2	54	12
Banking product net of losses on loans and claims		**22,371**	**11,848**	**73,408**	**48,779**
Other operating income (expenses)		**(15,217)**	**(13,202)**	**(43,290)**	**(38,110)**
General and administrative expenses	26	(13,552)	(12,717)	(37,612)	(34,943)
Tax expenses		(1,770)	(632)	(6,042)	(3,604)
Share of profit or (loss) in associates and joint ventures	13	105	147	364	437
Income before income tax and social contribution	**27**	**7,154**	**(1,354)**	**30,118**	**10,669**
Current income tax and social contribution		(1,818)	(3,318)	(3,392)	(8,259)
Deferred income tax and social contribution		286	13,970	(9,084)	18,605
Net income		**5,622**	**9,298**	**17,642**	**21,015**
Net income attributable to owners of the parent company	28	5,561	9,202	17,271	20,720
Net income (loss) attributable to non-controlling interests	21f	61	96	371	295
Earnings per share - basic	28				
Common		0.85	1.40	2.65	3.14
Preferred		0.85	1.40	2.65	3.14
Earnings per share - diluted	28				
Common		0.85	1.39	2.63	3.12
Preferred		0.85	1.39	2.63	3.12
Weighted average number of shares outstanding - basic	28				
Common		3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred		3,176,533,914	3,212,645,039	3,170,218,593	3,245,278,574
Weighted average number of shares outstanding - diluted	28				
Common		3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred		3,215,372,610	3,265,083,430	3,206,930,190	3,282,109,221

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Comprehensive Income
Periods ended
(In millions of Reais)

	Note	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Net income		**5,622**	**9,298**	**17,642**	**21,015**
Available-for-sale financial assets		275	(1,612)	2,297	(1,610)
Change in fair value		330	(4,600)	3,096	(5,272)
Income tax effect		(169)	1,902	(1,294)	2,126
(Gains) / losses transferred to income statement	23c	190	1,809	825	2,560
Income tax effect		(76)	(723)	(330)	(1,024)
Hedge		(531)	(1,701)	(791)	(2,496)
Cash flow hedge	9	(318)	681	(2,733)	810
Change in fair value		(557)	1,493	(4,873)	1,747
Income tax effect		239	(812)	2,140	(937)
Hedge of net investment in foreign operation	9	(213)	(2,382)	1,942	(3,306)
Change in fair value		(369)	(4,102)	3,455	(5,840)
Income tax effect		156	1,720	(1,513)	2,534
Remeasurements of liabilities for post-employment benefits (*)		1	(55)	(1)	(38)
Remeasurements	29	7	7	13	39
Income tax effect		(6)	(62)	(14)	(77)
Foreign exchange differences on foreign investments		291	2,727	(2,452)	3,833
Total comprehensive income		**5,658**	**8,657**	**16,695**	**20,704**
Comprehensive income attributable to non-controlling interests		**61**	**96**	**371**	**295**
Comprehensive income attributable to the owners of the parent company		**5,597**	**8,561**	**16,324**	**20,409**

(*) Amounts that will not be subsequently reclassified to income.

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Changes in Stockholders' Equity (Notes 21 and 22)
Periods ended September 30, 2016 and 2015
(In millions of Reais)

	Attributed to owners of the parent company												
							Other comprehensive income						
	Capital	Treasury shares	Additional paid-in capital	Appropriated reserves	Unappropriated reserves	Retained earnings	Available for sale [1]	Remeasurements of liabilities of post-employment benefits	Cumulative translation adjustments abroad	Gains and losses – hedge [2]	Total stockholders' equity – owners of the parent company	Total stockholders' equity – non-controlling interests	Total
Balance at 01/01/2015	**75,000**	**(1,328)**	**1,508**	**8,210**	**16,301**	**-**	**(600)**	**(177)**	**1,723**	**(1,377)**	**99,260**	**1,357**	**100,617**
Transactions with owners	10,148	(2,221)	101	(10,148)	-	(4,375)	-	-	-	-	(6,495)	218	(6,277)
Capital increase - Statutory Reserve	10,148	-	-	(10,148)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options	-	(2,221)	47	-	-	-	-	-	-	-	(2,174)	-	(2,174)
Granting of stock options – exercised options	-	299	45	-	-	-	-	-	-	-	344	-	344
Acquisition of treasury shares (Note 21a)	-	(2,520)	-	-	-	-	-	-	-	-	(2,520)	-	(2,520)
Granted options recognized	-	-	2	-	-	-	-	-	-	-	2	-	2
Share-based payment – variable compensation	-	-	54	-	-	-	-	-	-	-	54	-	54
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	275	275
Dividends and interest on capital - Statutory Reserve (Note 21b)	-	-	-	-	-	(4,375)	-	-	-	-	(4,375)	(57)	(4,432)
Dividends / Interest on capital paid in 2015 - Year 2014 - Special profit reserve	-	-	-	(2,936)	-	-	-	-	-	-	(2,936)	-	(2,936)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(474)	-	-	-	-	-	-	(474)	-	(474)
Other	-	-	-	(8)	(13)	-	-	-	-	-	(21)	-	(21)
Total comprehensive income	-	-	-	-	-	20,720	(1,610)	(38)	3,833	(2,496)	20,409	295	20,704
Net income	-	-	-	-	-	20,720	-	-	-	-	20,720	295	21,015
Other comprehensive income for the period	-	-	-	-	-	-	(1,610)	(38)	3,833	(2,496)	(311)	-	(311)
Appropriations:													
Legal reserve	-	-	-	816	-	(816)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	11,127	4,402	(15,529)	-	-	-	-	-	-	-
Balance at 09/30/2015	**85,148**	**(3,549)**	**1,609**	**6,587**	**20,690**	**-**	**(2,210)**	**(215)**	**5,556**	**(3,873)**	**109,743**	**1,870**	**111,613**
Change in the period	**10,148**	**(2,221)**	**101**	**(1,623)**	**4,389**	**-**	**(1,610)**	**(38)**	**3,833**	**(2,496)**	**10,483**	**513**	**10,996**
Balance at 01/01/2016	**85,148**	**(4,353)**	**1,733**	**10,067**	**20,947**	**-**	**(2,771)**	**(225)**	**4,822**	**(3,116)**	**112,252**	**1,807**	**114,059**
Transactions with owners	12,000	3,103	(81)	(14,670)	-	(3,742)	-	-	-	-	(3,390)	11,445	8,055
Capital increase - Statutory Reserve	12,000	-	-	(12,000)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options	-	3,103	(13)	(2,670)	-	-	-	-	-	-	420	-	420
Granting of stock options – exercised options	-	633	(20)	-	-	-	-	-	-	-	613	-	613
Acquisition of treasury shares (Note 21a)	-	(200)	-	-	-	-	-	-	-	-	(200)	-	(200)
Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	2,670	-	(2,670)	-	-	-	-	-	-	-	-	-
Granted options recognized	-	-	7	-	-	-	-	-	-	-	7	-	7
Share-based payment – variable compensation	-	-	(68)	-	-	-	-	-	-	-	(68)	-	(68)
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	11,581	11,581
Dividends / interest on capital – Special profit reserve (Note 21b)	-	-	-	-	-	(3,742)	-	-	-	-	(3,742)	(136)	(3,878)
Dividends / Interest on capital paid in 2016 - Year 2015 - Special profit reserve	-	-	-	(2,697)	-	-	-	-	-	-	(2,697)	-	(2,697)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(557)	-	-	-	-	-	-	(557)	-	(557)
Other	-	-	-	-	10	-	-	-	-	-	10	-	10
Total comprehensive income	-	-	-	-	-	17,271	2,297	(1)	(2,452)	(791)	16,324	371	16,695
Net income	-	-	-	-	-	17,271	-	-	-	-	17,271	371	17,642
Other comprehensive income for the period	-	-	-	-	-	-	2,297	(1)	(2,452)	(791)	(947)	-	(947)
Appropriations:													
Legal reserve	-	-	-	695	-	(695)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	9,461	3,373	(12,834)	-	-	-	-	-	-	-
Balance at 09/30/2016	**97,148**	**(1,250)**	**1,652**	**2,299**	**24,330**	**-**	**(474)**	**(226)**	**2,370**	**(3,907)**	**121,942**	**13,623**	**135,565**
Change in the period	**12,000**	**3,103**	**(81)**	**(7,768)**	**3,383**	**-**	**2,297**	**(1)**	**(2,452)**	**(791)**	**9,690**	**11,816**	**21,506**

(1) Includes Share of other comprehensive income in associates and joint ventures – Available-for-sale financial assets.

(2) Includes Cash flow hedge and hedge of net investment in foreign operation.

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Cash Flows
(In millions of Reais)

	Note	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Adjusted net income		**20,463**	**9,073**	**76,603**	**35,127**
Net income		5,622	9,298	17,642	21,015
Adjustments to net income:		**14,841**	**(225)**	**58,961**	**14,112**
Granted options recognized and share-based payment – variable compensation		113	80	(61)	56
Effects of changes in exchange rates on cash and cash equivalents		1,725	(7,321)	19,342	(10,550)
Expenses for allowance for loan and lease losses	12b	6,075	5,870	17,575	17,365
Interest and foreign exchange expense from operations with subordinated debt		2,384	8,840	(386)	14,275
Change in reserves for insurance and private pension		4,840	4,142	13,932	11,817
Revenue from capitalization plans		(157)	(155)	(458)	(429)
Depreciation and amortization	15 and 16	821	704	2,396	2,085
Interest expense from provision for contingent and legal liabilities		433	406	1,276	1,161
Provision for contingent and legal liabilities		1,790	1,146	3,508	2,728
Interest income related to escrow deposits		(101)	(110)	(289)	(192)
Deferred taxes (excluding hedge tax effects)	27b	343	(3,316)	2,142	(3,058)
Share of profit or (loss) in associates and joint ventures		(106)	(147)	(364)	(437)
(Gain) loss on available-for-sale securities	23c	190	1,809	825	2,560
Interest and foreign exchange income related to available-for-sale financial assets		(2,293)	(7,870)	(608)	(15,347)
Interest and foreign exchange income related to held-to-maturity financial assets		(1,100)	(4,173)	(175)	(7,748)
(Gain) loss on sale of assets held for sale	25 and 26	16	-	68	23
(Gain) loss on sale of investments	25 and 26	(37)	43	(29)	45
(Gain) loss on sale of fixed assets	25 and 26	(11)	(9)	(1)	5
Other		(85)	(165)	268	(247)
Change in assets and liabilities (*)		**(2,586)**	**992**	**(26,327)**	**(75,878)**
(Increase) decrease in assets		**4,613**	**(46,713)**	**32,135**	**(89,635)**
Interbank deposits		(1,377)	3,201	60	2,733
Securities purchased under agreements to resell		9,067	(24,870)	32,477	(35,067)
Compulsory deposits with the Central Bank of Brazil		(7,454)	(4,243)	(10,943)	(1,086)
Financial assets held for trading		(10,594)	1,670	(20,177)	(31,847)
Derivatives (assets / liabilities)		3,927	5,587	(4,533)	7,528
Financial assets designated at fair value through profit or loss		15	325	(207)	461
Loan operations		6,165	(12,160)	29,372	(21,957)
Financial assets		3,666	(7,619)	3,986	(528)
Other tax assets		(363)	(12,566)	7,431	(15,812)
Other assets		1,561	3,962	(5,331)	5,940
(Decrease) increase in liabilities		**(7,199)**	**47,705**	**(58,462)**	**13,757**
Deposits		(11,961)	8,661	(42,527)	(11,323)
Deposits received under securities repurchase agreements		8,019	21,660	7,155	13,574
Financial liabilities held for trading		100	(199)	171	(467)
Funds from interbank markets		(997)	13,378	(25,016)	15,896
Other financial liabilities		(3,793)	4,829	(5,450)	(7,145)
Technical reserve for insurance and private pension		1,155	367	4,286	1,657
Liabilities for capitalization plans		252	118	505	455
Provisions		(862)	(234)	(2,050)	(1,249)
Tax liabilities		1,874	3,283	4,065	6,467
Other liabilities		(136)	(2,695)	5,366	1,417
Payment of income tax and social contribution		(850)	(1,463)	(4,967)	(5,525)
Net cash from (used in) operating activities		**17,876**	**10,065**	**50,277**	**(40,751)**
Interest on capital / dividends received from investments in associates and joint ventures		13	13	156	119
Cash received on sale of available-for-sale financial assets		4,652	46	16,181	7,927
Cash received from redemption of held-to-maturity financial assets		963	963	2,760	2,457
Cash upon sale of assets held for sale		25	41	239	88
Cash upon sale of investments in associates and joint ventures		37	(43)	29	(45)
Cash and cash equivalents, net of assets and liabilities due from CorpBanca acquisition	3	-	-	5,869	-
Cash and cash equivalents, net of assets and liabilities due from Recovery acquisition	3	-	-	(714)	-
Cash upon sale of fixed assets	15	41	71	48	82
Cash upon sale of intangible assets	16	4	19	9	56
Purchase of available-for-sale financial assets		(3,162)	(3,727)	(6,679)	(7,740)
Purchase of held-to-maturity financial assets		(365)	(118)	(1,350)	(2,681)
Purchase of investments in associates and joint ventures	13	(1)	-	(366)	-
Purchase of fixed assets	15	(202)	(287)	(425)	(934)
(Cash upon sale) Purchase of intangible assets / Goodwill	16	(666)	(327)	(633)	(873)
Net cash from (used in) investing activities		**1,339**	**(3,349)**	**15,125**	**(1,544)**
Funding from institutional markets		-	2,548	4,864	7,482
Redemptions in institutional markets		(2,127)	(2,158)	(16,046)	(3,982)
(Acquisition) / Disposal of interest of non-controlling stockholders		80	(1)	35	275
Granting of stock options – exercised options		211	68	613	344
Purchase of treasury shares		-	(1,273)	(200)	(2,520)
Dividends and interest on capital paid to non-controlling interests		(55)	(1)	(136)	(57)
Dividends and interest on capital paid		(2,303)	(2,037)	(7,396)	(6,740)
Net cash from (used in) financing activities		**(4,194)**	**(2,854)**	**(18,266)**	**(5,198)**
Net increase (decrease) in cash and cash equivalents	**2.4c and 4**	**15,021**	**3,862**	**47,135**	**(47,493)**
Cash and cash equivalents at the beginning of the period	4	106,146	77,192	91,649	125,318
Effects of changes in exchange rates on cash and cash equivalents		(1,725)	7,321	(19,342)	10,550
Cash and cash equivalents at the end of the period	4	119,442	88,375	119,442	88,375
Additional information on cash flow					
Interest received		44,080	30,773	122,070	94,163
Interest paid		19,207	11,335	55,026	40,473
Non-cash transactions					
Loans transferred to assets held for sale		-	-	-	-
Dividends and interest on capital declared and not yet paid		(1,259)	(856)	843	1,728

(*) Includes the amounts of interest received and paid as shown above.

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Added Value
(In millions of Reais)

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Income	**47,754**	**30,381**	**144,931**	**103,057**
Interest, similar income and other	43,008	25,754	130,758	89,686
Banking services	8,108	7,359	23,595	21,593
Income related to insurance, private pension and capitalization operations before claim and selling expenses	1,447	1,721	4,457	4,972
Result of loan losses	(5,137)	(4,775)	(14,833)	(14,071)
Other	328	322	954	877
Expenses	**(27,458)**	**(21,301)**	**(77,707)**	**(61,301)**
Interest, similar income and other	(25,009)	(18,095)	(70,402)	(53,087)
Other	(2,449)	(3,206)	(7,305)	(8,214)
Inputs purchased from third parties	**(3,741)**	**(3,603)**	**(11,225)**	**(10,514)**
Materials, energy and others	(182)	(202)	(560)	(607)
Third party services	(1,054)	(994)	(3,135)	(2,926)
Other	(2,505)	(2,407)	(7,530)	(6,981)
Data processing and telecommunications	(979)	(1,025)	(2,895)	(2,951)
Advertising, promotions and publication	(239)	(277)	(695)	(764)
Installations	(287)	(261)	(829)	(746)
Transportation	(99)	(100)	(297)	(299)
Security	(177)	(176)	(535)	(507)
Travel expenses	(51)	(55)	(140)	(159)
Other	(673)	(513)	(2,139)	(1,555)
Gross added value	**16,555**	**5,477**	**55,999**	**31,242**
Depreciation and amortization	**(772)**	**(646)**	**(2,223)**	**(1,912)**
Net added value produced by the company	**15,783**	**4,831**	**53,776**	**29,330**
Added value received through transfer	**105**	**147**	**364**	**437**
Total added value to be distributed	**15,888**	**4,978**	**54,140**	**29,767**
Distribution of added value	**15,888**	**4,978**	**54,140**	**29,767**
Personnel	**7,080**	**4,870**	**15,431**	**13,095**
Compensation	6,055	3,771	12,476	10,346
Benefits	824	897	2,344	2,166
FGTS – government severance pay fund	201	202	611	583
Taxes, fees and contributions	**2,849**	**(9,510)**	**20,029**	**(5,302)**
Federal	2,548	(9,799)	19,134	(6,119)
State	13	6	22	19
Municipal	288	283	873	798
Return on third parties' assets - Rent	**337**	**320**	**1,038**	**959**
Return on own assets	**5,622**	**9,298**	**17,642**	**21,015**
Dividends and interest on capital	1,394	1,493	3,878	4,432
Retained earnings (loss) for the period	4,167	7,709	13,393	16,288
Minority interest in retained earnings	61	96	371	295

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

Note 1 - Overview

ITAÚ UNIBANCO HOLDING S.A. (ITAÚ UNIBANCO HOLDING) is a publicly-held company, organized and existing under the Laws of Brazil. The head office of ITAÚ UNIBANCO HOLDING is located at Praça Alfredo Egydio de Souza Aranha, n° 100, in the city of São Paulo, Brazil.

ITAÚ UNIBANCO HOLDING provides a wide range of financial products and services to individual and corporate clients in Brazil and abroad, whether these clients have Brazilian links or not through its international branches, subsidiaries and affiliates.

ITAÚ UNIBANCO HOLDING is a holding company controlled by Itaú Unibanco Participações S.A. ("IUPAR"), a holding company which owns 51% of our common shares, and which is jointly controlled by (i) Itaúsa Investimentos Itaú S.A., ("Itaúsa"), a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) Companhia E. Johnston de Participações ("E. Johnston"), a holding company controlled by the Moreira Salles family. Itaúsa also directly holds 38.7% of ITAÚ UNIBANCO HOLDING common shares.

As described in Note 34, the operations of ITAÚ UNIBANCO HOLDING are divided into three operating and reportable segments: (1) Retail Banking, which comprises the retail and high net worth clients (Itaú Uniclass and Personnalité) and the corporate segment (very small and small companies); (2) Wholesale Banking, which covers the wholesale products and services for middle-market and large companies, as well as the investment banking, in addition to the activities of the Latin America unit and (3) Activities with the Market + Corporation, which mainly manages the financial results associated with capital surplus, subordinated debt, and net debt of tax credits and debits of ITAÚ UNIBANCO HOLDING.

These consolidated financial statements were approved by the Executive Board on October 28, 2016.

Note 2 – Significant accounting policies

2.1. Basis of Preparation

These Consolidated Financial Statements of ITAÚ UNIBANCO HOLDING were prepared taking into account the requirements and guidelines set out by the National Monetary Council (CMN), which established that as from December 31, 2010 annual Consolidated Financial Statements are to be prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the International Accounting Standards Board (IASB).

These interim financial statements were prepared in accordance with IAS 34 - Interim Financial Reporting using the option to present complete consolidated financial statements instead of condensed consolidated financial statements.

In the preparation of these consolidated financial statements, ITAÚ UNIBANCO HOLDING adopted the criteria for recognition, measurement and disclosure established in the IFRS and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The Consolidated Statement of Cash Flows shows the changes in cash and cash equivalents during the period, arising from operating, investing, and financing activities, and include highly-liquid investments (Note 2.4c).

Cash flows from operating activities are presented under the indirect method. Consolidated net income is adjusted for non-monetary items, such as measurement gains and losses, changes in provisions and in receivables and liabilities balances. All income and expense arising from non-monetary transactions, attributable to investing and financing activities, are eliminated. Interest received or paid are classified as operating cash flows.

Management believes that the information included in these Financial Statements is relevant and a faithful representation of the information used in the management of the ITAÚ UNIBANCO HOLDING were identified.

2.2. New accounting standards and new accounting standards changes and interpretations

a) Accounting standards applicable for period ended September 30, 2016

- IASB Annual Improvement Cycle (2012-2014) – Annually IASB makes minor amendments to a series of pronouncements to clarify the standards and avoid double interpretation. In this cycle IFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations”, IFRS 7 – “Financial Instruments: Disclosures”, IAS 19 – “Employee Benefits”, and IAS 34 – “Interim Financial Reporting” were reviewed. Effective for annual periods beginning on January 1, 2016. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.

- Amendment to IFRS 11 – “Joint Arrangement” – The change establishes criteria for recognition of acquisition of joint operations, which activity constitutes one business, according to the methodology established in IFRS 3 – Business Combinations. Effective for the years beginning on January 1, 2016 and early adoption is permitted by IASB. Impacts of this change will occur only if there is an acquisition of a joint operation that constitutes a business.

- Amendment to IAS 16 – “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – The amendment clarifies the base principle for depreciation and amortization as being the expected standard of consumption of future economic benefits embodied in the asset. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB. No material impacts arising from this amendment were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.

- Amendment to IAS 1 – “Presentation of Financial Statements” – The amendments are aimed at encouraging companies to identify which information is sufficiently material to be disclosed in the financial statements. It also clarifies that materiality is applicable to the full set of financial statements, including the notes to the financial statements, and it is applicable to any and all disclosure requirements of the IFRS standards. Effective for periods beginning on January 1, 2016. Main effects identified are related to the disclosure of accounting policies and judgment of materiality in the notes to the financial statements.

- Amendments to IAS 28, IFRS 10 and IFRS 12: “Investment Entities: Applying Consolidation Exception”: This document comprises guidance for applying the Investment Entities concept. Effective for annual periods beginning on January 1, 2016. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.

b) Accounting standards recently issued and applicable in future periods

The following pronouncements will become applicable for periods after the date of these consolidated financial statements and were not early adopted:

- IFRS 16 – “Leases” – The pronouncement replaces IAS 17 - Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model, that consists of: (a) recognizing leases which terms exceeds 12 months and with substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in the result. For the lessor, accounting will continue to be segregated between operating and financial lease. This standard is effective for annual periods beginning on January 1, 2019. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

- IFRS 9 – “Financial instruments” – The pronouncement replaces IAS 39 - “Financial instruments: recognition and measurement”. IFRS 9 includes: (a) a logical classification and measurement model; (b) a single impairment model for financial instruments, which offers a response to expected losses; (c) the removal of volatility in income arising from own credit risk; and (d) a new hedge accounting approach. This standard is effective for annual periods beginning on January 1, 2018. Any possible impacts arising from adopting this standard are being assessed and will be completed up to the date this standard is effective.

- IFRS 15 – “Revenue from Contracts with Customers” – The pronouncement replaces IAS 18 and IAS 11, as well as interpretations related thereto (IFRICs 13, 15 and 18). It requires that revenue is recognized in a way that shows the transfer of assets or services to the client for an amount that reflects the company’s expectation of having in consideration the rights to these assets or services. This standard is effective for annual periods beginning on January 1, 2018. No material impacts arising from the adoption of this standard were identified.

- Amendment to IFRS 10 – “Consolidated Financial Statements” and IAS 28 – “Investments in Associates and Joint Ventures” – The amendments refer to an inconsistency between IFRS 10 and IAS 28 requirements, when addressing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has not been defined by IASB yet. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.

2.3. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses, gains, and losses over the reporting and subsequent periods, because actual results may differ from those determined in accordance with such estimates and assumptions.

2.3.1 Critical accounting estimates

All estimates and assumptions made by Management are in accordance with IFRS and represent the current best estimates made in compliance with the applicable standards. Estimates are evaluated continuously, considering past experience and other factors.

The Consolidated Financial Statements reflect a variety of estimates and assumptions. The critical accounting estimates and assumptions that have the most significant impact on the carrying amounts of assets and liabilities are described below:

a) Allowance for loan and lease losses

ITAÚ UNIBANCO HOLDING periodically reviews its portfolio of loans and receivables to evaluate the existence of impairment.

In order to determine the amount of the allowance for loan and lease losses in the Consolidated Statements of Income with respect to certain receivables or group of receivables, ITAÚ UNIBANCO HOLDING exercises its judgment to determine whether objective evidence indicates that an event of loss has occurred. This evidence may include observable data that indicates that an adverse change has occurred in the cash flows received in relation to those expected from the counterparty or the existence of a change in local or international economic conditions that correlates with impairment. The methodology and assumptions used for estimating future cash flows are regularly reviewed by Management, considering the adequacy of models and sufficiency of provision volumes in view of the experience of incurred loss.

ITAÚ UNIBANCO HOLDING uses statistical models to calculate the Allowance for Loan and Lease Losses in the homogeneous loan portfolio. ITAÚ UNIBANCO HOLDING periodically carries out procedures to improve these estimates by aligning the required provisions to the levels of losses observed by the historical behavior (as described in Note 2.4g VIII). This alignment aims at ensuring that the volume of allowances reflects the current economic conditions, the composition of the loan portfolios, the quality of guarantees obtained and the profile of our clients. In 2016 and in 2015, there were no such improvements of model assumptions.

Methodology and assumptions used by Management are detailed in Note 2.4g VIII. Allowance for loan losses is detailed in Note 12b.

b) Deferred income tax and social contribution

As explained in Note 2.4n, Deferred tax assets are recognized only in relation to temporary differences and tax assets and loss for offset to the extent it is probable that ITAÚ UNIBANCO HOLDING will generate future taxable profit for its use. The expected realization of deferred tax assets is based on the projection of future taxable profits and technical studies, as disclosed in Note 27.

c) Fair value of financial instruments, including derivatives

The fair value of financial instruments is measured recurrently, in conformity with the requirements of IAS 39 – Financial Instruments: Recognition and Measurement. The fair value of financial instruments, including derivatives that are not traded in active markets, is determined by using valuation techniques. This calculation is based on assumptions that take into consideration Management's judgment based on market information and conditions in place at the balance sheet date.

ITAÚ UNIBANCO HOLDING ranks fair value measurements using a fair value hierarchy that reflects the significance of inputs used in the measurement process.

The fair value of financial instruments, including Derivatives, as well as the fair value hierarchy, are detailed in Note 31.

The team in charge of the pricing of assets, in accordance with the governance defined by the committee and regulatory circulars, carries out critical analyses of the information extracted from the market and from time to time reassesses the long term of indexes. At the end of the monthly closings, the areas meet for a new round of analyses for the maintenance of the classification in connection with the fair value hierarchy. ITAÚ UNIBANCO HOLDING believes that all methodologies adopted are appropriate and consistent with market participants. Regardless of this fact, the adoption of other methodologies or use of different assumptions to estimate fair values may result in different fair value estimates.

The methodologies used to estimate the fair value of certain financial instruments are described in Note 31.

d) Defined benefit pension plan

The current amount of pension plan obligations is obtained from actuarial calculations that use a set of assumptions. Among the assumptions used for estimating the net cost (income) of these plans is the discount rate. Any changes in these assumptions will affect the carrying amount of pension plan assets and liabilities.

ITAÚ UNIBANCO HOLDING determines the appropriate discount rate at the end of each year, which is used for determining the present value of estimated future cash outflows necessary for settling the pension plan liabilities. In order to determine the appropriate discount rate, ITAÚ UNIBANCO HOLDING considers the interest rates of the Brazilian federal government bonds that are denominated in Brazilian Reais, the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related liabilities.

The main assumptions on Pension plan obligations are based on, in part, current market conditions. Additional information is disclosed in Note 29.

e) Provisions, contingencies and other commitments

ITAÚ UNIBANCO HOLDING periodically reviews its contingencies. These contingencies are evaluated based on Management´s best estimates, taking into account the opinion of legal counsel when there is a likelihood that financial resources will be required to settle the obligations and the amounts may be reasonably estimated.

Contingencies classified as probable losses are recognized in the Balance Sheet under Provisions.

Contingent amounts are measured using appropriate models and criteria, despite the uncertainty surrounding the ultimate timing and amounts, as detailed in Note 32.

Provisions, contingencies and other commitments are detailed in Note 32.

f) Technical provisions for insurance and pension plan

Technical provisions are liabilities arising from obligations of ITAÚ UNIBANCO HOLDING to its policyholders and participants. These obligations may be short term liabilities (property and casualty insurance) or medium and long term liabilities (life insurance and pension plans).

The determination of the actuarial liability is subject to several uncertainties inherent in the coverage of insurance and pension contracts, such as assumptions of persistence, mortality, disability, life expectancy, morbidity, expenses, frequency and severity of claims, conversion of benefits into annuities, redemptions and return on assets.

The estimates for these assumptions are based on the historical experience of ITAÚ UNIBANCO HOLDING, benchmarks and experience of the actuary, in order to comply with best market practices and the continuous review of the actuarial liability. The adjustments resulting from these continuous improvements, when necessary, are recognized in the statement of income for the corresponding period.

Additional information is described in Note 30.

2.3.2 Critical judgments in accounting policies

a) Goodwill

The impairment test for goodwill involves estimates and significant judgments, including the identification of cash generation units and the allocation of goodwill to such units based on the expectations of which ones will benefit from the acquisition. Determining the expected cash flows and a risk-adjusted interest rate for each unit requires that management exercises judgment and estimates. Semi-annually submitted to the impairment test and, at September 30, 2016 and 2015, ITAÚ UNIBANCO HOLDING did not identify goodwill impairment losses.

2.4. Summary of main accounting practices

a) Consolidation

I. Subsidiaries

Before January 1, 2013, ITAÚ UNIBANCO HOLDING consolidated its subsidiaries, in accordance with IAS 27 – "Separate Financial Statements", and its special purpose entities, in accordance with SIC 12 – "Consolidation – Special Purpose Entities", in its Consolidated Financial Statements. Effective January 1, 2013, ITAÚ UNIBANCO HOLDING adopted IFRS 10 – "Consolidated Financial Statements", which replaced IAS 27 and SIC 12.

In accordance with IFRS 10, subsidiaries are all entities in which ITAÚ UNIBANCO HOLDING holds control. ITAÚ UNIBANCO HOLDING controls an entity when it is exposed to, or is entitled to, its variable returns derived from its involvement with such entity, and has the capacity to impact such returns.

Subsidiaries are fully consolidated as from the date in which ITAÚ UNIBANCO HOLDING obtains control and are no longer consolidated as from the date such control is lost.

On January 1, 2013, ITAÚ UNIBANCO HOLDING assessed its investments to determine whether the conclusions of consolidation in accordance with IFRS 10 were different from those in accordance with IAS 27 and SIC 12. The application of the standard did not have significant impacts.

The following table shows the main consolidated companies, which together represent over 95% of total consolidated assets, as well as the interests of ITAÚ UNIBANCO HOLDING in their voting capital at 09/30/2016 and 12/31/2015.

		Incorporation country	Activity	Interest in voting capital at		Interest in total capital at	
				09/30/2016	12/31/2015	09/30/2016	12/31/2015
Banco CorpBanca Colômbia S.A.	(Note 3)	Colombia	Financial institution	22.25%	0.00%	22.25%	0.00%
Banco Itaú Argentina S.A.		Argentina	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú BBA S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Chile	(Note 3)	Chile	Financial institution	0.00%	99.99%	0.00%	99.99%
Banco Itaú BMG Consignado S.A		Brazil	Financial institution	60.00%	60.00%	60.00%	60.00%
Banco Itaú Paraguay S.A.		Paraguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Suisse S.A.		Switzerland	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Uruguay S.A.		Uruguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaucard S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itauleasing S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Cia. Itaú de Capitalização		Brazil	Capitalization	100.00%	100.00%	100.00%	100.00%
Dibens Leasing S.A. - Arrendamento Mercantil		Brazil	Leasing	100.00%	100.00%	100.00%	100.00%
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Hipercard Banco Múltiplo S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau Bank, Ltd.		Cayman Islands	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau BBA Colombia S.A. Corporación Financiera		Colombia	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau BBA International plc		United Kingdom	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA USA Securities Inc.		United States	Broker	100.00%	100.00%	100.00%	100.00%
Itaú BMG Seguradora S.A.		Brazil	Insurance	60.00%	60.00%	60.00%	60.00%
Itaú CorpBanca	(Note 3)	Chile	Financial institution	33.58%	0.00%	33.58%	0.00%
Itaú Corretora de Valores S.A.		Brazil	Broker	100.00%	100.00%	100.00%	100.00%
Itaú Seguros S.A.		Brazil	Insurance	100.00%	100.00%	100.00%	100.00%
Itaú Unibanco S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú Vida e Previdência S.A.		Brazil	Pension plan	100.00%	100.00%	100.00%	100.00%
Luizacred S.A. Soc. Cred. Financiamento Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Redecard S.A. - REDE		Brazil	Acquirer	100.00%	100.00%	100.00%	100.00%

ITAÚ UNIBANCO HOLDING is committed to maintaining the minimum capital required by all these joint ventures, noteworthy is that for all FIC - Financeira Itaú CBD S.A Crédito, Financiamento e Investimento the minimum capital percentage is 25% higher than that required by the Central Bank of Brazil (Note 33).

II. Business combinations

Accounting for business combinations under IFRS 3 is only applicable when a business is acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of inputs, processes applied to those inputs and outputs that are, or will be, used to generate income. If there is goodwill in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of business, accounting under the purchase method is required.

The acquisition cost is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition. Acquired assets and assumed liabilities and contingent liabilities identifiable in a business combination are initially measured at fair value at the date of acquisition, regardless of the existence of non-controlling interests. The excess of the acquisition cost, plus non-controlling interests, if any, over the fair value of identifiable net assets acquired, is accounted for as goodwill.

The treatment of goodwill is described in Note 2.4k. If the cost of acquisition, plus non-controlling interests, if any, is lower than the fair value of identifiable net assets acquired, the difference is directly recognized in income.

For each business combination, the purchaser should measure any non-controlling interest in the acquired company at the fair value or amount proportional to its interest in net assets of the acquired company.

III. Transactions with non-controlling stockholders

IFRS 10 – “Consolidated financial statements” establishes that, changes in an ownership interest in a subsidiary, which do not result in a loss of control, are accounted for as capital transactions and any difference between the amount paid and the carrying amount of non-controlling stockholders is recognized directly in consolidated stockholders' equity.

b) Foreign currency translation

I. Functional and presentation currency

The consolidated financial statements of ITAÚ UNIBANCO HOLDING are presented in Brazilian Reais, which is its functional and presentation currency. For each subsidiary and investment in associates and joint ventures, ITAÚ UNIBANCO HOLDING defined the functional currency, as set forth in IAS 21.

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian Real are translated as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date.
- income and expenses are translated at monthly average exchange rates.
- exchange differences arising from currency translation are recorded in other comprehensive income.

II. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of foreign exchange results and exchange variations on transactions.

In the case of monetary assets classified as available-for-sale, the exchange differences resulting from a change in the amortized cost of the instrument are recognized in the income statement, while those resulting from other changes in the carrying amount, except impairment losses, are recognized in other comprehensive income until derecognition or impairment.

c) Cash and cash equivalents

ITAÚ UNIBANCO HOLDING defines cash and cash equivalents as cash and current accounts in banks (included in the heading cash and deposits on demand on the consolidated balance sheet), interbank deposits and securities purchased under agreements to resell that have original maturities of up to 90 days or less, as shown in Note 4.

d) Central Bank Compulsory deposits

The Central Banks of the countries in which ITAÚ UNIBANCO HOLDING operates currently impose a number of compulsory deposit requirements on financial institutions. Such requirements are applied to a wide range of banking activities and operations, such as demand, savings, and time deposits.

Compulsory deposits are initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method as detailed in Note 2.4g VI.

e) Interbank deposits

ITAÚ UNIBANCO HOLDING recognizes its interbank deposits in the balance sheet initially at fair value and subsequently at the amortized cost using the effective interest method as detailed in Note 2.4g VI.

f) Securities purchased under agreements to resell and sold under repurchase agreements

ITAÚ UNIBANCO HOLDING has purchased securities with resale agreement (resale agreements), and sold securities with repurchase agreement (repurchase agreement) of financial assets. Resale and repurchase agreements are accounted for under Securities purchased under agreements to resell and Securities sold under repurchase agreements, respectively.

The amounts invested in resale agreement transactions and borrowed in repurchase agreement transactions are initially recognized in the balance sheet at the amount advanced or raised, and subsequently measured at amortized cost. The difference between the sale and repurchase prices is treated as interest and recognized over the life of the agreements using the effective interest rate method. Interest earned in resale agreement transactions and incurred in repurchase agreement transactions is recognized in Interest and similar income and Interest and similar expense, respectively.

The financial assets accepted as collateral in our resale agreements can be used by us, if provided for in the agreements, as collateral for our repurchase agreements or can be sold.

In Brazil, control over custody of financial assets is centralized and the ownership of investments under resale and repurchase agreements is temporarily transferred to the buyer. ITAÚ UNIBANCO HOLDING strictly monitors the fair value of financial assets received as collateral under our resale agreements and adjusts the collateral amount when appropriate.

Financial assets pledged as collateral to counterparties are also recognized in the consolidated financial statements. When the counterparty has the right to sell or re-pledge such instruments, they are presented in the balance sheet under the appropriate class of financial assets.

g) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities, including derivative financial instruments, shall be recognized in the balance sheet and measured based on the category in which the instrument is classified.

Financial assets and liabilities can be classified into the following categories:

- Financial assets and liabilities at fair value through profit or loss – held for trading
- Financial assets and liabilities at fair value through profit or loss – designated at fair value
- Available-for-sale financial assets
- Held-to-maturity financial assets
- Loans and receivables
- Financial liabilities at amortized cost

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

ITAÚ UNIBANCO HOLDING classifies as loans and receivables the following classes of balance sheet headings: Cash and deposits on demand, Central Bank compulsory deposits (Note 2.4d), Interbank deposits (Note 2.4e), Securities purchased under agreement to resell (Note 2.4f), Loan operations (Note 2.4g VI) and Other financial assets (Note 2.4g IX).

Regular purchases and sales of financial assets are recognized and derecognized, respectively, on the trade date.

Financial assets are derecognized when rights to receive cash flows expire or when ITAÚ UNIBANCO HOLDING transfers substantially all risks and rewards of ownership, and such transfer qualifies for write-off in accordance with IAS 39 requirements. Otherwise, control should be assessed to determine whether the continuous involvement related to any retained control does not prevent write-off. Financial liabilities are derecognized when settled or extinguished. Financial liabilities are derecognized when discharged or extinguished.

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet solely when there is a legally enforceable right to offset the recognized amounts and there is intention to settle them on a net basis, or simultaneously realize the asset and settle the liability.

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

These are financial assets and liabilities acquired or incurred principally for the purpose of selling them in the short term or when they are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent history of trading transactions.

Financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the Consolidated Statement of Income. Gains and losses arising from changes in fair value are directly included in “Net gain (loss) from investments in securities and derivatives”. Interest and similar income and expense are recognized in Interest and similar income and Interest and similar expense, respectively.

II- Financial assets and liabilities at fair value through profit or loss – designated at fair value

These are assets and liabilities designated at fair value through profit or loss upon initial recognition (fair value option). In accordance with IAS 39, the fair value option can only be applied if it reduces or eliminates accounting mismatches in income or when the financial instruments are part of a portfolio for which risk is managed and reported to Management based on its fair value or when these instruments consist of debt instruments and embedded derivatives that should otherwise be separated.

Assets and liabilities of this category are granted the same accounting treatment as those recorded in Financial assets and liabilities held for trading.

III- Derivatives

Derivatives are initially recognized on the date derivative contracts are entered into, and subsequently recorded at fair value. All derivatives are recognized as assets when the fair value is positive, and as liabilities when negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not recognized at fair value through profit or loss. These embedded derivatives are accounted for separately at fair value, with changes in fair value recognized in the consolidated statement of income in Net gain (loss) on investment securities and derivatives.

Derivatives can be designated as hedging instruments under hedge accounting and in the event they qualify, depending upon the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge exposures to risk or modify the characteristics of financial assets and liabilities, and that meet IAS 39 criteria, are recognized as hedge accounting.

In accordance with IAS 39, to qualify for hedge accounting, all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- for a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- the hedge is assessed on an ongoing basis and it is determined that the hedge has in fact been highly effective throughout the periods for which the hedge was designated.

IAS 39 presents three hedge accounting categories: fair value hedge, cash flow hedge, and hedge of net investments in a foreign operation.

ITAÚ UNIBANCO HOLDING uses derivatives as hedging instruments under cash flow hedge strategies, fair value hedge and hedge of net investments, as detailed in Note 9.

Fair value hedge

For derivatives that are designated and qualify as fair value hedges, the following practices are adopted:

a) The gain or loss arising from the new measurement of the hedge instrument at fair value should be recognized in income; and
b) The gain or loss arising from the hedged item, attributable to the effective portion of the hedged risk, should adjust the book value of the hedged item and also be recognized in income.

When the derivative expires or is sold or the hedge no longer meets the accounting hedge criteria or the entity revokes the designation, the entity should prospectively discontinue the accounting hedge. In addition, any adjustment in the book value of the hedged item should be amortized in income.

Cash flow hedge

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of derivative gains or losses are recognized in Other comprehensive income – Cash flow hedge, and reclassified to Income in the same period or periods in which the hedged transaction affects income. The portion of gain or loss on derivatives that represents the ineffective portion or the hedge components excluded from the assessment of effectiveness is recognized immediately in income. Amounts originally recorded in Other comprehensive income and subsequently reclassified to Income are recorded in the corresponding income or expense lines in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting and also when ITAU UNIBANCO HOLDING redesignates a hedge, any cumulative gain or loss existing in Other comprehensive income is frozen and is recognized in income when the hedged item is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in Other Comprehensive Income is immediately transferred to the statement of income.

Hedge of net investments in foreign operations

A hedge of a net investment in a foreign operation, including hedge of a monetary item that is accounted for as part of the net investment, is accounted for in a manner similar to a cash flow hedge:

a) the portion of gain or loss on the hedge instrument determined as effective is recognized in other comprehensive income.
b) the ineffective portion is recognized in income.

Gains or losses on the hedging instrument related to the effective portion of the hedge which is recognized in comprehensive income are reclassified to the income statement upon the disposal of the investment in the foreign operation.

IV - Available-for-sale financial assets

In accordance with IAS 39, financial assets are classified as available-for-sale when in the Management's judgment they can be sold in response to or in anticipation of changes in market conditions, and that were not classified into the categories of financial assets at fair value through profit or loss, loans and receivables or held to maturity.

Available-for-sale financial assets are initially and subsequently recognized in the consolidated balance sheet at fair value, plus transaction costs. Unrealized gains and losses (except losses for impairment, foreign exchange differences, dividends and interest income) are recognized, net of applicable taxes, in Other comprehensive income. Interest, including the amortization of premiums and discounts, is recognized in the consolidated statement of income under Interest and similar income. The average cost is used to determine the realized Gains and losses on Disposal of available-for-sale financial assets, which are recorded in the consolidated statement of income under Net gain (loss) on financial assets and liabilities – Available-for-sale financial assets. Dividends on available-for-sale assets are recognized in the consolidated statement of income as Dividend income when ITAÚ UNIBANCO HOLDING is entitled to receive such dividends and inflow of economic benefits is probable.

At the balance sheet date, ITAÚ UNIBANCO HOLDING assesses whether there is evidence that a financial asset or a group of similar financial assets is impaired and, for equity instruments, a significant or prolonged decline in the fair value of the security below its cost is evidence of an impairment, resulting in the recognition of an impairment loss. If any impairment evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in income, is recognized in the Consolidated statement of income as a reclassification adjustment from Other comprehensive income.

Both impairment of available-for-sale financial assets and reversal of this loss are recorded, when applicable, in the Consolidated statement of income.

V- Held-to-maturity financial assets

In accordance with IAS 39, the financial assets classified into the held-to-maturity category are non-derivative financial assets for which ITAÚ UNIBANCO HOLDING has the positive intention and ability to hold to maturity.

These assets are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost, using the effective interest rate method. Interest income, including the amortization of premiums and discounts, is recognized in the consolidated statement of income under Interest and similar income.

Both impairment of held-to-maturity financial assets and reversal of this loss are recorded, when applicable, in the Consolidated statement of income.

VI- Loan operations

Loan operations are initially recognized at fair value, plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

When calculating the effective interest rate, ITAÚ UNIBANCO HOLDING estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions paid or received between parties to the contract, transaction costs, and all other premiums or discounts.

ITAÚ UNIBANCO HOLDING classifies a loan operation as on non-accrual status if the payment of the principal or interest has been in default for 60 days or more. In this case, accrual of interest is no longer recognized.

When a financial asset or group of similar financial assets is impaired and its carrying amount is reduced through an allowance for loan losses, the subsequent interest income is recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for purposes of measuring the allowance for loan losses.

Both the credit risk and the finance areas are responsible for defining the methodologies used to measure the allowance for loan losses and for assessing changes in the provision amounts on a recurring basis.

These areas monitor the trends observed in allowance for loan losses by segment level, in addition to establishing an initial understanding of the variables that may trigger changes in the allowance for loan losses, the probability of default or the loss given default.

Once the trends have been identified and an initial assessment of the variables has been made at the corporate level, the business areas are responsible for further analyzing these observed trends at a detailed level and for each portfolio, in order to understand the underlying reasons for the trends observed and for deciding whether changes are required in our credit policies.

VII - Lease operations (as lessor)

When assets are subject to a finance lease, the present value of lease payments is recognized as a receivable in the consolidated balance sheet under Loan operations and Lease Operations.

Initial direct costs when incurred by ITAÚ UNIBANCO HOLDING are included in the initial measurement of the lease receivable, reducing the amount of income to be recognized over the lease period. Such initial costs usually include commissions and legal fees.

The recognition of interest income reflects a constant rate of return on the net investment of ITAÚ UNIBANCO HOLDING and is recognized in the consolidated statement of income under Interest and similar income.

VIII- Allowance for loan and lease losses

General

ITAÚ UNIBANCO HOLDING periodically assesses whether there is any objective evidence that a receivable or group of receivables is impaired. A receivable or group of receivables is impaired and there is a need for recognizing an impairment loss if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset

(a loss event) and that loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated.

The allowance for loan and lease losses is recognized as probable losses inherent in the portfolio at the balance sheet date. The determination of the level of the allowance rests upon various judgments and assumptions, including current economic conditions, loan portfolio composition, prior loan and lease loss experience and evaluation of credit risk related to individual loans. Our process for determining the allowance for loan and lease losses includes Management's judgment and the use of estimates. The adequacy of the allowance is regularly analyzed by Management.

The criteria adopted by ITAÚ UNIBANCO HOLDING for determining whether there is objective evidence of impairment include the following:

- default in principal or interest payment.
- financial difficulties of the debtor and other objective evidence that results in the deterioration of the financial position of the debtor (for example, debt-to-equity ratio, percentage of net sales or other indicators obtained through processes adopted to monitor credit, particularly for retail portfolios).
- breach of loan clauses or terms.
- entering into bankruptcy.
- loss of competitive position of the debtor.

The estimated period between the loss event and its identification is defined by Management for each portfolio of similar receivables. Considering the representativeness of several homogeneous groups, management chose to use a twelve month period as being the most representative. For portfolios of loans that are individually evaluated for impairment this period is at most 12 months, considering the review cycle for each loan operation.

Assessment

ITAÚ UNIBANCO HOLDING first assesses whether objective evidence of impairment exists for receivables that are individually significant, and individually or collectively for receivables that are not individually significant.

To determine the amount of the allowance for individually significant receivables with objective evidence of impairment, methodologies are used that consider both the quality of the client and the nature of the transaction, including its collateral, to estimate the cash flows expected from these loans.

If no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the asset is included in a group of receivables with similar credit risk characteristics and collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is recognized are not included in the collective assessment. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

For collectively assessed loans, the calculation of the present value of the estimated future cash flows for which there is collateral reflects the historical performance of the foreclosure and recovery of fair value, considering the cash flows that may arise from foreclosure less costs for obtaining and selling that collateral.

For the purpose of a collective evaluation of impairment, receivables are grouped on the basis of similar credit risk characteristics. The characteristics are relevant to the estimation of future cash flows for such receivables by being indicative of the debtors' ability to pay all amounts due, according to the contractual terms of the receivables being evaluated. Future cash flows in a group of receivables that are collectively evaluated for purposes of identifying the need for recognizing impairment are estimated on the basis of the contractual cash flows of the group of receivables and historical loss experience for receivables with similar credit risk characteristics. The historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For individually significant receivables with no objective evidence of impairment, ITAÚ UNIBANCO HOLDING classifies these loans into certain rating categories based on several qualitative and quantitative factors applied through internally developed models. Considering the size and the different risk characteristics of each contract, the rating category determined according to internal models can be reviewed and modified by our Corporate Credit Committee, the members of which are executives and officers in corporate credit risk. ITAÚ UNIBANCO HOLDING estimates inherent losses for each rating category considering an internally developed approach for low-default portfolios, that uses our historical experience for building internal models, that are used both to estimate the PD (probability of default) and to estimate the LGD (loss given default.)

To determine the amount of the allowance for individually insignificant items loans are segregated into classes considering the underlying risks and characteristics of each group. The allowance for loan and lease losses is determined for each of those classes through a process that considers historical delinquency and loan loss experience over the most recent years.

Measurement

The methodology used to measure the allowance for loan and lease losses was developed internally by the credit risk and finance areas at the corporate level. In those areas and considering the different characteristics of the portfolios, different areas are responsible for defining the methodology to measure the allowance for each: Corporate (including loan operations with objective evidence of impairment and individually significant loan operations but with no objective evidence of impairment), Individuals, Small and Medium Businesses, and Foreign Units Latin America. Each of the four portfolio areas responsible for defining the methodology to measure the allowance for loan and lease losses is further divided into groups, including groups that develop the methodology and groups that validate the methodology. A centralized group in the credit risk area is responsible for measuring the allowance on a recurring basis following the methodologies developed and approved for each of the four areas.

The methodology is based on two components to determine the amount of the allowance: The probability of default by the client or counterparty (PD), and the potential economic loss that may occur in the event of default, being the debt that cannot be recovered (LGD) which are applied to the outstanding balance of the loan. Measurement and assessment of these risk components is part of the process for granting credit and for managing the portfolio. The estimated amounts of PD and LGD are measured based on statistical models that consider a significant number of variables which are different for each class and include, among others, income, equity, past loan experiences, level of indebtedness, economic sectors that affect collectability and other attributes of each counterparty and of the economic environment. These models are regularly updated for changes in economic and business conditions.

A model updating process is started when the modeling area identifies that it is not capturing significant effects of the changes of economic conditions, in the performance of the portfolio or when a change is made in the methodology for calculating the allowance for loan and lease losses. When a change in the model is made, the model is validated through back-testing and statistical methods are used to measure its performance through detailed analysis of its documentation, by describing step-by-step how the process is carried out. The models are validated by an area independent from the one developing it, by issuing a technical report on the assumptions used (integrity, consistency, and replicability of the bases) and on the mathematical methodology used. The technical report is subsequently submitted to CTAM (Model assessment technical committee), which is the highest level of approval of model reviews.

Considering the different characteristics of the loans at each of the four portfolio areas (Corporate (with no objective evidence of impairment), Individuals, Small and Medium Businesses, and Foreign Units Latin America), different areas within the corporate credit risk area are responsible for developing and approving the methodologies for loans in each of those four portfolio areas. Management believes that the fact that different areas focus on each of the four portfolios results in increased knowledge, specialization and awareness of the teams as to the factors that are more relevant for each portfolio area in measuring the loan losses. Also considering such different characteristics and other factors, different inputs and information are used to estimate the PD and LGD as further detailed below:

- **Corporate (with no evidence of impairment) -** factors considered and inputs used are mainly the history of the customer relationship with us, the results of analysis of the customer's accounting statements and the information obtained through frequent contacts with its officers, aiming at understanding the strategy and the quality of its management. Additionally, industry and macroeconomic factors are also included in the analysis. All those factors (which are quantitative and qualitative) are used as inputs to the internal model developed to determine the corresponding rating category. This approach is also applied to the corporate credit portfolio outside Brazil.

- **Individuals** – factors considered and inputs used are mainly the history of the customer relationship with us, and information available through credit bureaus (negative information).

- **Small / Medium Businesses** – factors considered and inputs used include, in addition to the history of the customer relationship and credit bureau information about the customer's revenues, industry expertise, and information about its shareholders and officers, among others.

- **Foreign Units – Latin America** – considering the relative smaller size of this portfolio and its more recent nature, the models are simpler and use the past due status and an internal rating of the customer as main factors.

Reversal, write-off, and renegotiation

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment is reversed. The amount of reversal is recognized in the consolidated statement of Income under Expense for allowance for loan and lease losses.

When a loan is uncollectible, it is written-off in the balance sheet under allowance for loan and lease losses. Write-off as losses occur after 360 days of credits have matured or after 540 days for loans with maturities over 36 months.

In almost all cases for loan products, renegotiated loans require at least one payment to be made under the renegotiated terms in order for it to be removed from nonperforming and nonaccrual status. Renegotiated loans return to nonperforming and nonaccrual status when they reach 60 days past due under the renegotiated terms, which typically corresponds to the borrower missing two or more payments.

IX- Other financial assets

They are initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method. The composition is presented in Note 20a.

Interest income is recognized in the consolidated statement of income under Interest and similar income.

X- Financial liabilities at amortized cost

They are initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method. Interest expense is presented in the Consolidated Statement of Income under Interest and similar expense.

The following financial liabilities are presented in the consolidated balance sheet and recognized at amortized cost:

- Deposits (See Note 17).
- Securities sold under repurchase agreements (Note 2.4f).
- Funds from interbank markets (Note 19a).
- Funds from institutional markets (Note 19b).
- Liabilities for capitalization plans.
- Other financial liabilities (Note 20b).

h) Investments in associates and joint ventures

I – Associates

In conformity with IAS 28 - Investments in Associates and Joint Ventures, associates are companies in which the investor has a significant influence but does not hold control. Investments in these companies are initially recognized at cost of acquisition and subsequently accounted for using the equity method. Investments in associates and joint ventures include the goodwill identified upon acquisition, net of any cumulative impairment loss.

II – Joint arrangements

Before January 1, 2013, ITAÚ UNIBANCO HOLDING proportionally consolidated its interest held in joint ventures, as required by IAS 31 – Interests in Joint Ventures. From that date on, it adopted IFRS 11 – Joint arrangements, changing its accounting policy from interest in joint arrangements to the equity method.

ITAÚ UNIBANCO HOLDING has assessed the nature of its joint business and concluded that it has both joint operations and joint ventures. There was no change in the accounting treatment for joint operations. For joint ventures, ITAÚ UNIBANCO HOLDING adopted the new policy on interest in joint ventures, in accordance with the IFRS 11 transition provisions.

The effects arising from adopting IFRS 11, which gave rise to a change in the accounting policy, have not had significant impacts on the Consolidated financial statements of ITAÚ UNIBANCO HOLDING.

ITAÚ UNIBANCO HOLDING's share in profits or losses of its associates and joint ventures after acquisition is recognized in the consolidated statement of income. Its share of the changes in the reserves of corresponding stockholders' equity of its associates and joint ventures is recognized in its own reserves of stockholders' equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the ITAÚ UNIBANCO HOLDING share of losses of an associates and joint ventures is equal or above its interest in the associates and joint ventures, including any other receivables, ITAÚ UNIBANCO HOLDING does not recognize additional losses, unless it has incurred any obligations or made payments on behalf of the associates and joint ventures.

Unrealized profits on transactions between ITAÚ UNIBANCO HOLDING and its associates and joint ventures are eliminated to the extent of the interest of ITAÚ UNIBANCO HOLDING. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The accounting policies on associates and joint ventures are consistent with the policies adopted by ITAÚ UNIBANCO HOLDING.

If the interest in the associates and joint ventures decreases, but ITAÚ UNIBANCO HOLDING retains significant influence or joint control, only the proportional amount of the previously recognized amounts in Other comprehensive income is reclassified in Income, when appropriate.

Gains and losses from dilution arising from investments in associates and joint ventures are recognized in the consolidated statement of income.

i) Lease commitments (as lessee)

As a lessee, ITAÚ UNIBANCO HOLDING has finance and operating lease agreements.

ITAÚ UNIBANCO HOLDING leases certain fixed assets, and those substantially holding the risks and benefits incidental to the ownership are classified as finance leases.

Each lease installment paid is allocated part to liabilities and part to financial charges, so that a constant rate is obtained for the outstanding debt balance. Corresponding obligations, net of future financial charges, are included in Other financial liabilities. Interest expenses are recognized in the Consolidated Statement of Income over the lease term, to produce a constant periodic interest rate on the remaining liabilities balance for each period.

Expenses related to operating leases are recognized in the consolidated statement of income, on a straight-line basis, over the period of lease.

When an operating lease is terminated before the end of the lease term, any payment to be made to the lessor as a penalty is recognized as an expense in the period the termination occurs.

j) Fixed assets

In accordance with IAS 16 – Property, plant and equipment, fixed assets are recognized at cost of acquisition less accumulated depreciation, which is calculated using the straight-line method and rates based on the estimated useful lives of these assets. These rates and additional details are presented in Note 15.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

ITAÚ UNIBANCO HOLDING reviews its assets in order to identify whether any indications of impairment exist. If such indications are identified, fixed assets are tested for impairment. In accordance with IAS 36 – Impairment of assets, impairment losses are recognized for the difference between the carrying and recoverable amount of an asset (or group of assets), in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flows can be identified (cash-generating units). The assessment may be made at an individual asset level when the fair value less the cost to sell may be reliably determined.

Gains and losses on disposals of fixed assets are recognized in the consolidated statement of income under Other income or General and administrative expenses.

k) Goodwill

In accordance with IFRS 3 (R) – “Business combinations”, goodwill may arise on an acquisition and represents the excess of the consideration transferred plus non-controlling interest over the net fair value of the net identifiable assets and contingent liabilities of the acquiree. Goodwill is not amortized, but its recoverable amount is tested for impairment semi-annually or when there is any indication of impairment, using an approach that involves the identification of cash-generating units and estimates of fair value less cost to sell and/or value in use.

As defined in IAS 36, a cash-generating unit is the lowest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination.

IAS 36 determines that an impairment loss shall be recognized for a cash-generating unit if the recoverable amount of the cash-generating unit is less than its carrying amount. The loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis applied to the carrying amount of each asset. The loss cannot reduce the carrying amount of an asset below the higher of its fair value less costs to sell and its value in use. The impairment loss of goodwill cannot be reversed.

Goodwill arising from the acquisition of subsidiaries is presented in the Consolidated Balance Sheet under the line Goodwill.

Goodwill of associates and joint ventures is reported as part of investment in the consolidated balance sheet under Investments in associates and joint ventures, and the impairment test is carried out in relation to the total balance of the investments (including goodwill).

l) Intangible assets

Intangible assets are non-physical assets, including software and other assets, and are initially recognized at cost. Intangible assets are recognized when they arise from legal or contractual rights, their costs can be reliably measured, and in the case of intangible assets not arising from separate acquisitions or business combinations, it is probable that future economic benefits may arise from their use. The balance of intangible assets refers to acquired assets or those internally generated.

Intangible assets may have finite or indefinite useful lives. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized, but periodically tested in order to identify any impairment.

ITAÚ UNIBANCO HOLDING semi-annually assesses its intangible assets in order to identify whether any indications of impairment exist, as well as possible reversal of previous impairment losses. If such indications are found, intangible assets are tested for impairment. In accordance with IAS 36, impairment losses are recognized as the difference between the carrying and the recoverable amount of an asset (or group of assets), and recognized in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing an impairment, assets are grouped into the minimum level for which cash flows can be identified. The assessment can be made at an individual asset level when the fair value less its cost to sell can be determined reliably.

As set forth in IAS 38, ITAÚ UNIBANCO HOLDING elected the cost model to measure its intangible assets after its initial recognition.

The breakdown of intangible assets is described in Note 16.

m) Assets held for sale

Assets held for sale are recognized in the balance sheet when they are actually repossessed or there is intention to sell. These assets are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, or (ii) the carrying amount of the related asset held for sale.

n) Income tax and social contribution

There are two components of the provision for income tax and social contribution: current and deferred.

Current income tax expense approximates taxes to be paid or recovered for the applicable period. Current assets and liabilities are recorded in the balance sheet under Tax assets – income tax and social contribution - current and tax liabilities – income tax and Social contribution – current, respectively.

Deferred income tax and social contribution represented by deferred tax assets and liabilities are obtained based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year end. The tax benefit of tax loss carryforwards is recognized as an asset. Deferred tax assets are only recognized when it is probable that future taxable income will be available for offsetting. Deferred tax assets and liabilities are recognized in the balance sheet under Tax assets – Income tax and social contribution – Deferred and Tax liabilities – Income tax and social contribution - Deferred, respectively.

Income tax and social contribution expense is recognized in the consolidated statement of income under Income tax and social contribution, except when it refers to items directly recognized in Other comprehensive income, such as: deferred tax on fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. Deferred taxes of such items are initially recognized in Other comprehensive income and subsequently recognized in Income together with the recognition of the gain / loss originally deferred.

Changes in tax legislation and rates are recognized in the consolidated statement of income under Income tax and social contribution in the period in which they are enacted. Interest and fines are recognized in the consolidated statement of income under General and administrative expenses. Income tax and social contribution are calculated at the rates shown below, considering the respective taxable bases, based on the current legislation related to each tax, which in the case of the operations in Brazil are for all the reporting periods as follows:

	09/30/2016
Income tax	15.00%
Additional income tax	10.00%
Social contribution (*)	20.00%

(*) On October 06, 2015, Law No. 13,169, a conversion of Provisional Measure No. 675, which increased the Social Contribution tax rate from 15% to 20% until December 31, 2018, for financial institutions, insurance companies and credit card management companies, was introduced. For the other companies, the tax rate remains at 9%.

To determine the proper level of provisions for taxes to be maintained for uncertain tax positions, a two-phased approach was applied, according to which a tax benefit is recognized if it is more probable than not that a position can be sustained. The benefit amount is then measured to be the highest tax benefit which probability of realization is over 50%.

o) Insurance contracts and private pension

IFRS 4 – "Insurance contracts" defines insurance contracts as contracts under which the issuer accepts a significant insurance risk of the counterparty, by agreeing to compensate it if a specified uncertain future event adversely affects it.

At the time of the first-time adoption of IFRS, ITAÚ UNIBANCO HOLDING decided not to change its accounting policies for insurance contracts, which follow the accounting practices generally accepted in Brazil ("BRGAAP").

Although investment agreements with discretionary participation characteristics are financial instruments, they are treated as insurance contracts, as established by IFRS 4, as well as those transferring a significant financial risk.

These agreements may be reclassified as insurance contracts after their initial classification should the insurance risk become significant.

Once the contract is classified as an insurance contract, it remains as such until the end of its life, even if the insurance risk is significantly reduced during such period, unless all rights and obligations are extinguished or expired.

Note 30 presents a detailed description of all products classified as insurance contracts.

Private pension plans

In accordance with IFRS 4, an insurance contract is one that exposes its issuer to a significant insurance risk. An insurance risk is significant only if the insurance event could cause an issuer to pay significant additional benefits in any scenario, except for those that do not have commercial substance. Additional benefits refer to amounts that exceed those that would be payable if no insured event occurred.

Contracts that contemplate retirement benefits after an accumulation period (known as PGBL, VGBL and FGB) assure, at the commencement date of the contract, the basis for calculating the retirement benefit (mortality table and minimum interest). The contracts specify the annuity fees and, therefore, the contract transfers the insurance risk to the issuer at the commencement date, and they are classified as insurance contracts.

Insurance premiums

Insurance premiums are recognized by issuing an insurance policy or over the period of the contracts in proportion to the amount of the insurance coverage. Insurance premiums are recognized as income in the consolidated statement of income.

If there is evidence of impairment losses with respect to receivables for insurance premiums, ITAÚ UNIBANCO HOLDING recognizes a provision, sufficient to cover this loss, based on the risk analysis of realization of insurance premiums receivable with installments overdue for over 60 days.

Reinsurance

Reinsurance premiums are recognized over the same period in which the related insurance premiums are recognized in the consolidated statement of income.

In the ordinary course of business, ITAÚ UNIBANCO HOLDING reinsures a portion of the risks underwritten, particularly property and casualty risks that exceed the maximum limits of responsibility that we determine to be appropriate for each segment and product (after a study which considers size, experience, specificities, and the necessary capital to support these limits). These reinsurance agreements allow the recovery of a portion of the losses from the reinsurer, although they do not release the insurer from the main obligation as direct insurer of the risks contemplated in the reinsurance.

Acquisition costs

Acquisition costs include direct and indirect costs related to the origination of insurance. These costs, except for the commissions paid to brokers and others, are expensed directly in income as incurred. Commissions, on the other hand, are deferred and expensed in proportion to the recognition of the premium revenue, i.e. over the period of the corresponding insurance contract.

Liabilities

Reserves for claims are established based on historical experience, claims in process of payment, estimated amounts of claims incurred but not yet reported, and other factors relevant to the required reserve levels. A liability for premium deficiencies is recognized if the estimated amount of premium deficiencies exceeds deferred acquisition costs. Expenses related to recognition of liabilities for insurance contracts are recognized in the consolidated statement of income under Change in reserves for insurance and private pension.

Embedded derivatives

We have not identified any embedded derivatives in our insurance contracts, which may be separated or measured at fair value in accordance with IFRS 4 requirements.

Liability adequacy test

IFRS 4 requires that the insurance companies analyze the adequacy of their insurance liabilities in each reporting period through a minimum adequacy test. The liability adequacy test for IFRS was conducted by adopting the current actuarial assumptions for future cash flows of all insurance contracts in force on the balance sheet date.

Should the analysis show insufficiency, any deficiency identified will be immediately accounted for in income for the period.

The assumptions used to conduct the liability adequacy test are detailed in Note 30.

p) Capitalization plans

For regulatory purposes in Brazil they are regulated by the insurance regulator, these plans do not meet the definition of an insurance contract under IFRS 4, and therefore they are classified as a financial liability at amortized cost under IAS 39.

Revenue from capitalization plans is recognized during the period of the contract and measured as the difference between the amount deposited by the client and the amount that ITAÚ UNIBANCO HOLDING has to reimburse.

q) Post-employments benefits

ITAÚ UNIBANCO HOLDING is required to make contributions to government social security and labor indemnity plans, in Brazil and in other countries where it operates, which are expensed in the consolidated statement of income as an integral part of general and administrative expenses, when incurred.

Additionally, ITAÚ UNIBANCO HOLDING also sponsors Defined Benefit Plans and Defined Contribution Plans, accounted for in accordance with IAS 19 (R1) – "Employee benefits".

Pension plans - Defined benefit plans

The liability (or asset, as the case may be) recognized in the Consolidated Balance Sheet with respect to the defined benefit plan corresponds to the present value of defined benefit obligations at the balance sheet date less the fair value of plan assets. The present value of defined benefit obligations is determined by discounting the estimated amount of future cash flows of benefit payments based on Brazilian government securities denominated in Reais and with maturity periods similar to the term of the pension plan liabilities. They are recognized in the Consolidated statement of income:

- current service cost – defined as the increase in the present value of obligations resulting from employee service in the current period.

- interest on the net amount of assets (liabilities) of defined benefit plans is the change, during the period, in the net amount recognized in assets and liabilities, due to the time elapsed, which comprises the interest income on plan assets, interest expense on the obligations of the defined benefit plan and interest on the asset ceiling effects.

Actuarial gains and losses arising from the non-adoption of the assumptions established in the latest evaluation, as compared to those effectively carried out or changes in such assumptions, are fully recognized in Other comprehensive income.

Pension plans - defined contribution

For defined contribution plans, contributions to plans made by ITAÚ UNIBANCO HOLDING, through pension plan funds, are recognized as an expense when due.

Other post-employment benefit obligations

Certain companies that merged into ITAÚ UNIBANCO HOLDING over the past few years were sponsors of post-employment healthcare benefit plans and ITAÚ UNIBANCO HOLDING is contractual committed to maintain such benefits over specific periods, as well as in relation to the benefits granted due to a judicial ruling.

These obligations are assessed annually by independent and qualified actuaries, and costs expected from these benefits are accumulated during the employment period and gains and losses arising from adjustments of practices and changes in actuarial assumptions are recognized in Stockholders' equity, under Other comprehensive income, in the period they occurred.

r) Share-based payment

Share-based payment is accounted for in accordance with IFRS 2 - "Share-based payment" which requires the entity to measure the value of equity instruments granted, based on their fair value at the option grant date. This cost is recognized during the vesting period of the right to exercise the instruments.

The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any service and non-market performance vesting conditions (notably remaining an employee of the entity over a specified time period). The fulfillment of on-market vesting conditions is included in the assumptions about the number of options that are expected to be exercised. At the end of each period, ITAÚ UNIBANCO HOLDING revises its estimates of the number of options that are expected to be exercised based on non-market vesting conditions. It recognizes the impact of the revision of the original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to stockholders' equity.

When the options are exercised, the ITAÚ UNIBANCO HOLDING treasury shares are generally delivered to the beneficiaries.

The fair value of stock options is estimated by using option pricing models that take into account the exercise price of the option, the current stock price, the risk-free interest rate, the expected volatility of the stock price and the life of the option.

All stock based compensation plans established by ITAÚ UNIBANCO HOLDING correspond to plans that can be settled exclusively through the delivery of shares.

s) Financial guarantees

ITAÚ UNIBANCO HOLDING recognizes the fair value of the guarantees issued in the consolidated balance sheet under Other liabilities. Fair value is generally represented by the fee charged to client for issuing the guarantee. This amount at the issuance date is amortized over the life of the guarantee issued and recognized in the consolidated statement of income under Banking service fees.

After issuance, if based on the best estimate ITAÚ UNIBANCO HOLDING concludes that the occurrence of a loss regarding a guarantee issued is probable, and if the loss amount is higher than the initial fair value less cumulative amortization of the guarantee, a provision is recognized for such amount.

t) Provisions, contingent assets and contingent liabilities

These are assessed, recognized and disclosed in accordance with IAS 37. Contingent assets and contingent liabilities are rights and obligations arising from past events for which materialization depends on future events.

Contingent assets are not recognized in the consolidated financial statements, except when the Management of ITAÚ UNIBANCO HOLDING understands that realization is virtually certain which, generally corresponds to lawsuits with favorable rulings, in final and unappealable judgments, withdrawal from lawsuits as a result of a payment in settlement or as a result of an agreement to offset against an existing liability.

Contingent liabilities mainly arise from administrative proceedings and lawsuits, inherent in the ordinary course of business, filed by third parties, former employees and governmental bodies, in connection with civil, labor, and tax and social security claims.

These contingencies are evaluated based on Management's best estimates, and are classified as:

- **Probable:** in which liabilities are recognized in the consolidated balance sheet under Provisions.
- **Possible:** which are disclosed in the Consolidated Financial Statements, but no provision is recorded.
- **Remote:** which require neither a provision nor disclosure.

Contingent liabilities recorded under Provisions and those disclosed as possible are measured using best estimates through the use of models and criteria which allow their appropriate measurement even if there is uncertainty as to their ultimate timing and amount, and the criteria are detailed in Note 32.

The amount of court escrow deposits is adjusted in accordance with current legislation.

Contingent liabilities guaranteed by indemnity clauses provided by third parties, such as in business combinations carried out before the transition date to IFRS, are recognized when a claim is asserted, and a receivable is recognized simultaneously subject to its collectability. For business combinations carried out after the transition date, indemnification assets are recognized at the same time and measured on the same basis as the indemnified item, subject to collectability or contractual limitations on the indemnified amount.

u) Capital

Common and preferred shares, which are equivalent to common shares but without voting rights are classified in Stockholders' equity. The additional costs directly attributable to the issue of new shares are included in Stockholders' equity as a deduction from the proceeds, net of taxes.

v) Treasury shares

Common and preferred shares repurchased are recorded in Stockholders' equity under Treasury shares at their average purchase price.

Shares that are subsequently sold, such as those sold to grantees under our share-based payment, are recorded as a reduction in treasury shares, measured at the average price of treasury stock held at such date.

The difference between the sale price and the average price of the treasury shares is recorded as a reduction or increase in Additional paid-in capital. The cancellation of treasury shares is recorded as a reduction in Treasury shares against Appropriated reserves, at the average price of treasury shares at the cancellation date.

w) Dividends and interest on capital

Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each year. Any other amount above the mandatory minimum dividend is accounted for as a liability when approved by stockholders at a Stockholders´ Meeting.

Interest on capital is treated for accounting purposes as a dividend, and it is presented as a reduction of stockholders' equity in the consolidated financial statements. The related tax benefit is recorded in the consolidated statement of income.

Dividends have been and continue to be calculated and paid based on the financial statements prepared under Brazilian accounting standards and regulations for financial institutions and not based on these consolidated financial statements prepared under IFRS.

Dividends and interest on capital are presented in Note 21.

x) Earnings per share

Earnings per share are computed by dividing net income attributable to the owners of ITAÚ UNIBANCO HOLDING by the weighted average number of common and preferred shares outstanding for each reporting year. Weighted average shares are computed based on the periods for which the shares were outstanding.

ITAÚ UNIBANCO HOLDING grants stock-based compensation whose dilutive effect is reflected in diluted earnings per share, with the application of the "treasury stock method". Under the treasury stock method, earnings per share are calculated as if shares under stock-based compensation plans had been issued and as if the assumed proceeds were used to purchase shares of ITAÚ UNIBANCO HOLDING.

Earnings per share are presented in Note 28.

y) Revenue from services

Services related to current accounts are offered to clients either in formal packages or individually, and their income is recognized when these services are provided.

Revenue from certain services, such as fees from funds management, performance, collection for retail clients and custody, is recognized over the life of the related contracts on a straight-line basis.

The breakdown of the banking service fees is detailed in Note 24.

z) Segment information

Segment information is disclosed consistently with the internal report prepared for the Executive Committee, which makes the operational decisions of ITAÚ UNIBANCO HOLDING.

ITAÚ UNIBANCO HOLDING has three reportable segments: (i) Retail Banking (ii) Wholesale Banking and (iii) Activities with the Market + Corporation.

Segment information is presented in Note 34.

Note 3 – Business development

Credit Intelligence Bureau ("CIB")

In January 21, 2016, the ITAÚ UNIBANCO HOLDING, through its subsidiary Itaú Unibanco S.A., sidnedd a Memorandum of Understanding with Banco Bradesco S.A. Banco do Brasil S.A., Banco Santander S.A. and Caixa Econômica Federal in order to create a credit intelligence bureau ("CIB") which will enable greater efficiency in the management and granting of credit lines at long and medium terms.

CIB will be structured as a corporation and the Parties, each of them holding a 20% equity ownership, will share its control.

CIB's incorporation is subject to the execution of definitive documents among the Parties, as well as the satisfaction of certain conditions precedent, including the approval by applicable regulatory authorities.

Recovery do Brasil Consultoria S.A.

At December 31, 2015, ITAÚ UNIBANCO HOLDING, through its subsidiary Itaú Unibanco S.A., entered into an agreement for purchase and sale and other covenants with Banco BTG Pactual S.A. (BTG) for acquisition of 81.94% interest in the capital of Recovery do Brasil Consultoria S.A. (Recovery), corresponding to BTG's total interest in Recovery, for the amount of R$ 640.

In the same transaction, ITAÚ UNIBANCO HOLDING agreed on the acquisition of approximately 70% of the portfolio of R$ 38 billion in credit rights related to the recovery of portfolios held by BTG, for the amount of R$ 570.

Established in 2000 in Argentina and present in Brazil since 2006, Recovery is the market leader in the management of overdue receivables portfolio. Recovery's activities consist in prospecting and assessing portfolios, structuring and managing operations, acting in all segments, from individual to corporate loans, with financial and non-financial institutions, and offering a competitive advantage to its clients.

After the compliance with the conditions precedent and approval by regulatory authorities, the transaction was closed on March 31, 2016.

The final allocation of the difference between the amount paid and the interest in net assets at fair value (Purchase Price Allocation - PPA) will be completed during 2016.

The acquisition did not have accounting effects on the results of ITAÚ UNIBANCO HOLDING.

On July 7, 2016, ITAÚ UNIBANCO HOLDNG, through its subsidiary Itaú Unibanco S.A., acquired, from International Finance Corporation, a 6.92% additional interest, for the amount of R$ 59, and now holds 96% of Recovery's capital.

ConectCar Soluções de Mobilidade Eletrônica S.A.

On October 21, 2015, ITAÚ UNIBANCO HOLDING, through its subsidiary Redecard S.A. (Rede), entered into a share purchase and sale commitment with Odebrecht Transport S.A. for the acquisition of 50% of capital stock of *ConectCar* Soluções de Mobilidade Eletrônica S.A. (ConectCar) for the amount of R$ 170.

ConectCar, located in Barueri, São Paulo, is an institution engaged in own payment arrangements and a provider of intermediation services for automatic payment of tolls, fuels and parking lots, ranked as the second largest company in the sector, currently operating in 12 States and in the Federal District. It was organized in 2012 as the result of a partnership between Odebrecht Transport S.A. and Ipiranga Produtos de Petróleo S.A., a company controlled by Ultrapar Participações S.A., which currently holds the remaining 50% of ConectCar's capital stock.

After compliance with the conditions precedent and approval of proper regulatory authorities, the operation was closed on January 29, 2016. The investment acquired is measured using the equity method (Note 2.4 II).

The final allocation of the difference between the amount paid and the interest in net assets at fair value (Purchase Price Allocation - PPA) will be completed during 2016.

The acquisition will not have accounting effects on the results of ITAÚ UNIBANCO HOLDING.

Itaú CorpBanca

On January 29, 2014, ITAÚ UNIBANCO HOLDING, through its subsidiary Banco Itaú Chile S.A. (BIC), entered into a *Transaction Agreement* with CorpBanca and its controlling stockholders (Corp Group), establishing the terms and conditions of the merger of operations of BIC and CorpBanca in Chile and in the other jurisdictions in which CorpBanca operates.

CorpBanca is a commercial bank headquartered in Chile, which also operates in Colombia and Panama, focused on individuals and large and middle-market companies. In 2015, an accordance with the Chilean Superintendence of Banks, it was one of the largest private banks in Chile, in terms of overall size of loan portfolio, with a market share of 7.1%.

This agreement represents an important step in ITAÚ UNIBANCO HOLDING's internationalization process.

The merger was approved by the stockholders of CorpBanca and BIC and by all proper regulatory authorities in Chile, Brazil, Colombia and Panama. As set forth in the amendment to the *Transaction Agreement*, entered into on June 2, 2015, the parties closed the operation on April 1, 2016, when they had full conditions for the corporate reorganization process.

The operation was consummated by means of:

i. Increase in BIC' capital in the amount of US$ 2,309 million concluded on March 22, 2016;

ii. Merger of BIC into CorpBanca, with the cancellation of BIC's shares and issue of new shares by CorpBanca, at the rate of 80,240 shares of CorpBanca for one share of BIC, so that interests resulting from the merger, named Itaú CorpBanca, are 33.58% for ITAÚ UNIBANCO HOLDING and 33.13% for Corp Group.

The following corporate structure resulted from the transaction:

	Ownership interest
ITAÚ UNIBANCO HOLDING	33.58%
Corp Group	33.13%
Other non-controlling stockholders	33.29%

The Itaú CorpBanca was controlled from the April 1, 2016 fur ITAÚ UNIBANCO HOLDING. On the same date, ITAU UNIBANCO HOLDING entered into a shareholders' agreement with Corp Group, which sets forth, among others, the right of ITAÚ UNIBANCO HOLDING and Corp Group to appoint members for the Board of Directors of Itaú CorpBanca in accordance to their interests in capital stock, and this group of shareholders will have the right to appoint the majority of members of the Board of Directors of Itaú CorpBanca and ITAÚ UNIBANCO HOLDING will be entitled to appoint the majority of members elected by this block. Except for certain strategic matters of Itaú CorpBanca, on which Corp Group has the right of veto, the members of the board of directors appointed by Corp Group should vote as recommended by ITAÚ UNIBANCO HOLDING.

The fair value of the consideration transferred by ITAÚ UNIBANCO HOLDING due to its interest in Itaú CorpBanca was R$ 10,517, based on the quotation of CorpBanca's shares on the Santiago Stock Exchange.

The consideration transferred resulted in goodwill for future expected profitability of R$ 6,593. Additionally, a goodwill of R$ 707 was generated in Brazil due to the difference between the equity value of BIC and the equity value of Itaú CorpBanca resulting from the merger. This amount will not be deducted for tax purposes, except in case of disposal or merger of the investment.

The table below summarizes the main assets acquired and liabilities assumed on the acquisition date:

CORPBANCA

Assets	**04/01/2016**
Cash and deposits on demand	5,869
Interbank deposits	3,712
Securities purchased under agreements to resell	186
Financial assets held for trading	5,684
Derivatives	6,628
Available-for-sale financial assets	7,164
Held-to-maturity financial assets	236
Loan operations and lease operations portfolio, net	75,222
Other financial assets	3,018
Goodwill	888
Fixed assets, net	494
Intangible assets, net	2,603
Tax assets	1,413
Assets held for sale	2
Other assets	1,257
Total assets	**114,376**

Liabilities and stockholders' equity	**04/01/2016**
Deposits	68,387
Securities sold under repurchase agreements	4,052
Derivatives	5,749
Interbank market debt	6,429
Institucional market debt	17,025
Other financial liabilities	1,583
Provisions	140
Tax liabilities	1,341
Other liabilities	2,619
Total liabilities	**107,325**
Plan net assets	7,051
Non-controlling interests	1,515
Net assets assumed	**5,536**
Adjustment to fair value of net assets assumed	(1,612)
Net assets assumed at fair value	**3,924**

For a one-year period and after the acquisition date, the amounts presented shall be subject to adjustments to reflect any new information obtained on facts existing as the closing of the operation, as set forth by IFRS 3 – Business Combination.

Contingent liabilities have not been recorded due to the acquisition.

The acquisition did not have accounting effects on the net income of ITAÚ UNIBANCO HOLDING.

MaxiPago

On September 3, 2014, ITAÚ UNIBANCO HOLDING, through its subsidiary Redecard S.A. (Rede) entered into a share purchase agreement with the controlling shareholders of MaxiPago Serviços de Internet S.A., a gateway company – network interconnection for mobile electronic payments.

On the same date, subscription and payment of 19,336 shares (33.33%) and acquisition of 24,174 shares (41.67%) were carried out, so that Rede became the holder of 43,510 common shares, representing 75% of total voting capital of MaxiPago.

After the compliance with the conditions precedent and approval by proper regulatory authorities, the operation was closed on January 8, 2015.

The difference between the amount paid and net assets at fair value resulted in the recognition of goodwill due to expected future profitability.

Purchase price	15
(-) Fair value of identified assets and liabilities	(4)
(=) Goodwill	**11**

Note 4 - Cash and cash equivalents

For purposes of consolidated statements of cash flows, Cash and cash equivalents in this note comprises the following items:

	09/30/2016	12/31/2015
Cash and deposits on demand	20,176	18,544
Interbank deposits	13,174	22,022
Securities purchased under agreements to resell	86,092	51,083
Total	**119,442**	**91,649**

Amounts related to interbank deposits and securities purchased under agreements to resell not included in cash equivalents are R$ 9,934 (R$ 8,503 at 12/31/2015) and R$ 171,030 (R$ 203,321 at 12/31/2015), respectively.

Note 5 - Central Bank compulsory deposits

	09/30/2016	12/31/2015
Non-interest bearing deposits	4,014	3,790
Interest-bearing deposits	72,374	62,766
Total	**76,388**	**66,556**

Note 6 - Interbank deposits and securities purchased under agreements to resell

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits	21,910	1,198	23,108	29,769	756	30,525
Securities purchased under agreements to resell (*)	256,849	273	257,122	254,404	-	254,404
Total	**278,759**	**1,471**	**280,230**	**284,173**	**756**	**284,929**

(*) The amounts of R$ 6,197 (R$ 9,461 at 12/31/2015) are pledged in guarantee of operations on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and Central Bank and the amounts of R$ 153,032 (R$ 152,551 at 12/31/2015) are pledged in guarantee of repurchase agreement transactions, in conformity with the policies described in Note 2.4f.

Note 7 – Financial assets held for trading and designated at fair value through profit or loss

a) Financial assets held for trading recognized at their fair value are presented in the following table:

	09/30/2016			12/31/2015		
	Cost	Accumulated gain / (loss) reflected in income	Fair value	Cost	Accumulated gain / (loss) reflected in income	Fair value
Investment funds	1,289	4	1,293	1,110	(59)	1,051
Brazilian government securities [1a]	143,346	551	143,897	117,848	(795)	117,053
Brazilian external debt bonds [1b]	5,992	181	6,173	4,672	(241)	4,431
Government securities – abroad [1c]	**3,902**	**26**	**3,928**	**1,140**	**9**	**1,149**
Argentina	700	-	700	682	14	696
Chile	152	1	153	36	-	36
Colombia	2,623	25	2,648	77	(5)	72
United States	78	-	78	132	-	132
Mexico	7	-	7	3	-	3
Paraguay	123	-	123	68	-	68
Uruguay	58	-	58	40	-	40
Other	161	-	161	102	-	102
Corporate securities [1d]	**34,503**	**101**	**34,604**	**40,659**	**(32)**	**40,627**
Shares	1,628	25	1,653	2,231	(70)	2,161
Bank deposit certificates	2,552	-	2,552	2,583	-	2,583
Debentures	3,365	64	3,429	4,460	62	4,522
Eurobonds and other	625	8	633	1,015	(24)	991
Financial credit bills	26,288	-	26,288	30,367	-	30,367
Other	45	4	49	3	-	3
Total [2]	**189,032**	**863**	**189,895**	**165,429**	**(1,118)**	**164,311**

(1) Assets held for trading pledged as collateral of funding transactions of financial institutions and clients were: a) R$ 11,757 (R$ 7,384 at 12/31/2015), b) R$ 4,610 (R$ 3,541 at 12/31/2015), c) 1,742 (R$ 68 at 12/31/2015) and d) R$ 68 (R$ 15 at 12/31/2015), totaling R$ 18,177 (R$ 11,008 at 12/31/2015).

(2) In the period, there was no reclassification of held for trading financial assets to other categories of financial assets.

The cost and fair value of financial assets held for trading by maturity are as follows:

	09/30/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	**29,634**	**29,687**	**36,045**	**35,934**
Non-stated maturity	3,187	3,227	3,341	3,212
Up to one year	26,447	26,460	32,704	32,722
Non-current	**159,398**	**160,208**	**129,384**	**128,377**
From one to five years	118,445	118,805	57,923	57,700
From five to ten years	31,921	32,283	66,148	65,437
After ten years	9,032	9,120	5,313	5,240
Total	**189,032**	**189,895**	**165,429**	**164,311**

Financial assets held for trading include assets with a fair value of R$ 135,536 (R$ 117,128 at 12/31/2015) that belong to investment funds wholly owned by Itaú Vida e Previdência S.A. The return of those assets (positive or negative) is fully transferred to customers of our PGBL and VGBL private pension plans whose premiums (less fees charged by us) are used by our subsidiary to purchase quotas of those investment funds.

b) Financial assets designated at fair value through profit or loss are presented in the following table:

	09/30/2016		
	Cost	Accumulated gain/(loss) reflected in income	Fair value
Brazilian external debt bonds	727	14	741
Total	**727**	**14**	**741**

	12/31/2015		
	Cost	Accumulated gain/(loss) reflected in income	Fair value
Brazilian external debt bonds	493	13	506
Government securities – abroad	143	(7)	136
Total	**636**	**6**	**642**

The cost and fair value by maturity of financial assets designated as fair value through profit or loss were as follows:

	09/30/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	**727**	**741**	**-**	**-**
Up to one year	727	741	-	-
Non-current	**-**	**-**	**636**	**642**
From one to five years	-	-	636	642

Note 8 – Derivatives

ITAÚ UNIBANCO HOLDING enters into derivative financial instruments with various counterparties to manage its overall exposures and to assist its customers in managing their own exposures.

Futures – Interest rate and foreign currency futures contracts are commitments to buy or sell a financial instrument at a future date, at a contracted price or yield and may be settled in cash or through delivery. The notional amount represents the face value of the underlying instrument. Commodity futures contracts or financial instruments are commitments to buy or sell commodities (mainly gold, coffee and orange juice), at a future date, at a contracted price, which are settled in cash. The notional amount represents the quantity of such commodities multiplied by the future price at the contract date. Daily cash settlements of price movements are made for all instruments.

Forwards – Interest forward contracts are agreements to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date. Foreign exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price, at an agreed settlement date. Financial instrument forward contracts are commitments to buy or sell a financial instrument on a future date at a contracted price and are settled in cash.

Swaps – Interest rate and foreign exchange swap contracts are commitments to settle in cash at a future date or dates, based on differentials between specified financial indices (either two different interest rates in a single currency or two different rates each in a different currency), as applied to a notional principal amount. Swap contracts presented in Other in the table below correspond substantially to inflation rate swap contracts.

Options – Option contracts give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument including a flow of interest, foreign currencies, commodities, or financial instruments at a contracted price that may also be settled in cash, based on differentials between specific indices.

Credit Derivatives – Credit derivatives are financial instruments with value relating to the credit risk associated to the debt issued by a third party (the reference entity), which permits that one party (the purchaser of the hedge) transfers the risk to the counterparty (the seller of the hedge). The seller of the hedge should make payments as set forth in the contract when the reference entity undergoes a credit event, such as bankruptcy, default or debt restructuring. The seller of the hedge receives a premium for the hedge, but, on the other hand, assumes the risk that the underlying asset referenced in the contract undergoes a credit event, and the seller would have to make the payment to the purchaser of the hedge, which could be the notional amount of the credit derivative.

The total value of margins pledged in guarantee by ITAÚ UNIBANCO HOLDING was R$ 12,536 (R$ 7,757 at 12/31/2015) and was basically comprised of government securities.

The following table shows the composition of derivatives by index:

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	09/30/2016	09/30/2016	09/30/2016	09/30/2016
Futures contracts	**571,741**	**(8)**	**203**	**195**
Purchase commitments	**203,359**	**34**	**232**	**266**
Commodities	218	1	-	1
Indices	48,675	9	4	13
Interbank market	114,197	24	-	24
Foreign currency	26,880	-	228	228
Securities	13,359	-	-	-
Other	30	-	-	-
Commitments to sell	**368,382**	**(42)**	**(29)**	**(71)**
Commodities	230	(1)	-	(1)
Indices	116,401	(15)	-	(15)
Interbank market	166,350	(20)	(1)	(21)
Foreign currency	76,097	(6)	(28)	(34)
Fixed rate	791	-	-	-
Securities	8,506	-	-	-
Other	7	-	-	-
Swap contracts		**(3,471)**	**1,851**	**(1,620)**
Asset position	**453,670**	**7,728**	**4,839**	**12,567**
Commodities	32	-	-	-
Indices	183,466	813	711	1,524
Interbank market	54,323	2,927	(63)	2,864
Foreign currency	15,267	1,663	32	1,695
Floating rate	36,236	50	779	829
Fixed rate	164,310	2,272	3,380	5,652
Securities	12	-	-	-
Other	24	3	-	3
Liability position	**457,141**	**(11,199)**	**(2,988)**	**(14,187)**
Commodities	24	-	-	-
Indices	141,222	(3,096)	(2,185)	(5,281)
Interbank market	37,323	(729)	572	(157)
Foreign currency	24,582	(1,051)	(51)	(1,102)
Floating rate	34,990	(178)	(1,149)	(1,327)
Fixed rate	218,961	(6,123)	(177)	(6,300)
Securities	33	(22)	2	(20)
Other	6	-	-	-
Option contracts	**456,526**	**(2,289)**	**2,251**	**(38)**
Purchase commitments – long position	**107,576**	**1,929**	**(796)**	**1,133**
Commodities	686	24	1	25
Indices	44,539	145	18	163
Interbank market	902	1	18	19
Foreign currency	53,810	1,577	(993)	584
Fixed rate	7	(1)	-	(1)
Securities	7,563	177	151	328
Other	69	6	9	15
Commitments to sell – long position	**127,677**	**1,817**	**2,700**	**4,517**
Commodities	477	9	7	16
Indices	81,455	119	(32)	87
Interbank market	1,521	2	(1)	1
Foreign currency	33,421	1,439	2,485	3,924
Fixed rate	144	6	(2)	4
Securities	10,635	242	243	485
Other	24	-	-	-
Purchase commitments – short position	**75,245**	**(3,154)**	**1,695**	**(1,459)**
Commodities	436	(6)	(9)	(15)
Indices	26,945	(151)	(38)	(189)
Interbank market	19	(1)	-	(1)
Foreign currency	43,563	(2,938)	1,861	(1,077)
Fixed rate	93	-	-	-
Securities	4,120	(52)	(110)	(162)
Other	69	(6)	(9)	(15)
Commitments to sell – short position	**146,028**	**(2,881)**	**(1,348)**	**(4,229)**
Commodities	411	(21)	(5)	(26)
Indices	96,122	(371)	107	(264)
Interbank market	286	(2)	-	(2)
Foreign currency	38,957	(2,235)	(1,218)	(3,453)
Fixed rate	20	(1)	-	(1)
Securities	10,215	(251)	(232)	(483)
Other	17	-	-	-

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	09/30/2016	09/30/2016	09/30/2016	09/30/2016
Forward operations (onshore)	**15,656**	**583**	**-**	**583**
Purchases receivable	**1,313**	**1,430**	**(2)**	**1,428**
Floating rate	551	551	-	551
Fixed rate	657	774	-	774
Securities	105	105	(2)	103
Purchases payable	**-**	**(1,209)**	**-**	**(1,209)**
Floating rate	-	(551)	-	(551)
Fixed rate	-	(656)	-	(656)
Securities	-	(2)	-	(2)
Sales receivable	**14,343**	**1,849**	**2**	**1,851**
Interbank market	12,470	-	-	-
Floating rate	523	522	-	522
Fixed rate	452	449	-	449
Securities	898	878	2	880
Sales deliverable	**-**	**(1,487)**	**-**	**(1,487)**
Floating rate	-	(522)	-	(522)
Fixed rate	-	(965)	-	(965)
Credit derivatives	**11,326**	**18**	**(5)**	**13**
Asset position	**5,016**	**171**	**(18)**	**153**
Foreign currency	3,764	170	(51)	119
Fixed rate	179	-	1	1
Securities	924	1	28	29
Other	149	-	4	4
Liability position	**6,310**	**(153)**	**13**	**(140)**
Foreign currency	4,547	(153)	57	(96)
Fixed rate	32	(1)	-	(1)
Securities	1,368	1	(35)	(34)
Other	363	-	(9)	(9)
Forwards operations (offshore)	**255,535**	**923**	**186**	**1,109**
Asset position	**136,416**	**3,930**	**194**	**4,124**
Commodities	224	27	(3)	24
Indices	78	5	-	5
Foreign currency	136,088	3,898	197	4,095
Securities	26	-	-	-
Liability position	**119,119**	**(3,007)**	**(8)**	**(3,015)**
Commodities	111	(22)	15	(7)
Indices	61	(1)	-	(1)
Foreign currency	118,918	(2,984)	(23)	(3,007)
Securities	29	-	-	-
Check of swap	**1,490**	**(329)**	**83**	**(246)**
Asset position - Foreign currency	**920**	**11**	**101**	**112**
Liability position - Interbank market	**570**	**(340)**	**(18)**	**(358)**
Other derivative financial instruments	**4,622**	**58**	**(11)**	**47**
Asset position	**3,386**	**58**	**49**	**107**
Foreign currency	49	(7)	10	3
Fixed rate	1,307	61	1	62
Securities	1,669	4	29	33
Other	361	-	9	9
Liability position	**1,236**	**-**	**(60)**	**(60)**
Commodities	2	-	-	-
Foreign currency	188	2	(39)	(37)
Fixed rate	81	-	-	-
Securities	814	(2)	(18)	(20)
Other	151	-	(3)	(3)
	Asset	**18,915**	**7,272**	**26,187**
	Liability	**(23,430)**	**(2,714)**	**(26,144)**
	Total	**(4,515)**	**4,558**	**43**

Derivative contracts mature as follows (in days):

Off-balance sheet – notional amount	0 - 30	31 - 180	181 - 365	Over 365	09/30/2016
Futures contracts	89,360	232,327	38,790	211,264	571,741
Swaps contracts - difference payable	11,421	54,680	54,781	325,060	445,942
Options	103,514	239,129	83,777	30,106	456,526
Forwards (onshore)	5,609	8,739	1,308	-	15,656
Credit derivatives	-	763	777	9,786	11,326
Forwards (offshore)	64,073	134,536	39,775	17,151	255,535
Check of swap	-	-	1,090	400	1,490
Other derivative financial instruments	59	239	617	3,707	4,622

The following table shows the composition of derivatives by index:

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2015	12/31/2015	12/31/2015	12/31/2015
Futures contracts	**589,451**	**(71)**	**600**	**529**
Purchase commitments	**189,037**	**702**	**624**	**1,326**
Commodities	316	-	-	-
Indices	60,485	702	(6)	696
Interbank market	88,411	(40)	1	(39)
Foreign currency	34,228	40	629	669
Securities	5,508	-	-	-
Other	89	-	-	-
Commitments to sell	**400,414**	**(773)**	**(24)**	**(797)**
Commodities	158	-	-	-
Indices	73,466	(754)	8	(746)
Interbank market	190,855	60	-	60
Foreign currency	129,357	(79)	(32)	(111)
Securities	6,260	-	-	-
Other	318	-	-	-
Swap contracts		**(8,848)**	**1,664**	**(7,184)**
Asset position	**327,834**	**4,764**	**4,383**	**9,147**
Commodities	4	-	-	-
Indices	134,426	(18)	1,050	1,032
Interbank market	60,888	426	818	1,244
Foreign currency	14,668	3,068	1,234	4,302
Floating rate	11,491	377	143	520
Fixed rate	106,316	911	1,138	2,049
Securities	25	-	-	-
Other	16	-	-	-
Liability position	**336,682**	**(13,612)**	**(2,719)**	**(16,331)**
Commodities	15	-	-	-
Indices	100,826	(2,316)	(311)	(2,627)
Interbank market	37,889	(233)	(1,167)	(1,400)
Foreign currency	33,944	(6,084)	(756)	(6,840)
Floating rate	11,195	(155)	(560)	(715)
Fixed rate	152,593	(4,795)	70	(4,725)
Securities	64	(29)	5	(24)
Other	156	-	-	-
Option contracts	**285,405**	**136**	**(336)**	**(200)**
Purchase commitments – long position	**61,880**	**2,288**	**1,661**	**3,949**
Commodities	481	25	(11)	14
Indices	5,505	66	(25)	41
Interbank market	5,116	15	6	21
Foreign currency	44,802	2,073	1,474	3,547
Fixed rate	6	-	-	-
Securities	5,872	101	208	309
Other	98	8	9	17
Commitments to sell – long position	**85,099**	**1,481**	**153**	**1,634**
Commodities	159	9	12	21
Indices	27,824	133	16	149
Interbank market	12,347	16	(16)	-
Foreign currency	36,526	1,024	(557)	467
Fixed rate	179	8	(1)	7
Securities	8,015	291	698	989
Other	49	-	1	1
Purchase commitments – short position	**58,929**	**(2,020)**	**(2,141)**	**(4,161)**
Commodities	249	(6)	-	(6)
Indices	5,418	(66)	21	(45)
Interbank market	5,146	(21)	(30)	(51)
Foreign currency	42,750	(1,864)	(1,902)	(3,766)
Fixed rate	112	-	-	-
Securities	5,156	(55)	(221)	(276)
Other	98	(8)	(9)	(17)
Commitments to sell – short position	**79,497**	**(1,613)**	**(9)**	**(1,622)**
Commodities	290	(22)	(39)	(61)
Indices	30,277	(158)	(23)	(181)
Interbank market	7,694	(10)	10	-
Foreign currency	33,751	(1,147)	740	(407)
Fixed rate	22	(1)	-	(1)
Securities	7,414	(275)	(696)	(971)
Other	49	-	(1)	(1)

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2015	12/31/2015	12/31/2015	12/31/2015
Forwards operations (onshore)	**40,227**	**2,253**	**80**	**2,333**
Purchases receivable	**516**	**636**	**-**	**636**
Foreign currency	-	1	-	1
Floating rate	354	353	-	353
Fixed rate	154	273	-	273
Securities	8	9	-	9
Purchases payable	**-**	**(508)**	**-**	**(508)**
Floating rate	-	(353)	-	(353)
Fixed rate	-	(154)	-	(154)
Securities	-	(1)	-	(1)
Sales receivable	**23,208**	**2,448**	**82**	**2,530**
Interbank market	20,697	-	73	73
Floating rate	164	164	-	164
Fixed rate	153	157	-	157
Securities	2,194	2,127	9	2,136
Sales deliverable	**16,503**	**(323)**	**(2)**	**(325)**
Interbank market	16,503	-	(3)	(3)
Foreign currency	-	(2)	-	(2)
Floating rate	-	(164)	1	(163)
Fixed rate	-	(157)	-	(157)
Credit derivatives	**12,662**	**58**	**(319)**	**(261)**
Asset position	**4,605**	**353**	**261**	**614**
Foreign currency	3,625	353	212	565
Securities	788	-	45	45
Other	192	-	4	4
Liability position	**8,057**	**(295)**	**(580)**	**(875)**
Foreign currency	4,360	(290)	(267)	(557)
Fixed rate	547	(6)	(3)	(9)
Securities	2,763	1	(275)	(274)
Other	387	-	(35)	(35)
Forwards operations (offshore)	**148,477**	**203**	**85**	**288**
Asset position	**71,227**	**3,285**	**145**	**3,430**
Commodities	419	47	-	47
Indices	22	1	-	1
Foreign currency	70,786	3,237	145	3,382
Liability position	**77,250**	**(3,082)**	**(60)**	**(3,142)**
Commodities	152	(13)	2	(11)
Indices	77	(3)	-	(3)
Foreign currency	77,020	(3,066)	(62)	(3,128)
Securities	1	-	-	-
Check of swap	**1,676**	**(330)**	**140**	**(190)**
Asset position - Foreign currency	**1,106**	**199**	**156**	**355**
Liability position - Interbank market	**570**	**(529)**	**(16)**	**(545)**
Other derivative financial instruments	**16,651**	**117**	**252**	**369**
Asset position	**15,508**	**2,964**	**967**	**3,931**
Foreign currency	10,468	2,883	588	3,471
Fixed rate	1,464	71	63	134
Securities	3,113	10	279	289
Other	463	-	37	37
Liability position	**1,143**	**(2,847)**	**(715)**	**(3,562)**
Foreign currency	283	(2,847)	(687)	(3,534)
Securities	743	-	(25)	(25)
Other	117	-	(3)	(3)
	Asset	**18,347**	**8,408**	**26,755**
	Liability	**(24,829)**	**(6,242)**	**(31,071)**
	Total	**(6,482)**	**2,166**	**(4,316)**

Derivative contracts mature as follows (in days):

Off-balance sheet - notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2015
Futures contracts	152,087	138,545	74,365	224,454	589,451
Swaps contracts - difference payable	10,654	39,702	46,157	226,557	323,070
Options	93,587	123,391	40,860	27,567	285,405
Forwards (onshore)	6,591	22,349	10,118	1,169	40,227
Credit derivatives	-	1,436	428	10,798	12,662
Forwards (offshore)	43,651	70,688	23,365	10,773	148,477
Check of swap	-	-	-	1,676	1,676
Other derivative financial instruments	1,550	3,254	502	11,345	16,651

Derivative financial instruments

See below the composition of the Derivative financial instruments portfolio (assets and liabilities) by type of instrument, stated fair value, and by maturity.

	09/30/2016							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
Assets								
Futures contracts - BM&FBOVESPA	**195**	**0.7**	**224**	**(8)**	**(4)**	**(3)**	**(5)**	**(9)**
Swaps – difference receivable	**12,567**	**48.1**	**549**	**501**	**1,656**	**996**	**1,895**	**6,970**
BM&FBOVESPA	1,999	7.6	1	41	337	422	575	623
Companies	6,040	23.1	508	427	544	376	823	3,362
Financial institutions	4,244	16.3	31	15	748	174	440	2,836
Individuals	284	1.1	9	18	27	24	57	149
Option premiums	**5,650**	**21.6**	**442**	**839**	**738**	**1,729**	**1,736**	**166**
BM&FBOVESPA	2,155	8.2	205	441	324	1,115	51	19
Companies	541	2.1	26	39	43	133	238	62
Financial institutions	2,951	11.3	211	359	371	478	1,447	85
Individuals	3	0.0	-	-	-	3	-	-
Forwards (onshore)	**3,279**	**12.5**	**2,442**	**698**	**120**	**19**	**-**	**-**
BM&FBOVESPA	983	3.8	180	664	120	19	-	-
Companies	1,288	4.9	1,254	34	-	-	-	-
Financial institutions	1,008	3.8	1,008	-	-	-	-	-
Credit derivatives - financial Institutions	**153**	**0.6**	**-**	**2**	**-**	**2**	**8**	**141**
Forwards (offshore)	**4,124**	**15.7**	**689**	**1,124**	**1,150**	**446**	**385**	**330**
BM&FBOVESPA	238	0.9	47	78	77	36	-	-
Companies	1,959	7.5	404	766	236	236	221	96
Financial institutions	1,922	7.3	237	278	835	174	164	234
Individuals	5	0.0	1	2	2	-	-	-
Check of swap - Companies	**112**	**0.4**	**-**	**-**	**-**	**112**	**-**	**-**
Other	**107**	**0.4**	**-**	**-**	**-**	**3**	**20**	**84**
Companies	46	0.2	-	-	-	1	14	31
Financial institutions	61	0.2	-	-	-	2	6	53
Total [(*)]	**26,187**	**100.0**	**4,346**	**3,156**	**3,660**	**3,304**	**4,039**	**7,682**
% per maturity term			16.6	12.1	14.0	12.6	15.4	29.3

(*) Of the total asset portfolio of Derivative Financial Instruments, R$ 14,466 refers to current and R$ 11,721 to non-current.

Derivative financial instruments

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated fair value and by maturity.

	12/31/2015							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
Assets								
Futures - BM&FBOVESPA	**529**	**2.0**	**639**	**(155)**	**(18)**	**(49)**	**76**	**36**
Swaps – difference receivable	**9,147**	**34.2**	**666**	**224**	**403**	**1,513**	**1,935**	**4,406**
BM&FBOVESPA	662	2.5	17	13	25	104	126	377
Companies	5,127	19.1	627	29	46	1,037	838	2,550
Financial institutions	2,826	10.6	21	177	325	329	657	1,317
Individuals	532	2.0	1	5	7	43	314	162
Option premiums	**5,583**	**20.8**	**2,413**	**676**	**609**	**715**	**692**	**478**
BM&FBOVESPA	2,597	9.7	2,074	228	140	113	31	11
Companies	1,278	4.8	118	147	131	194	412	276
Financial institutions	1,697	6.3	221	300	337	399	249	191
Individuals	11	0.0	-	1	1	9	-	-
Forwards (onshore)	**3,166**	**11.9**	**1,204**	**1,417**	**538**	**6**	**1**	**-**
BM&FBOVESPA	2,218	8.3	368	1,313	530	6	1	-
Companies	530	2.0	418	104	8	-	-	-
Financial institutions	418	1.6	418	-	-	-	-	-
Credit derivatives - financial institutions	**614**	**2.3**	**-**	**-**	**2**	**2**	**26**	**584**
Forwards (offshore)	**3,430**	**12.8**	**1,030**	**794**	**526**	**434**	**233**	**413**
BM&FBOVESPA	47	0.2	3	19	7	18	-	-
Companies	1,453	5.4	177	327	288	294	135	232
Financial institutions	1,927	7.2	850	447	230	121	98	181
Individuals	3	0.0	-	1	1	1	-	-
Check of swap - Companies	**355**	**1.3**	**-**	**-**	**-**	**-**	**355**	**-**
Other	**3,931**	**14.7**	**88**	**1,269**	**867**	**32**	**112**	**1,563**
Companies	415	1.6	3	13	14	14	74	297
Financial institutions	3,516	13.1	85	1,256	853	18	38	1,266
Total [(*)]	**26,755**	**100.0**	**6,040**	**4,225**	**2,927**	**2,653**	**3,430**	**7,480**
% per maturity term			22.6	15.8	10.9	9.9	12.8	28.0

(*) Of the total asset portfolio of Derivative Financial Instruments, R$ 15,845 refers to current and R$ 10,910 to non-current.

	09/30/2016							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
Liabilities								
Swaps – Difference payable	**(14,187)**	**54.2**	**(51)**	**(226)**	**(779)**	**(1,013)**	**(2,172)**	**(9,946)**
BM&FBOVESPA	(1,706)	6.5	(10)	(45)	(375)	(167)	(178)	(931)
Companies	(2,663)	10.2	(16)	(112)	(106)	(153)	(659)	(1,617)
Financial institutions	(4,688)	17.9	(16)	(49)	(269)	(240)	(899)	(3,215)
Individuals	(5,130)	19.6	(9)	(20)	(29)	(453)	(436)	(4,183)
Option premiums	**(5,688)**	**21.7**	**(462)**	**(942)**	**(1,219)**	**(1,110)**	**(1,116)**	**(839)**
BM&FBOVESPA	(2,103)	8.0	(196)	(541)	(705)	(614)	(47)	-
Companies	(686)	2.6	(77)	(80)	(65)	(167)	(209)	(88)
Financial institutions	(2,874)	11.0	(188)	(313)	(448)	(324)	(857)	(744)
Individuals	(25)	0.1	(1)	(8)	(1)	(5)	(3)	(7)
Forwards (onshore)	**(2,696)**	**10.4**	**(2,695)**	**(1)**	**-**	**-**	**-**	**-**
BM&FBOVESPA	(1)	0.0	-	(1)	-	-	-	-
Companies	(1,687)	6.5	(1,687)	-	-	-	-	-
Financial institutions	(1,008)	3.9	(1,008)	-	-	-	-	-
Credit derivatives - Financial institutions	**(140)**	**0.5**	**-**	**-**	**-**	**-**	**(14)**	**(126)**
Forwards (offshore)	**(3,015)**	**11.6**	**(516)**	**(763)**	**(550)**	**(559)**	**(136)**	**(491)**
BM&FBOVESPA	(256)	1.0	(83)	(92)	(45)	(36)	-	-
Companies	(752)	2.9	(141)	(203)	(145)	(122)	(97)	(44)
Financial institutions	(2,004)	7.7	(292)	(467)	(360)	(399)	(39)	(447)
Individuals	(3)	0.0	-	(1)	-	(2)	-	-
Check of swap - Companies	**(358)**	**1.4**	**-**	**-**	**-**	**(223)**	**(135)**	**-**
Other - Companies	**(60)**	**0.2**	**-**	**(1)**	**(1)**	**(1)**	**(7)**	**(50)**
Total [(*)]	**(26,144)**	**100.0**	**(3,724)**	**(1,933)**	**(2,549)**	**(2,906)**	**(3,580)**	**(11,452)**
% per maturity term			14.2	7.4	9.7	11.2	13.7	43.8

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (11,112) refers to current and R$ (15,032) to non-current.

	12/31/2015							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
Liabilities								
Swaps – difference payable	**(16,331)**	**52.6**	**(783)**	**(481)**	**(989)**	**(1,898)**	**(2,618)**	**(9,562)**
BM&FBOVESPA	(1,107)	3.6	(9)	(10)	(35)	(145)	(340)	(568)
Companies	(5,912)	19.0	(703)	(422)	(279)	(953)	(1,339)	(2,216)
Financial institutions	(3,530)	11.4	(60)	(21)	(662)	(644)	(284)	(1,859)
Individuals	(5,782)	18.6	(11)	(28)	(13)	(156)	(655)	(4,919)
Option premiums	**(5,783)**	**18.6**	**(1,460)**	**(1,285)**	**(895)**	**(845)**	**(805)**	**(493)**
BM&FBOVESPA	(2,365)	7.6	(1,112)	(565)	(510)	(130)	(40)	(8)
Companies	(661)	2.1	(71)	(45)	(63)	(150)	(144)	(188)
Financial institutions	(2,748)	8.8	(277)	(674)	(321)	(560)	(620)	(296)
Individuals	(9)	0.1	-	(1)	(1)	(5)	(1)	(1)
Forwards (onshore)	**(833)**	**2.6**	**(828)**	**(4)**	**(1)**	**-**	**-**	**-**
BM&FBOVESPA	(5)	0.0	-	(4)	(1)	-	-	-
Companies	(411)	1.3	(411)	-	-	-	-	-
Financial institutions	(417)	1.3	(417)	-	-	-	-	-
Credit derivatives - Financial institutions	**(875)**	**2.8**	**-**	**(9)**	**(9)**	**(5)**	**(105)**	**(747)**
Forwards (offshore)	**(3,142)**	**10.1**	**(692)**	**(727)**	**(785)**	**(581)**	**(233)**	**(124)**
BM&FBOVESPA	(41)	0.1	(8)	(10)	(10)	(13)	-	-
Companies	(1,948)	6.3	(260)	(478)	(565)	(356)	(179)	(110)
Financial institutions	(1,151)	3.7	(424)	(238)	(210)	(211)	(54)	(14)
Individuals	(2)	0.0	-	(1)	-	(1)	-	-
Check of swap - Companies	**(545)**	**1.8**	**-**	**-**	**-**	**-**	**(335)**	**(210)**
Other	**(3,562)**	**11.5**	**(87)**	**(1,267)**	**(857)**	**(19)**	**(8)**	**(1,324)**
Companies	(817)	2.6	(1)	(3)	(6)	(4)	(8)	(795)
Financial institutions	(2,745)	8.9	(86)	(1,264)	(851)	(15)	-	(529)
Total [(*)]	**(31,071)**	**100.0**	**(3,850)**	**(3,773)**	**(3,536)**	**(3,348)**	**(4,104)**	**(12,460)**
% per maturity term			12.4	12.1	11.4	10.8	13.2	40.1

(*) Of the total liability portfolio of Derivative Financial Instruments, R$ (14,507) refers to current and R$ (16,564) to non-current.

a) Information on credit derivatives

ITAÚ UNIBANCO HOLDING buys and sells credit protection mainly related to securities of Brazilian listed companies in order to meet the needs of its customers. When ITAÚ UNIBANCO HOLDING sells contracts for credit protection, the exposure for a given reference entity may be partially or totally offset by a credit protection purchase contract of another counterparty for the same reference entity or similar entity. The credit derivatives for which ITAÚ UNIBANCO HOLDING is protection seller are credit default swaps, total return swaps and credit-linked notes.

Credit Default Swaps – CDS

CDS are credit derivatives in which, upon a credit event related to the reference entity pursuant to the terms of the contract, the protection buyer is entitled to receive, from the protection seller, the amount equivalent to the difference between the face value of the CDS contract and the fair value of the liability on the date the contract was settled, also known as the recovered amount. The protection buyer does not need to hold the debt instrument of the reference entity for it to receive the amounts due pursuant to the CDS contract terms when a credit event occurs.

Total Return Swap – TRS

TRS is a transaction in which a party swaps the total return of a reference entity or of a basket of assets for regular cash flows, usually interest and a guarantee against capital loss. In a TRS contract, the parties do not transfer the ownership of the assets.

The table below presents the portfolio of credit derivatives in which ITAÚ UNIBANCO HOLDING sells protection to third parties, by maturity, and the maximum potential of future payments, gross of any guarantees, as well as its classification by instrument, risk and reference entity.

	09/30/2016				
	Maximum potential of future payments, gross	**Before 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**
By instrument					
CDS	7,624	1,525	3,050	2,850	199
Total by instrument	**7,624**	**1,525**	**3,050**	**2,850**	**199**
By risk rating					
Investment grade	7,624	1,525	3,050	2,850	199
Total by risk	**7,624**	**1,525**	**3,050**	**2,850**	**199**
By reference entity					
Private entities	7,624	1,525	3,050	2,850	199
Total by entity	**7,624**	**1,525**	**3,050**	**2,850**	**199**

	12/31/2015				
	Maximum potential of future payments, gross	**Before 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**
By instrument					
CDS	8,799	1,781	3,301	3,717	-
Total by instrument	**8,799**	**1,781**	**3,301**	**3,717**	**-**
By risk rating					
Investment grade	8,799	1,781	3,301	3,717	-
Total by risk	**8,799**	**1,781**	**3,301**	**3,717**	**-**
By reference entity					
Private entities	8,799	1,781	3,301	3,717	-
Total by entity	**8,799**	**1,781**	**3,301**	**3,717**	**-**

ITAÚ UNIBANCO HOLDING assesses the risk of a credit derivative based on the credit ratings attributed to the reference entity by independent credit rating agencies. Investment grade are those entities for which credit risk is rated as Baa3 or higher, as rated by Moody's, and BBB- or higher, according to the ratings of Standard & Poor's and Fitch Ratings. The maximum potential loss that may be incurred with the credit derivative is based on the notional amount of the derivative. ITAÚ UNIBANCO HOLDING believes, based on its historical experience, that the amount of the maximum potential loss does not represent the actual level of loss. This is so because, should there be an event of loss, the amount of maximum potential loss should be reduced from the notional amount by the recoverable amount.

The credit derivatives sold are not covered by guarantees, and during this period, ITAÚ UNIBANCO HOLDING has not incurred any loss related to credit derivative contracts.

The following table presents the notional amount of purchased credit derivatives whose underlying amounts are identical to those for which ITAÚ UNIBANCO HOLDING operates as seller of the credit protection.

	09/30/2016		
	Notional amount of credit protection sold	**Notional amount of credit protection purchased with identical underlying amount**	**Net position**
CDS	(7,624)	3,702	(3,922)
Total	**(7,624)**	**3,702**	**(3,922)**

	12/31/2015		
	Notional amount of credit protection sold	**Notional amount of credit protection purchased with identical underlying amount**	**Net position**
CDS	(8,799)	3,863	(4,936)
Total	**(8,799)**	**3,863**	**(4,936)**

b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The following tables set forth the financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements, as well as how these financial assets and liabilities have been presented in ITAÚ UNIBANCO HOLDING's financial statements. These tables also reflect the amounts of collateral pledged or received in relation to financial assets and liabilities subject to enforceable arrangements that have not been presented on a net basis in accordance with IAS 32.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	09/30/2016					
	Gross amount of recognized financial assets [1]	Gross amount offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position [2]		Net amount
				Financial instruments [3]	Cash collateral received	
Securities purchased under agreements to resell	257,122	-	257,122	(660)	-	256,462
Derivatives	26,187	-	26,187	(4,275)	(247)	21,665

	12/31/2015					
	Gross amount of recognized financial assets [1]	Gross amount offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position [2]		Net amount
				Financial instruments [3]	Cash collateral received	
Securities purchased under agreements to resell	254,404	-	254,404	(2,569)	-	251,835
Derivatives	26,755	-	26,755	(8,150)	-	18,605

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	09/30/2016					
	Gross amount of recognized financial liabilities [1]	Gross amount offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position [2]		Net amount
				Financial instruments [3]	Cash collateral pledged	
Securities sold under repurchase agreements	347,790	-	347,790	(15,121)	-	332,669
Derivatives	26,144	-	26,144	(4,275)	-	21,869

	12/31/2015					
	Gross amount of recognized financial liabilities [1]	Gross amount offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position [2]		Net amount
				Financial instruments [3]	Cash collateral pledged	
Securities sold under repurchase agreements	336,643	-	336,643	(22,158)	-	314,485
Derivatives	31,071	-	31,071	(8,150)	(24)	22,897

(1) Includes amounts of master offset agreements and other such agreements, both enforceable and unenforceable.

(2) Limited to amounts subject to enforceable master offset agreements and other such agreements.

(3) Includes amounts subject to enforceable master offset agreements and other such agreements, and guarantees in financial instruments.

Financial assets and financial liabilities are offset in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Derivatives and repurchase agreements not set off in the balance sheet relate to transactions in which there are enforceable master netting agreements or similar agreements, but the offset criteria have not been met in accordance with paragraph 42 of IAS 32 mainly because ITAÚ UNIBANCO HOLDING has no intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Note 9 – Hedge accounting

There are three types of hedge relations: Fair value hedge, Cash flow hedge, and Hedge of net investment in foreign operations.

Cash flow hedge

To hedge the variation of future cash flows of interest payment and receipts and exposure to futures interest rate, ITAÚ UNIBANCO HOLDING uses futures contracts traded at BM&FBOVESPA and Chicago Stock Exchange, related to certain fixed assets and liabilities, denominated in Brazilian Reais and US Dollars, futures Euro-Dollar and interest rate swaps, related to redeemable preferred shares, denominated in US Dollars, issued by one of our subsidiaries, DDI Futures contracts, traded on BM&FBOVESPA, related to highly probable forecast transactions denominated in US Dollars and NDF (Non Deliverable Forward) and currency swap, contracts traded in the over-the-counter market, related to highly probable forecast transactions not accounted for.

Under a DI Futures contract, a net payment (receipt) is made for the difference between an amount multiplied by the CDI rate and an amount computed and multiplied by a fixed rate. Under an interest rate swap, currency and futures Euro-Dollar, a net payment (receipt) is made for the difference between an amount computed multiplied by the LIBOR rate and an amount computed and multiplied by a fixed rate. In DDI Future contracts, NDF and Forwards, the gain (loss) on exchange variation is computed as the difference between two periods of market quotation between the US Dollar and the contracted currency.

The cash flow hedge strategies of ITAÚ UNIBANCO HOLDING consist of a hedge of exposure to variations in cash flows, payment of interest and exposure to interest rate, which are attributable to changes in interest rates related to assets and liabilities recognized and changes in interest rates of unrecognized assets and liabilities.

ITAÚ UNIBANCO HOLDING has applied cash flow hedge strategies as follows:

- Hedge of time deposits and repurchase agreements: hedge of the variability in cash flows of interest payments resulting from changes in the CDI interest rate.
- Hedge of redeemable preferred shares: hedge of the variability in cash flows of interest payments resulting from changes in the LIBOR interest rate.
- Hedge of subordinated certificates of deposit (CDB): hedge of the variability in the cash flows of interest payments resulting from changes in the CDI interest rate.
- Hedge of highly probable forecast transactions: Protecting the risk associated to variation in the amount of commitments, when measured in Brazilian Reais (parent company's functional currency) arising from variations in foreign exchange rates.
- Hedge of Syndicated Loan: hedge the variability in cash flow of interest payments resulting from changes in the LIBOR interest rate.
- Hedge of asset transactions: to hedge the variations in cash flows of interest receipts resulting from changes in the CDI rate.
- Hedge of assets denominated in UF*: to hedge the variations in cash flows of interest receipts resulting from changes in the UF*.
- Hedge of Funding: to hedge the variations in cash flows of interest payments resulting from changes in the TPM* rate and foreign exchange.
- Hedge of loan operations: variations in cash flows of interest receipts resulting from changes in the TPM* rate.

*UF – Chilean unit of account / TPM – Monetary policy rate

To evaluate the effectiveness and to measure the ineffectiveness of such strategies, ITAÚ UNIBANCO HOLDING uses the hypothetical derivative method. The hypothetical derivative method is based on a comparison of the change in the fair value of a hypothetical derivative with terms identical to the critical terms of the variable-rate liability, and this change in the fair value of a hypothetical derivative is considered a proxy of the present value of the cumulative change in the future cash flow expected for the hedged liability.

All hedge relationships were designated between 2008 and 2015. Periods in which expected cash flows should be paid and affect the income statement are as follows:

- Hedge of time deposits and agreements to resell: interest paid/received daily.
- Hedge of redeemable preferred shares: interest paid/received every half year.
- Hedge of highly probable forecast transactions: foreign exchange amount paid / received on future dates.
- Hedge of Syndicated Loan: interest paid / received daily.
- Hedge of asset transactions: interest paid / received monthly.
- Hedge of assets denominated in UF*: interest received monthly.
- Hedge of funding: interest paid monthly.

- Hedge of loan operations: interest received monthly.

Hedge of net investment in foreign operations

ITAÚ UNIBANCO HOLDING strategies of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of the foreign operation, with respect to the functional currency of the head office.

To hedge the changes of future cash flows of exchange variation of net investments in foreign operations, ITAÚ UNIBANCO HOLDING uses DDI Futures contracts traded at BM&FBOVESPA, Financial Assets and Forward contracts or NDF contracts entered into by our subsidiaries abroad.

In DDI Future contracts, the gain (loss) on exchange variation is computed as the difference between two periods of market quotation between the US Dollar and Brazilian Real. In the Forward or NDF contracts and Financial Assets, the gain (loss) on exchange variation is computed as the difference between two periods of market quotation between the functional currency and the US Dollar.

ITAÚ UNIBANCO HOLDING applies the hedge of net investment in foreign operations as follows:

- To hedge the risk of variation in the investment amount, when measured in Brazilian Reais (the head office's functional currency), arising from changes in exchange rates between the functional currency of the investment abroad and the Brazilian Real.

To evaluate the effectiveness and to measure the ineffectiveness of such strategies, ITAÚ UNIBANCO HOLDING uses the Dollar Offset Method. The Dollar Offset Method is based on a comparison of the change in fair value (cash flow) of the hedge instrument, attributable to changes in exchange rate and gain (loss) arising from the variation in exchange rates, on the amount of investment abroad designated as a hedged item.

Hedge relationships were designated in 2011 and 2012 and the hedge instruments will mature on the sale of investments abroad, which will be in the period when the cash flows of exchange variation are expected to occur and affect the statement of income.

Fair value hedge

The fair value hedge strategy of ITAÚ UNIBANCO HOLDING consists in hedging the exposure to variation in fair value, in the receipt and payment of interest related to recognized assets and liabilities.

To hedge the market risk variation in the receipt and payment of interest, ITAÚ UNIBANCO HOLDING uses interest rate swap contracts related to prefixed assets and liabilities expressed in UF (Chilean Unit of Accounts - CLF), and Euros and US Dollars, issued by subsidiaries in Chile, London and Colombia, respectively.

Under an interest rate swap contract, net receipt (payment) is made for the difference between the amount computed and multiplied by variable rate and an amount computed and multiplied by a fixed rate.

ITAÚ UNIBANCO HOLDING has applied fair value hedge as follows:

- To protect the risk of variation in the fair value of receipt and payment of interest resulting from variations in the fair value of variable rates involved.
- To hedge the variations in cash flows of interest receipts resulting from changes in the CDI rate.

To evaluate the effectiveness and to measure the ineffectiveness of such strategy, ITAÚ UNIBANCO HOLDING uses the percentage approach and dollar offset method:

- The percentage approach is based on the calculation of change in the fair value of the reviewed estimate for the hedged position (hedge item) attributable to the protected risk versus the change in the fair value of the hedged derivative instrument.

- The dollar offset method is calculated based on the difference between the variation of the fair value of the hedging instrument and the variation in the fair value of the hedged item attributed to changes in the interest rate.

Hedge relationships were designated between 2012 and 2014, and maturities of related swaps will occur between 2016 and 2030. Receipts (payments) of interest flows are expected to occur on a monthly basis, and they will affect the statement of income.

Following we present gains (or losses) of the effective and ineffective portions of the strategies of cash flow hedge, hedge of net investment in foreign operations and fair value hedge.

a) Cash flow hedge

Hedge instruments	09/30/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate futures	(1,869)	2	2,947	80
NDF	-	-	16	-
Interest rate swap	(41)	(2)	-	-
Total	**(1,910)**	**-**	**2,963**	**80**

The effective portion is recognized in the stockholders' equity, under other comprehensive income and the ineffective portion is recognized in the statement of income under net gain (loss) on investment securities and derivatives.

To hedge future cash flows of highly probable forecast transactions, arising from futures contracts in foreign currency, against the exposure to future interest rate, ITAÚ UNIBANCO HOLDING negotiated DDI Futures contracts on BM&FBOVESPA and NDF (Non Deliverable Forward) contracts traded in the over-the-counter market. During the second quarter of 2015, part of the flow of these agreements was realized, and , accordingly, Asset Valuation Adjustment was reclassified and included in the deemed cost of assets related to Hedge of Highly Probable Forecast Transaction.

At 09/30/2016, the gain (loss) on cash flow hedge expected to be reclassified from Comprehensive Income to Income in the following 12 months is R$ 355 (R$ 512 at 09/30/2015).

b) Hedge of a net investment in foreign operations

Hedge instrument	09/30/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
DDI futures	(7,491)	(51)	(11,728)	(6)
Forward	618	45	669	44
NDF	2,081	14	2,801	76
Financial assets	35	2	46	-
Total	**(4,757)**	**10**	**(8,212)**	**114**

The effective portion is recognized in the stockholders' equity, under other comprehensive income and the ineffective portion is recognized in the statement of income under net gain (loss) on investment securities and derivatives.

DDI Futures is a futures contract in which participants may trade a clean coupon for any period between the first maturity of the futures contract of foreign currency coupon (DDI) and a later maturity.

NDF (Non Deliverable Forward), or Forward Contract of Currency without Physical Delivery is a derivative traded on over-the-counter market, which has the foreign exchange rate of a given currency as its subject.

c) Fair value hedge

Hedge instrument used	09/30/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate swap	(160)	(14)	(54)	(3)
Total	**(160)**	**(14)**	**(54)**	**(3)**

The effective and ineffective portion are recognized in the statement of income under net gain (loss) on investment securities and derivatives.

The tables below present, for each strategy, the notional amount and the fair value of hedge instruments and the carrying amount of the hedged item:

Strategies	09/30/2016			12/31/2015		
	Hedge instruments		Hedged item	Hedge instruments		Hedged item
	Notional amount	Fair value	Carrying value	Notional amount	Fair value	Carrying value
Hedge of deposits and repurchase agreements	83,266	(12)	83,272	77,905	43	77,922
Hedge of syndicated loan	6,817	(68)	6,817	8,200	(90)	8,200
Hedge of highly probable forecast transactions	25	-	25	1,125	16	1,125
Hedge of net investment in foreign operations (*)	21,053	(15)	12,079	21,927	(427)	12,815
Hedge of loan operations (Cash flow)	1,133	27	1,133	-	-	-
Hedge of assets transactions	22,986	174	24,566	7,405	(263)	7,876
Hedge of assets denominated in UF	6,495	(12)	6,495	-	-	-
Hedge of funding (Cash flow)	3,741	(56)	3,741	-	-	-
Hedge of loan operations (Market risk)	2,932	(111)	2,932	4,346	59	4,346
Hedge of available-for-sale securities	490	(15)	490	-	-	-
Hedge of funding (Market risk)	8,120	(48)	8,120	781	-	781
Total	**157,058**	**(136)**	**149,670**	**121,689**	**(662)**	**113,065**

(*) Hedge instruments include the overhedge rate of 44.65% regarding taxes.

The table below shows the breakdown by maturity of the hedging strategies:

Strategies	09/30/2016							
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Hedge of deposits and repurchase agreements	-	30,975	30,261	9,793	6,071	6,166	-	**83,266**
Hedge of syndicated loan	5,519	1,298	-	-	-	-	-	**6,817**
Hedge of highly probable forecast transactions	25	-	-	-	-	-	-	**25**
Hedge of assets transactions	4,627	13,545	3,882	-	932	-	-	**22,986**
Hedge of fixed rate loan operations (Cash flow)	125	-	-	25	49	934	-	**1,133**
Hedge of net investment in foreign operations (*)	21,053	-	-	-	-	-	-	**21,053**
Hedge of assets denominated in UF	4,833	77	1,585	-	-	-	-	**6,495**
Hedge of funding (Cash flow)	-	1,509	74	520	383	1,255	-	**3,741**
Hedge of loan operations (Market risk)	-	67	116	31	-	353	2,365	**2,932**
Hedge of available-for-sale securities	-	-	-	226	-	264	-	**490**
Hedge of funding (Market risk)	913	2,711	2,538	578	201	429	750	**8,120**
Total	**37,095**	**50,182**	**38,456**	**11,173**	**7,636**	**9,401**	**3,115**	**157,058**

(*) Classified as current, since instruments are frequently renewed.

Strategies	12/31/2015							
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	Total
Hedge of deposits and repurchase agreements	13,324	28,185	25,779	6,460	1,402	2,755	-	**77,905**
Hedge of syndicated loan	-	8,200	-	-	-	-	-	**8,200**
Hedge of highly probable forecast transactions	1,125	-	-	-	-	-	-	**1,125**
Hedge of assets transactions	-	4,627	2,778	-	-	-	-	**7,405**
Hedge of fixed rate loan operations	339	276	474	898	88	447	1,824	**4,346**
Hedge of structured funding (Market risk)	781	-	-	-	-	-	-	**781**
Hedge of net investment in foreign operations (*)	21,927	-	-	-	-	-	-	**21,927**
Total	**37,496**	**41,288**	**29,031**	**7,358**	**1,490**	**3,202**	**1,824**	**121,689**

(*) Classified as current, since instruments are frequently renewed.

Note 10 – Available-for-sale financial assets

The fair value and corresponding cost of available-for-sale financial assets are as follows:

	09/30/2016			12/31/2015		
	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value
Investment funds	98	(2)	96	218	-	218
Brazilian external debt bonds [1b]	14,451	321	14,772	19,843	(2,531)	17,312
Brazilian government securities [1a]	14,204	338	14,542	12,702	(906)	11,796
Government securities – abroad [1c]	**13,832**	**(1)**	**13,831**	**9,942**	**(59)**	**9,883**
Colombia	1,516	69	1,585	-	-	-
Chile	4,207	7	4,214	1,409	(2)	1,407
Korea	2,688	-	2,688	1,626	-	1,626
Denmark	1,300	-	1,300	2,548	-	2,548
Spain	684	-	684	1,060	-	1,060
United States	1,548	1	1,549	2,028	(6)	2,022
Netherlands	101	-	101	122	-	122
Paraguay	1,406	(77)	1,329	955	(43)	912
Portugal	14	-	14	-	-	-
Uruguay	360	-	360	185	(7)	178
Other	8	(1)	7	9	(1)	8
Corporate securities [1d]	**44,309**	**(948)**	**43,361**	**47,380**	**(544)**	**46,836**
Shares	699	429	1,128	706	222	928
Rural product note	1,434	(56)	1,378	1,176	(46)	1,130
Bank deposit certificates	1,519	4	1,523	1,576	(3)	1,573
Securitized real estate loans	2,191	(78)	2,113	2,244	(207)	2,037
Debentures	22,702	(1,204)	21,498	23,153	(318)	22,835
Eurobonds and others	8,355	27	8,382	10,180	(68)	10,112
Financial bills	5,796	(20)	5,776	6,893	(47)	6,846
Promissory notes	1,301	(5)	1,296	1,060	(69)	991
Other	312	(45)	267	392	(8)	384
Total [2]	**86,894**	**(292)**	**86,602**	**90,085**	**(4,040)**	**86,045**

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and Clients were: a) R$ 3,733 (R$ 1,755 at 12/31/2015), b) R$ 14,445 (R$ 14,135 at 12/31/2015), c) R$ 21 (R$ 8 at 12/31/2015) and d) R$ 3,158 (R$ 808 at 12/31/2015), totaling R$ 21,357 (R$ 16,706 at 12/31/2015);

(2) In the period, there was no reclassification of available-for-sale financial assets to other categories of financial assets.

The cost and fair value of available-for-sale financial assets by maturity are as follows:

	09/30/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	**23,834**	**24,058**	**22,754**	**22,923**
Non-stated maturity	721	1,146	923	1,145
Up to one year	23,113	22,912	21,831	21,778
Non-current	**63,060**	**62,544**	**67,331**	**63,122**
From one to five years	36,604	35,869	35,739	35,098
From five to ten years	12,617	12,707	17,041	15,682
After ten years	13,839	13,968	14,551	12,342
Total	**86,894**	**86,602**	**90,085**	**86,045**

Note 11 - Held-to maturity financial assets

The amortized cost of held-to-maturity financial assets is as follows:

	09/30/2016	12/31/2015
	Amortized cost	Amortized cost
Corporate securities	15,938	15,661
Brazilian external debt bonds (1b)	12,031	14,788
Brazilian government securities (1a)	12,640	11,721
Government securities – abroad	577	15
Total (2)	**41,186**	**42,185**

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients were a) (R$ 9,460 at 12/31/2015), b) R$ 4,064.

(2) In the period, there was no reclassification of held-to maturity financial assets to other categories of financial assets.

The interest income related to held-to-maturity financial assets was R$ 2,907 (R$ 2,698 from 01/01 to 09/30/2015).

The fair value of held-to-maturity financial assets is disclosed in Note 31.

The amortized cost of Held-to-Maturity Financial assets by maturity is as follows:

	09/30/2016	12/31/2015
	Amortized cost	Amortized cost
Current	**2,842**	**661**
Up to one year	2,842	661
Non-current	**38,344**	**41,524**
From one to five years	18,683	14,500
From five to ten years	11,900	18,870
After ten years	7,761	8,154
Total	**41,186**	**42,185**

Note 12 - Loan operations and lease operations portfolio

a) Composition of loan operations and lease operations

Below is the composition of the carrying amount of loan operations and lease operations by type, sector of debtor, maturity and concentration:

Loan operations and lease operations by type	09/30/2016	12/31/2015
Individuals	**182,244**	**187,220**
Credit card	55,750	58,542
Personal loan	27,411	28,396
Payroll loans	45,636	45,434
Vehicles	15,970	20,058
Mortgage loans	37,477	34,790
Corporate	**122,234**	**152,527**
Small and medium businesses	**58,276**	**66,038**
Foreign loans - Latin America	**132,926**	**68,463**
Total loan operations and lease operations	**495,680**	**474,248**
Allowance for loan and lease losses	(30,330)	(26,844)
Total loan operations and lease operations, net of allowance for loan and lease losses	**465,350**	**447,404**

By maturity	09/30/2016	12/31/2015
Overdue as from 1 day	19,129	15,596
Falling due up to 3 months	128,545	128,389
Falling due more than 3 months but less than 1 year	110,224	111,083
Falling due after 1 year	237,782	219,180
Total loan operations and lease operations	**495,680**	**474,248**

By concentration	09/30/2016	12/31/2015
Largest debtor	3,669	4,615
10 largest debtors	22,378	27,173
20 largest debtors	34,052	40,831
50 largest debtors	54,484	63,797
100 largest debtors	74,442	85,167

The breakdown of the Loan and Lease Operations Portfolio by debtor's industry is evidenced in Note 36 item 5.1. Maximum exposure of Financial Assets segregated by business sector.

The accretion of the net present value of impaired loan operations and lease operations and the respective allowance for loan and lease losses are not presented using their gross amounts in the statement of income but on a net basis within interest and similar income. If they were presented at gross amounts, there would be an increase of R$ 1,691 and R$ 1,505 in interest and similar income as of 09/30/2016, and 09/30/2015 respectively, with the same impact on the allowance for loan and lease losses expenses.

b) Allowance for loan and lease losses

The changes in the allowance for loan and lease losses are shown in the table below:

Composition of the carrying amount by class of assets	Opening balance 12/31/2015	Balance arising from the aquisition of companies	Write-offs	Net increase / (Reversal)	Closing balance 09/30/2016
Individuals	**14,717**	**-**	**(10,320)**	**10,241**	**14,638**
Credit card	4,141	-	(3,788)	3,464	3,817
Personal loans	8,330	-	(4,998)	4,680	8,012
Payroll loans	1,319	-	(934)	1,697	2,082
Vehicles	874	-	(569)	365	670
Mortgage loans	53	-	(31)	35	57
Corporate	**6,459**	**-**	**(2,712)**	3,480	**7,227**
Small and medium businesses	**4,809**	**-**	**(3,127)**	3,471	**5,153**
Foreign loans - Latin America	**859**	**2,605**	**(535)**	383	**3,312**
Total	**26,844**	**2,605**	**(16,694)**	**17,575**	**30,330**

Composition of the carrying amount by class of assets	Opening balance 12/31/2014	Balance arising from the aquisition of companies	Write-offs	Net increase / (Reversal)	Closing balance 12/31/2015
Individuals	**13,385**	**-**	**(11,235)**	**12,567**	**14,717**
Credit card	3,740	-	(4,055)	4,456	4,141
Personal loans	7,024	-	(5,221)	6,527	8,330
Payroll loans	1,107	-	(622)	834	1,319
Vehicles	1,469	-	(1,294)	699	874
Mortgage loans	45	-	(43)	51	53
Corporate	**3,114**	**-**	**(4,321)**	**7,666**	**6,459**
Small and medium businesses	**5,158**	**-**	**(3,981)**	**3,632**	**4,809**
Foreign loans - Latin America	**735**	**-**	**(528)**	**652**	**859**
Total	**22,392**	**-**	**(20,065)**	**24,517**	**26,844**

The composition of the allowance for loan and lease losses by customer sector is shown in the following table:

	09/30/2016	12/31/2015
Public sector	4	2
Industry and commerce	6,138	4,314
Services	6,627	6,001
Natural resources	823	922
Other sectors	54	18
Individuals	16,684	15,587
Total	**30,330**	**26,844**

ITAÚ UNIBANCO HOLDING assesses the objective evidence of impairment for loan operations and lease operations on an individual basis for financial assets that are individually significant and, in aggregate, for financial assets that are not individually significant (Note 2.4g VIII).

The composition of the allowance for loan and lease losses by type of assessment for objective evidence of impairment is shown in the following table:

	09/30/2016						12/31/2015					
	Impaired		Not impaired		Total		Impaired		Not impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated												
Corporate (*)	**15,673**	**6,669**	**106,561**	**558**	**122,234**	**7,227**	**11,627**	**5,716**	**140,900**	**743**	**152,527**	**6,459**
II- Collectively evaluated												
Individuals	**11,002**	**6,904**	**171,242**	**7,734**	**182,244**	**14,638**	**11,579**	**6,587**	**175,641**	**8,130**	**187,220**	**14,717**
Credit card	3,675	2,252	52,075	1,565	55,750	3,817	4,072	2,436	54,470	1,705	58,542	4,141
Personal loans	4,952	3,399	22,459	4,613	27,411	8,012	5,049	3,442	23,347	4,888	28,396	8,330
Payroll loans	1,340	885	44,296	1,197	45,636	2,082	1,242	227	44,192	1,092	45,434	1,319
Vehicles	637	344	15,333	326	15,970	670	880	459	19,178	415	20,058	874
Mortgage loans	398	24	37,079	33	37,477	57	336	23	34,454	30	34,790	53
Small and medium businesses	**3,807**	**2,712**	**54,469**	**2,441**	**58,276**	**5,153**	**3,276**	**2,357**	**62,762**	**2,452**	**66,038**	**4,809**
Foreign loans - Latin America	**1,807**	**746**	**131,119**	**2,566**	**132,926**	**3,312**	**675**	**313**	**67,788**	**546**	**68,463**	**859**
Total	**32,289**	**17,031**	**463,391**	**13,299**	**495,680**	**30,330**	**27,157**	**14,973**	**447,091**	**11,871**	**474,248**	**26,844**

(*) As detailed in Note 2.4.g.VIII, corporate loans are first evaluated on an individual basis. In the event there is no objective indication of impairment, these are subsequently evaluated on an aggregate basis in accordance with the characteristics of the operation. As a result, an allowance for loan and lease losses for corporate loans is recognized, both in the individual and the aggregate evaluation.

c) Present value of lease operations

Below is the analysis of the present value of minimum future payments receivable from finance leases by maturity basically composed of individual operations - vehicles:

	09/30/2016		
	Minimum future payments	Future financial income	Present value
Current	**3,906**	**(1,828)**	**2,078**
Up to 1 year	3,906	(1,828)	2,078
Non-current	**10,366**	**(3,178)**	**7,188**
From 1 to 5 years	6,214	(2,939)	3,275
Over 5 years	4,152	(239)	3,913
Total	**14,272**	**(5,006)**	**9,266**

	12/31/2015		
	Minimum future payments	Future financial income	Present value
Current	**3,075**	**(794)**	**2,281**
Up to 1 year	3,075	(794)	2,281
Non-current	**3,402**	**(1,050)**	**2,352**
From 1 to 5 years	3,172	(1,014)	2,158
Over 5 years	230	(36)	194
Total	**6,477**	**(1,844)**	**4,633**

The allowance for loan and lease losses related to the lease portfolio amounts to: R$ 292 (R$ 176 at 12/31/2015).

d) Sale or transfer of financial assets

ITAÚ UNIBANCO HOLDING carried out operations related to the sale or transfer of financial assets in which there was the retention of credit risks of the financial assets transferred, through joint obligation clauses. Therefore, such operations remained recorded as loan operations and represent the following amounts at September 30, 2016 and December 31, 2015:

Nature of operation	09/30/2016				12/31/2015			
	Assets		Liabilities [1]		Assets		Liabilities [1]	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Companies – working capital	2,766	2,766	2,777	2,777	2,849	2,849	2,849	2,849
Companies - loan [2]	-	-	5	5	-	-	-	-
Individuals - vehicles [2]	-	-	9	9	-	-	-	-
Individuals – mortgage loan	2,739	2,659	2,736	2,648	2,806	2,763	2,805	2,752
Total	**5,505**	**5,425**	**5,527**	**5,439**	**5,655**	**5,612**	**5,654**	**5,601**

(1) Under Interbank Market Debt.

(2) Assignment of operations that had already been written down to losses

Note 13 - Investments in associates and joint ventures

a) The following table shows the main investments of ITAÚ UNIBANCO HOLDING:

	Interest % at 09/30/2016		09/30/2016					
	Total	Voting	Stockholders' equity	Other Comprehensive Income	Net income	Investment	Equity in earnings	Market value [g]
Associates								
Porto Seguro Itaú Unibanco Participações S.A. [a] [b]	42.93	42.93	4,339	23	418	2,628	168	2,931
BSF Holding S.A. [c]	49.00	49.00	2,152	-	293	1,637	144	-
IRB-Brasil Resseguros S.A. [a] [d]	15.01	15.01	3,057	(5)	462	452	67	-
Other [e]	-	-	-	-	-	108	6	-
Joint Ventures - Other [f]	-	-	-	-	-	197	(21)	-
Total	**-**	**-**	**-**	**-**	**-**	**5,022**	**364**	**-**

	Interest % at 12/31/2015		12/31/2015						09/30/2015
	Total	Voting	Stockholders' equity	Other comprehensive income	Net income	Investment	Equity in earnings	Market value [g]	Equity in earnings
Associates									
Porto Seguro Itaú Unibanco Participações S.A. [a] [b]	42.93	42.93	3,931	(26)	708	2,464	289	2,830	205
BSF Holding S.A.[c]	49.00	49.00	1,561	-	447	1,348	219	-	170
IRB-Brasil Resseguros S.A.[a] [d]	15.01	15.01	3,213	12	674	475	102	-	52
Other [e]	-	-	-	-	-	106	12	-	12
Joint Ventures - Other [f]						6	(2)		(2)
Total	**-**	**-**	**-**	**-**	**-**	**4,399**	**620**	**-**	**437**

(a) For purpose of recording the participation in earnings, at 09/30/2016 the position at 08/31/2016 was used and at 12/31/2015 the position at 11/30/2015 was used, in accordance with IAS 27.

(b) For purposes of market value, the quoted share price of Porto Seguro S.A. was taken into account. The investment included the amounts of R$ 765 at 09/30/2016 and R$ 776 at 12/31/2015 that correspond to the difference between the interest in the net assets at fair value of Porto Seguro Itaú Unibanco Participações S.A. and the investment book value.

(c) In May 2012 Itaú Unibanco S.A. acquired 137,004,000 common shares of BSF Holding S.A. (parent company of Banco Carrefour) for R$ 816 which corresponds to 49% of interest in its capital. The investment amount includes R$ 583 at 09/30/2016 which correspond to goodwill.

(d) Previously accounted for as a financial instrument. As from the 4th quarter of 2013, after completing the privatization process, ITAÚ UNIBANCO HOLDING started to exercise a significant influence over IRB. Accordingly, as from this date, the investment has been accounted for under the equity method.

(e) At 09/30/2016, includes interest in total capital and voting capital of the following companies: Compañia Uruguaya de Medios de Procesamiento S.A. (38.46% total and voting capital; 38,39% at 09/30/2015 and at 12/31/2015), Rias Redbanc S.A. (25% total and voting capital; 20% at 09/30/2015 and 25% at 12/31/2015) and Tecnologia Bancária S.A. (24.91% total capital and voting capital; 24,91% at 09/30/2015 and at 12/31/2015).

(f) At 09/30/2016, includes interest in total capital and voting capital of the following companies: Olimpia Promoção e Serviços S.A. (50% total and voting capital; 50% at 09/30/2015 and at 12/31/2015); Conectcar Soluções de Mobilidade Eletronica S.A.(50% capital total e votante) acquired at 01/29/2016 and includes income not arising from profit subsidiaries.

(g) Disclosed only for public companies.

At 09/30/2016, ITAÚ UNIBANCO HOLDING receives / recognizes dividends and interest on capital of the unconsolidated companies being the main IRB - Brasil Resseguros S.A. in the amount of R$ 90 (R$ 73 at 12/31/2015), BSF Holding S.A in the amount of R$ 62 (R$ 58 at 12/31/2015) and Porto Seguro Itaú Unibanco Participações S.A. in the amount of R$ 106 (R$ 240 at 12/31/2015).

b) Other information

The table below shows the summary of the aggregate financial information of the investees under the equity method of accounting.

	09/30/2016	12/31/2015	09/30/2015
Total Assets (*)	20,394	20,183	19,529
Total Liabilities (*)	10,845	11,477	11,129
Total Income (*)	10,834	22,083	17,082
Total Expenses (*)	(9,661)	(20,255)	(15,894)

(*) Represented by IRB-Brasil Resseguros S.A., in the amount of R$ 13,900 (R$ 14,690 at 12/31/2015) related to assets, R$ 10,843 (R$ 11,477 at 12/31/2015) related to liabilities, R$ 10,119 (R$ 20,928 at 12/31/2015) related to income and of R$ (9,657) (R$ (20,254) at 12/31/2015) related to expenses.

The investees do not have contingent liabilities to which ITAÚ UNIBANCO HOLDING is significantly exposed.

Note 14 – Lease commitments as lessee

a) Finance lease

ITAÚ UNIBANCO HOLDING is the lessee in finance lease contracts of data processing equipment, with the option of purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R$ 110 (R$ 517 at 12/31/2015).

The table below shows the total future minimum payments:

	09/30/2016	12/31/2015
Current	**109**	**491**
Up to 1 year	109	491
Non-current	**1**	**26**
From 1 to 5 years	1	26
Total future minimum payments	**110**	**517**
(-) Future interest	-	-
Present value	**110**	**517**

b) Operating leases

ITAÚ UNIBANCO HOLDING leases many properties, for use in its operations, under standard real estate leases that normally can be cancelled at its option and include renewal options and escalations clauses. No lease agreement imposes any restriction on our ability to pay dividends, enter into further lease agreements or engage in debt or equity financing transactions, and there is no contingent payments related to the agreements.

The expenses related to operating lease agreements recognized under General and Administrative Expenses total R$ 849 from 01/01 to 09/30/2016 (R$ 821 from 01/01 to 09/30/2015).

ITAÚ UNIBANCO HOLDING has no relevant sublease contracts.

Minimum payments of initiated and remaining lease agreements with non-cancelable clauses are as follows:

	09/30/2016	12/31/2015
Current	**1,357**	**1,267**
Up to 1 year	1,357	1,267
Non-current	**5,804**	**5,028**
From 1 to 5 years	4,800	4,043
Over 5 years	1,004	985
Total future minimum payments	**7,161**	**6,295**

Note 15 - Fixed assets

Fixed Assets [1]	Fixed assets under construction	Real estate in use [2]		Other fixed assets [2] [3]					Total
		Land	Buildings	Improvements	Installations	Furniture and equipment	EDP systems [3]	Other (communication, security and transportation)	
Annual depreciation rates			4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost									
Balance at 12/31/2015	**792**	**1,008**	**3,026**	**1,673**	**1,801**	**975**	**8,217**	**858**	**18,350**
Acquisitions	127	57	72	127	30	129	242	73	857
Disposal	-	(2)	(9)	(50)	(2)	(8)	(252)	(4)	(327)
Exchange variation	(1)	(2)	(13)	(38)	(3)	(1)	134	13	89
Transfers	(620)	-	13	48	-	1	489	3	(66)
Other	(2)	1	-	-	42	(4)	(103)	(6)	(72)
Balance at 09/30/2016	**296**	**1,062**	**3,089**	**1,760**	**1,868**	**1,092**	**8,727**	**937**	**18,831**
Depreciation									
Balance at 12/31/2015	**-**	**-**	**(1,764)**	**(930)**	**(841)**	**(579)**	**(5,138)**	**(557)**	**(9,809)**
Accumulated depreciation	-	-	(60)	(187)	(110)	(76)	(810)	(67)	(1,310)
Disposal	-	-	9	50	1	4	214	2	280
Exchange variation	-	-	(11)	4	5	(17)	(121)	(9)	(149)
Other	-	-	-	-	(16)	3	87	3	77
Balance at 09/30/2016	**-**	**-**	**(1,826)**	**(1,063)**	**(961)**	**(665)**	**(5,768)**	**(628)**	**(10,911)**
Impairment									
Balance at 12/31/2015	-	-	-	-	-	-	-	-	-
Additions/ assumptions	-	-	-	-	-	-	-	-	**-**
Reversals	-	-	-	-	-	-	-	-	**-**
Balance at 09/30/2016	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Book value									
Balance at 09/30/2016	**296**	**1,062**	**1,263**	**697**	**907**	**427**	**2,959**	**309**	**7,920**

(1) The contractual commitments for purchase of the fixed assets totaled R$ 52, achievable by 2016 (Note 36 - Off balance sheet).

(2) Includes the amount of R$ 4 related to attached real estate.

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the Financial Statements.

Fixed assets [1]	Fixed assets under construction	Real estate in use [2]		Other fixed assets [2] [3]					Total
		Land	Buildings	Improvements	Installations	Furniture and equipment	EDP systems [3]	Other (communication, security and transportation)	
Annual depreciation rates			4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost									
Balance at 12/31/2014	**2,277**	**1,011**	**2,220**	**1,468**	**1,116**	**916**	**7,419**	**773**	**17,200**
Acquisitions	198	-	6	139	75	141	824	83	1,466
Disposal	-	(6)	(13)	(112)	182	(68)	(533)	(5)	(555)
Exchange variation	-	3	35	81	6	8	6	6	145
Transfers	(1,681)	-	777	63	422	-	419	-	-
Other	(2)	-	1	34	-	(22)	82	1	94
Balance at 12/31/2015	**792**	**1,008**	**3,026**	**1,673**	**1,801**	**975**	**8,217**	**858**	**18,350**
Depreciation									
Balance at 12/31/2014	**-**	**-**	**(1,695)**	**(754)**	**(519)**	**(504)**	**(4,538)**	**(479)**	**(8,489)**
Accumulated depreciation	-	-	(74)	(257)	(129)	(93)	(1,057)	(78)	(1,688)
Disposal	-	-	9	109	(183)	13	489	3	440
Exchange variation	-	-	(6)	(27)	(2)	1	(7)	(3)	(44)
Other	-	-	2	(1)	(8)	4	(25)	-	(28)
Balance at 12/31/2015	**-**	**-**	**(1,764)**	**(930)**	**(841)**	**(579)**	**(5,138)**	**(557)**	**(9,809)**
Impairment									
Balance at 12/31/2014	**-**	-	-	-	-	**-**	-	-	**-**
Additions/ assumptions	-	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-	-
Balance at 12/31/2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Book value									
Balance at 12/31/2015	**792**	**1,008**	**1,262**	**743**	**960**	**396**	**3,079**	**301**	**8,541**

(1) The contractual commitments for purchase of the fixed assets totaled R$ 59, achievable by 2016 (Note 36 - Off balance sheet).

(2) Includes the amount of R$ 4 related to attached real estate.

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the Financial Statements.

Note 16 - Intangible assets

Intangible assets [1]	Acquisition of rights to credit payroll	Other intangible assets				Total
		Association for the promotion and offer of financial products and services	Acquisition of software	Development of software	Other intangible assets	
Amortization rates p.a.	20%	8%	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2015	**1,005**	**1,409**	**2,362**	**3,311**	**960**	**9,047**
Acquisitions	212	721	1,308	181	281	2,703
Terminated agreements/ write off	(147)	(69)	(3)	(1)	-	(220)
Exchange variation	-	9	46	-	(108)	(53)
Other	5	(292)	54	-	(17)	(250)
Balance at 09/30/2016	**1,075**	**1,778**	**3,767**	**3,491**	**1,116**	**11,227**
Amortization [2]						
Balance at 12/31/2015	**(600)**	**(330)**	**(1,190)**	**(252)**	**(342)**	**(2,714)**
Amortization expense	(177)	(188)	(312)	(191)	(218)	(1,086)
Terminated agreements/ write off	145	65	-	-	-	210
Exchange variation	-	(10)	(150)	-	77	(83)
Other	-	112	23	-	182	317
Balance at 09/30/2016	**(632)**	**(351)**	**(1,629)**	**(443)**	**(301)**	**(3,356)**
Impairment [3]						
Balance at 12/31/2015	**(18)**	**(2)**	**-**	**(18)**	**-**	**(38)**
Additions / assumptions	-	-	(56)	(5)	-	(61)
Write off	-	-	-	-	-	-
Balance at 09/30/2016	**(18)**	**(2)**	**(56)**	**(23)**	**-**	**(99)**
Book value						
Balance at 09/30/2016	**425**	**1,425**	**2,082**	**3,025**	**815**	**7,772**

(1) The contractual commitments for the purchase of new intangible assets totaled R$ 331, achievable by 2016 (Note 36 - Off balance sheet).

(2) All intangible assets have a defined useful life.

(3) Note 2.4l.

Intangible assets [1]	Acquisition of rights to credit payroll	Other intangible assets				Total
		Association for the promotion and offer of financial products and services	Acquisition of software	Development of software	Other intangible assets	
Amortization rates p.a.	20%	8%	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2014	**1,067**	**1,582**	**1,965**	**2,836**	**791**	**8,241**
Acquisitions	109	39	410	489	15	1,062
Terminated agreements / write off	(169)	(195)	(134)	(14)	(4)	(516)
Exchange variation	-	-	109	-	185	294
Other	(2)	(17)	12	-	(27)	(34)
Balance at 12/31/2015	**1,005**	**1,409**	**2,362**	**3,311**	**960**	**9,047**
Amortization [2]						
Balance at 12/31/2014	**(556)**	**(337)**	**(918)**	**(113)**	**(149)**	**(2,073)**
Amortization expense	(213)	(144)	(358)	(138)	(287)	(1,140)
Terminated agreements / write off	169	144	134	-	-	447
Exchange variation	-	-	(51)	-	(150)	(201)
Other	-	7	3	(1)	244	253
Balance at 12/31/2015	**(600)**	**(330)**	**(1,190)**	**(252)**	**(342)**	**(2,714)**
Impairment [3]						
Balance at 12/31/2014	**(18)**	**(2)**	**-**	**(14)**	**-**	**(34)**
Additions / assumptions	-	-	-	(4)	-	(4)
Reversals	-	-	-	-	-	-
Balance at 12/31/2015	**(18)**	**(2)**	**-**	**(18)**	**-**	**(38)**
Book value						
Balance at 12/31/2015	**387**	**1,077**	**1,172**	**3,041**	**618**	**6,295**

(1) The contractual commitments for the purchase of new intangible assets totaled R$ 281, achievable by 2016 (Note 36 - Off balance sheet).

(2) All intangible assets have a defined useful life.

(3) Note 2.4l.

Note 17 - Deposits

The table below shows the breakdown of deposits:

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	**186,308**	**62,005**	**248,313**	**171,527**	**59,991**	**231,518**
Time deposits	77,554	61,969	139,523	45,994	59,256	105,250
Interbank deposits	3,904	36	3,940	14,214	735	14,949
Savings deposits	104,850	-	104,850	111,319	-	111,319
Non-interest bearing deposits	**60,286**	**-**	**60,286**	**61,092**	**-**	**61,092**
Demand deposits	60,286	-	60,286	61,092	-	61,092
Total	**246,594**	**62,005**	**308,599**	**232,619**	**59,991**	**292,610**

Note 18 – Financial liabilities held for trading

Financial liabilities held for trading are presented in the following table:

	09/30/2016	12/31/2015
Structured notes		
Shares	61	57
Debt securities	421	355
Total	**482**	**412**

The effect of the changes in credit risk of these instruments is not significant at 09/30/2016 and 12/31/2015.

For shares, in view of the characteristics of the instrument, there is no definite value to be paid at the maturity date. For debt securities, the amount to be paid at maturity comprises several exchange rates and indices, and there is no contractual amount for settlement.

The fair value of financial liabilities held for trading by maturity is as follows:

	09/30/2016	12/31/2015
	Cost / Fair value	Cost / Fair value
Current - up to one year	**172**	**34**
Non-current	**310**	**378**
From one to five years	270	364
From five to ten years	20	5
After ten years	20	9
Total	**482**	**412**

Note 19 – Securities sold under repurchase agreements and interbank and institutional market debts

a) Securities sold under repurchase agreements and interbank market debt

The table below shows the breakdown of funds:

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	**196,183**	**151,607**	**347,790**	**181,198**	**155,445**	**336,643**
Transactions backed by own financial assets (*)	78,915	151,607	230,522	64,955	155,445	220,400
Transactions backed by third party financial assets	117,268	-	117,268	116,243	-	116,243
Interbank market debt	**70,914**	**66,642**	**137,556**	**80,547**	**76,339**	**156,886**
Mortgage notes	-	-	-	31	108	139
Real estate credit bills	12,467	6,404	18,871	12,441	2,011	14,452
Agribusiness credit bills	7,618	6,001	13,619	6,695	7,080	13,775
Financial credit bills	2,011	17,377	19,388	3,860	14,636	18,496
Import and export financing	38,926	10,205	49,131	45,633	19,933	65,566
On-lending - domestic	9,884	21,136	31,020	11,884	26,920	38,804
Liabilities from transactions related to credit assignments (Note 12d)	8	5,519	5,527	3	5,651	5,654

(*) It includes R$ 145,782 (R$ 152,215 at 12/31/2015) related to Debentures of own issue.

Funding for import and export financing represents credit facilities available for financing of imports and exports of Brazilian companies, in general denominated in foreign currency. The interest rate for each one of the operations (p.a.) is presented in the table below:

	Brazil	Foreign
Securities sold under repurchase agreements(*)	49% of CDI to 17.36%	0.48% to 1.35%
Mortgage notes	-	2.5% to 8%
Real estate credit bills	83% to 100% of CDI	-
Financial credit bills	IGPM to 113%	-
Agribusiness credit bills	83% to 98% of CDI	-
Import and export financing	2.5% to 6.0%	0.4% to 12.3%
On-lending - domestic	2.5% to 14.5%	-
Liabilities from transactions related to credit assignments	6.38% to 13.17%	-

(*) Note 2,4f presents the operations comprising Deposits received under securities repurchased agreements.Final repurchase dates are set until January 2027.

b) Institutional market debt

The table below presents the breakdown of funds obtained in Institutional markets:

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Subordinated debt (1)	11,244	47,487	58,731	10,209	55,576	65,785
Foreign borrowing through securities	5,525	27,833	33,358	4,757	19,431	24,188
Structured Operations Certificates (2)	1,952	3,117	5,069	893	3,052	3,945
Total	**18,721**	**78,437**	**97,158**	**15,859**	**78,059**	**93,918**

(1) At 09/30/2016, the amount of R$ 53,150 (R$ 64,861 at 12/31/2015) is included in the Reference Equity, under the proportion defined by CMN Resolution No. 3,444, of February 28, 2007, as amended by CMN Resolution No. 3,532, of January 31, 2008.

(2) As at September 30, 2016, the market value of the funding from Structured Operations Certificates issued is R$ 5,687.

The interest rate for each one of the operations (p.a.) is presented in the table below.

	Brazil	Foreign
Subordinated debt	CDI+ 1% to IGPM + 7.6%	5.1% to 8.3%
Foreign borrowing through securities	0.89% to 12.73%	0.67% to 28.46%
Structured Operations Certificates	IPA + 3.28% to 16.54%	-

Note 20 - Other assets and liabilities

a) Other assets

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Financial [1]	**38,335**	**12,545**	**50,880**	**41,546**	**11,960**	**53,506**
Receivables from credit card issuers	22,569	-	22,569	25,191	-	25,191
Insurance and reinsurance operations	1,418	-	1,418	1,367	-	1,367
Deposits in guarantee for contingent liabilities (Note 32)	2,117	11,101	13,218	2,131	10,502	12,633
Deposits in guarantee for foreign borrowing program	1,289	-	1,289	409	-	409
Negotiation and intermediation of securities	6,692	-	6,692	7,725	-	7,725
Receivables from reimbursement of contingent liabilities (Note 32c)	311	835	1,146	335	758	1,093
Receivables from services provided	2,322	-	2,322	2,333	149	2,482
Amounts receivable from FCVS – Salary Variations Compensation Fund [2]	3	602	605	-	551	551
Foreign exchange portfolio	-	-	-	444	-	444
Operations without credit granting characteristics	1,614	7	1,621	1,611	-	1,611
Non-financial	**8,098**	**3,537**	**11,635**	**7,005**	**4,606**	**11,611**
Prepaid expenses	1,939	663	2,602	2,196	1,012	3,208
Retirement plan assets (Notes 29c and d)	-	2,295	2,295	-	2,183	2,183
Sundry domestic	2,199	3	2,202	602	-	602
Premiums from loan operations	663	351	1,014	814	850	1,664
Sundry foreign	1,812	216	2,028	1,542	550	2,092
Other	1,485	9	1,494	1,851	11	1,862

(1) There were no impairment losses for other financial assets in these periods.

(2) The Salary Variation Compensation Fund – FCVS was established through Resolution No. 25, of June 16, 1967, of the Board of the former BNH (National Housing Bank), and its purpose is to settle balances remaining after the end of real estate financing contracted up to March 1990, relating to agreements financed under the SFH (National Housing System), and provided that they are covered by FCVS.

b) Other liabilities

	09/30/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Financial	**63,904**	**35**	**63,939**	**68,478**	**237**	**68,715**
Credit card operations	51,194	-	51,194	56,143	-	56,143
Foreign exchange portfolio	1,161	-	1,161	-	-	-
Negotiation and intermediation of securities	10,369	-	10,369	10,920	177	11,097
Finance leases (Note 14a)	109	1	110	491	26	517
Funds from consortia participants	75	-	75	45	-	45
Other	996	34	1,030	879	34	913
Non-financial	**29,276**	**1,158**	**30,434**	**24,975**	**812**	**25,787**
Collection and payment of taxes and contributions	4,193	-	4,193	239	-	239
Sundry creditors - domestic	2,076	110	2,186	1,681	75	1,756
Funds in transit	10,241	287	10,528	10,893	-	10,893
Provision for sundry payments	1,887	188	2,075	1,944	199	2,143
Social and statutory	3,432	28	3,460	5,110	-	5,110
Related to insurance operations	219	-	219	253	-	253
Liabilities for official agreements and rendering of payment services	1,432	-	1,432	808	-	808
Provision for retirement plan benefits (Note 29c and e)	192	507	699	-	491	491
Personnel provision	2,266	38	2,304	1,336	47	1,383
Provision for health insurance	734	-	734	716	-	716
Deferred income	1,657	-	1,657	1,909	-	1,909
Other	947	-	947	86	-	86

Note 21 – Stockholders' equity

a) Capital

The Extraordinary Stockholders' Meeting held on September 14, 2016 approved the increase of subscribed and paid-up capital by R$ 12,000, with the capitalization of the amounts recorded in Revenue Reserve – Statutory Reserve, with a 10% bonus shares. Bonus shares started being traded on October 21,2016 and the process was approved by the Central Bank on September 23,2016. Accordingly, capital stock was increased by 598,391,594 shares.

The Extraordinary Stockholders` Meeting of April 27, 2016 approved the cancellation of 100,000,000 preferred shares of own issue held in treasury, without change to the capital stock, through the capitalization of amounts recorded in Revenue Reserves – Statutory Reserve. This process was approved by the Central Bank of Brazil on June 7, 2016.

Capital comprises 6,582,307,543 book-entry shares with no par value, of which 3,351,744,217 are common and 3,230,563,326 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R$ 97,148 (85,148 at 12/31/2015), of which R$ 57,198 (58,284 at 12/31/2015) refers to stockholders domiciled in the country and R$ 27,950 (R$ 26,864 at 12/31/2015) refers to stockholders domiciled abroad and R$ 12,000 outstanding shares as from 10/21/2016.

The table below shows the breakdown of and change in shares of paid-in capital and the reconciliation of balances at the beginning and end of the period:

	09/30/2016			
	Number			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2015	3,033,657,386	1,130,776,196	4,164,433,582	
Residents abroad at 12/31/2015	13,382,812	1,906,099,555	1,919,482,367	
Shares of capital stock at 12/31/2015	**3,047,040,198**	**3,036,875,751**	**6,083,915,949**	
(-) Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	(100,000,000)	(100,000,000)	
Bonus Shares - ESM of 09/14/2016 - Carried out at 09/23/2016 - Outstanding as from 10/21/2016	304,704,019	293,687,575	598,391,594	
Shares of capital stock at 09/30/2016	**3,351,744,217**	**3,230,563,326**	**6,582,307,543**	
Residents in Brazil at 09/30/2016	3,337,563,934	1,280,523,936	4,618,087,870	
Residents abroad at 09/30/2016	14,180,283	1,950,039,390	1,964,219,673	
Treasury shares at 12/31/2015 (1)	**2,795**	**162,562,650**	**162,565,445**	**(4,353)**
Purchase of shares	-	7,990,000	7,990,000	(200)
Exercised options – granting of stock options	-	(15,376,319)	(15,376,319)	204
Disposals – stock option plan	-	(8,341,753)	(8,341,753)	429
(-) Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	(100,000,000)	(100,000,000)	2,670
Bonus Shares - ESM of 09/14/2016 - In Treasury as from 10/21/2016	279	4,684,311	4,684,590	-
Treasury shares at 09/30/2016 (1)	**3,074**	**51,518,889**	**51,521,963**	**(1,250)**
Outstanding shares at 09/30/2016 (2)	**3,351,741,143**	**3,179,044,437**	**6,530,785,580**	
Outstanding shares at 12/31/2015 (3)	**3,351,741,143**	**3,161,744,411**	**6,513,485,554**	

	12/31/2015			
	Number			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2014	3,034,554,303	1,148,179,276	4,182,733,579	
Residents abroad at 12/31/2014	12,485,895	1,888,696,475	1,901,182,370	
Shares of capital stock at 12/31/2014	**3,047,040,198**	**3,036,875,751**	**6,083,915,949**	
Bonus shares - ESM of 04/29/2015 – made effective on 06/25/2015	304,704,019	303,687,575	608,391,594	
Shares of capital stock at 12/31/2015	**3,351,744,217**	**3,340,563,326**	**6,692,307,543**	
Residents in Brazil at 12/31/2015	3,337,023,124	1,243,853,815	4,580,876,939	
Residents abroad at 12/31/2015	14,721,093	2,096,709,511	2,111,430,604	
Treasury shares at 12/31/2014 (1)	**2,795**	**59,211,406**	**59,214,201**	**(1,328)**
Purchase of shares	-	122,677,280	122,677,280	(3,324)
Exercised options - granting of stock options	-	(6,461,115)	(6,461,115)	4
Disposals – stock option plan	-	(5,877,161)	(5,877,161)	295
Bonus shares - ESM of 04/29/2015	279	9,268,505	9,268,784	-
Treasury shares at 12/31/2015 (1)	**3,074**	**178,818,915**	**178,821,989**	**(4,353)**
Outstanding shares at 12/31/2015 (3)	**3,351,741,143**	**3,161,744,411**	**6,513,485,554**	
Outstanding shares at 12/31/2014 (3)	**3,351,741,143**	**3,275,430,780**	**6,627,171,923**	

(1) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation of replacement in the market.

(2) Outstanding shares 5,937,078,576 at 09/30/2016, not considering bonus shares.

(3) For better comparability, outstanding shares were adjusted to reflect the bonuses of 09/23/2016.

We detail below of the cost of shares purchased in the period, as well the average cost of treasury shares and their market price (in Brazilian Reais per share):

Cost / market value	01/01 to 09/30/2016	
	Common	Preferred
Minimum	-	23.79
Weighted average	-	25.06
Maximum	-	25.98
Treasury shares		
Average cost	6.59	24.27
Market value at 09/30/2016	31.20	35.52

Cost / market value	01/01 to 12/31/2015	
	Common	Preferred
Minimum	-	24.96
Weighted average	-	28.80
Maximum	-	31.86
Treasury shares		
Average cost	7.25	26.78
Market value at 12/31/2015	24.58	26.33

b) Dividends

Stockholders are entitled to an annual mandatory dividend of not less than 25% of adjusted profit, pursuant to the provisions of the Brazilian Corporate Law. Both common and preferred shares participate equally, after common shares have received dividends equal to the annual minimum priority dividend of R$ 0.022 per share non-cumulative to be paid to preferred shares.

The calculation of the monthly advance of the mandatory minimum dividend is based on the share position on the last day of the prior month, with payment being made on the first business day of the subsequent month, amounting to R$ 0.015 per share.

Below is a statement from dividends and interest on equity and the calculation of the minimum mandatory dividend:

Calculation of dividends and interest on capital

	09/30/2016	09/30/2015
Statutory net income	13,899	16,318
Adjustments:		
(-) Legal reserve	(695)	(816)
Dividend calculation basis	13,204	15,502
Mandatory dividend - 25%	3,301	3,875
Dividends and interest on capital – paid / provisioned for	**3,301**	**3,875**

Payments / provision for interest on capital and dividends

	09/30/2016		
	Gross	WHT	Net
Paid / prepaid	**3,079**	**(355)**	**2,724**
Dividends - 8 monthly installments of R$ 0.015 per share paid from February to September 2016	711	-	711
Interest on capital - R$ 0.3990 per share paid on 08/25/2016	2,368	(355)	2,013
Declared until 09/30/2016 (recorded in other liabilities)	**663**	**(86)**	**577**
Dividends - 1 monthly installment of R$ 0.015 per share paid on 03/10/2016	89	-	89
Interest on capital - R$ 0.0968 per share	574	(86)	488
Total from 01/01 to 09/30/2016 - R$ 0.5564 net per share	**3,742**	**(441)**	**3,301**

	09/30/2015		
	Gross	WHT	Net
Paid / prepaid	**2,734**	**(311)**	**2,424**
Dividends - 8 monthly installments of R$ 0.015 per share paid from February to September 2015	664	-	664
Interest on capital - R$ 0.3460 per share paid on 08/25/2015	2,070	(311)	1,760
Declared until 09/30/2015 (recorded in other liabilities)	**1,641**	**(190)**	**1,451**
Dividends - 1 monthly installment of R$ 0.015 per share paid on 10/01/2015	89	-	89
Dividends provision - R$ 0.0491 per share	292		292
Interest on capital - R$ 0.2117 per share	1,260	(190)	1,070
Total from 01/01 to 09/30/2015 - R$ 0.6581 net per share	**4,375**	**(501)**	**3,875**

c) Additional paid-in capital

Additional paid-in capital corresponds to: (i) the difference between the proceeds from the sale of treasury shares and the average cost of such shares, and (ii) the compensation expenses recognized in accordance with the stock option plan and variable compensation.

d) Appropriated reserves

	09/30/2016	12/31/2015
Capital reserves [(1)]	**285**	**285**
Premium on subscription of shares	284	284
Reserves from tax incentives, restatement of equity securities and other	1	1
Revenue reserves	**2,014**	**9,782**
Legal [(2)]	7,590	6,895
Statutory	4,257	9,461
Dividends equalization [(3)]	1,899	3,355
Working capital increase [(4)]	156	1,655
Increase in capital of investees [(5)]	2,202	4,451
Corporate reorganizations (Note 2.4 a III)	(9,833)	(9,277)
Unrealized profits [(6)]	-	2,703
Total reserves at parent company	**2,299**	**10,067**

(1) Refers to amounts received by Itaú Unibanco Holding that were not included in the statement of income, since they do not refer to compensation for the provision of goods or services.

(2) Legal reserve - may be used to increase capital or to absorb losses, but it cannot be distributed as dividends.

(3) Reserve for dividends equalization - its purpose is to reserve funds for the payment or advances on dividends, including interest on capital, to maintain the flow of the stockholders' compensation.

(4) Reserve for working capital - its purpose is to guarantee funds for operations.

(5) Reserve for increase in capital of investees - its purpose is to guarantee the preemptive right in the capital increases of investees.

(6) Refers to interest on capital declared after December 31, 2015.

e) Unappropriated reserves

Refers to balance of profit remaining after the distribution of dividends and appropriations to statutory reserves in the statutory accounts of ITAÚ UNIBANCO HOLDING.

f) Non-controlling interests

	Stockholders' equity		Net Income	
	09/30/2016	12/31/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Itaú CorpBanca (Note 3)	10,564	-	274	-
Banco CorpBanca Colômbia S.A. (Note 3)	1,294	-	41	-
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	507	428	79	95
Banco Itaú BMG Consignado S.A.	900	983	(83)	131
Luizacred S.A. Soc. Cred. Financiamento Investimento	269	282	38	58
Others	89	114	22	11
Total	**13,623**	**1,807**	**371**	**295**

Note 22 – Share-based payment

ITAÚ UNIBANCO HOLDING and its subsidiaries have share-based payment programs aimed at involving its management members and employees in the medium and long term corporate development process.

These payments are only made in years where there are sufficient profits to enable the distribution of mandatory dividends, in order to limit the maximum dilutive effect to which stockholders are subject, and at a quantity that does not exceed the limit of 0.5% of the total shares held by the controlling and minority stockholders at the balance sheet date.

These programs are settled through the delivery of ITUB4 treasury shares to stockholders.

At the ESM of September 14, 2016 a capital increase with 10% share bonus was approved and ratified by BACEN on September 23, 2016. The new shares will be included in the share position on October 21, 2016. Therefore, the number of shares shown in this note as of September 30, 2016 does not consider the bonus shares.

From 01/01 to 09/30/2016, the accounting effect of the share-based payment in income was R$ (453) (R$ (598) from 01/01 to 09/30/2015).

I – Stock Option Plan (Simple Options)

ITAÚ UNIBANCO HOLDING has a Stock Option Plan ("Simple Options") aimed at involving management members and employees in the medium and long term corporate development program of ITAÚ UNIBANCO HOLDING and its subsidiaries, offering them the opportunity benefit from the appreciation that their work and dedication bring to the shares.

In addition to the grants provided under the Plan, ITAÚ UNIBANCO HOLDING also maintains control over the rights and obligations in connection with the options granted under the plans approved at the Extraordinary Stockholders' Meetings held on April 24, 2009 and April 19, 2013 related to the Unibanco – União de Bancos Brasileiros S.A. and to Unibanco Holdings S.A., and to Redecard S.A. ("Rede") stock option plans, respectively. Accordingly, the exchange of shares for ITUB4 did not have a relevant financial impact.

Simple options have the following characteristics:

a) **Exercise price:** calculated based on the average prices of shares in the three months of the year prior to the grant date. The prices determined will be restated to the last business day of the month prior to the option exercise date based on IGP-M or, in its absence, on an index to be determined internally, and should be paid within the period in force for the settlement of operations on BM&FBOVESPA.

b) **Vesting period:** determined upon issue, from one to seven years, counted from the grant date. The vesting period is normally determined at five years.

c) **Fair value and economic assumptions for cost recognition:** the fair value of Simple Options is calculated on the grant date based on the Binominal model. Economic assumptions used are as follows:

(i) Exercise price: exercise price previously agreed upon the option issue, adjusted by the IGP-M variation;

(ii) Price of the underlying asset (ITUB4 shares): closing price on BM&FBOVESPA on the calculation base date.

(iii) Expected dividends: the average annual return rate for the last three years of dividends paid plus interest on capital of the ITUB4 share;

(iv) Risk-free interest rate: IGP-M coupon rate at the expiration date of the Simple Option;

(v) Expected volatility: calculated based on the standard deviation from the history of the last 84 monthly returns of the ITUB4 share closing prices, disclosed by BM&FBOVESPA, adjusted by the IGP-M variation.

Summary of changes in the plan

	Simple options		
	Quantity	**Weighted average exercise price**	**Weighted average market value**
Opening balance 12/31/2015	**45,948,317**	**35.08**	
Options exercisable at the end of the period	32,407,235	36.74	
Options outstanding but not exercisable	13,541,082	31.12	
Options:			
Granted	-	-	
Canceled / Forfeited (*)	(57,891)	34.29	
Exercised	(7,301,777)	27.94	34.85
Balance at 09/30/2016	**38,588,649**	**39.24**	
Options exercisable at the end of the period	25,317,854	42.31	
Options outstanding but not exercisable	13,270,795	33.38	
Range of exercise prices			
Granting 2009-2010		28,13 - 45,70	
Granting 2011-2012		23,88 - 44,64	
Weighted average of the remaining contractual life (in years)	2.41		

(*) Refers to non-exercise based on the beneficiary's decision.

	Simple options		
	Quantity	**Weighted average exercise price**	**Weighted average market value**
Opening balance 12/31/2014	**55,162,112**	**32.43**	
Options exercisable at the end of the period	28,872,290	32.15	
Options outstanding but not exercisable	26,289,822	32.73	
Options:			
Granted	-	-	
Canceled / Forfeited (*)	(415,335)	34.36	
Exercised	(150,058)	24.31	37.68
Opening balance 09/30/2015	**54,596,719**	**34.39**	
Options exercisable at the end of the period	28,673,986	34.12	
Options outstanding but not exercisable	25,922,733	24.70	
Range of exercise prices			
Granting 2008-2009		25,23 - 38,58	
Granting 2010-2012		23,88 - 40,98	
Weighted average of the remaining contractual life (in years)	2.19		

(*) Refers to non-exercise based on the beneficiary's decision.

II – Partner Plan

The employees and management members of ITAÚ UNIBANCO HOLDING and its subsidiaries may be selected to participate in the program investing a percentage of their bonus to acquire ITUB4 shares and share-based instruments. Accordingly, the ownership of these shares should be held by the beneficiaries for a period from three to five years, counted from the initial investment, and are thus subject to market price variations. After complying with the suspensive conditions set forth in the program, beneficiaries will be entitled to receive ITUB4 as consideration, in accordance with the numbers of shares provided for in the program regulations.

The acquisition prices of own shares and Share-Based Instruments are established every six months and is equivalent to the average of the ITUB4 quotation in the 30 days prior to the determination of the acquisition price.

The fair value of the ITUB4 as consideration is the market price at the grant date, less expected dividends.

The weighted average of the fair value of the ITUB4 shares as consideration was estimated at R$ 21.40 per share at 09/30/2016 (R$ 29.22 per share at 09/30/2015).

Law No. 12,973/14, which adjusted the tax legislation to the international accounting standards and terminated the Transitional Tax Regime (RTT), set up a new legal framework for payments made in shares. We made changes to the Partner Plan, and adjusted its tax effects, to conform to this new legislation.

Changes in the Partner Program

	Quantity
Balance at 12/31/2015	**30,605,777**
New granted	11,266,223
Cancelled	(235,694)
Exercised	(9,039,475)
Balance at 09/30/2016	**32,596,831**
Weighted average of remaining contractual life (years)	2.88

	Quantity
Balance at 12/31/2014	**26,734,428**
New granted	10,402,541
Cancelled	(551,642)
Exercised	(5,722,383)
Balance at 09/30/2015	**30,862,944**
Weighted average of remaining contractual life (years)	2.28

III- Variable compensation

The policy established in compliance with CMN Resolution No. 3,921/10 sets forth that fifty percent (50%) of the management's variable compensation should be paid in cash and fifty percent (50%) should be paid in shares for a period of three years. Shares are delivered on a deferred basis, of which one-third (1/3) per year, will be contingent upon the executive's remaining with the institution. The deferred unpaid portions may be reversed proportionally to the significant reduction of the recurring income realized or the negative income for the period.

The fair value of the ITUB4 share is the market price at its grant date.

The weighted average of the fair value of ITUB4 shares was estimated at R$ 24.16 per share at 09/30/2016 (R$ 31.24 per share at 09/30/2015).

Change in variable compensation in shares	
	Quantity
Opening balance 12/31/2015	20,295,976
New	12,202,238
Delivered	(10,123,397)
Cancelled	(62,130)
Balance at 09/30/2016	22,312,687

Change in variable compensation in shares	
	Quantity
Opening balance 12/31/2014	16,366,009
New	12,990,547
Delivered	(7,867,300)
Cancelled	(620,748)
Balance at 09/30/2015	20,868,507

Note 23 - Interest and similar income and expense and net gain (loss) on investment securities and derivatives

a) Interest and similar income

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Central Bank compulsory deposits	1,944	1,500	5,161	4,172
Interbank deposits	27	125	372	1,048
Securities purchased under agreements to resell	9,020	6,143	25,751	17,736
Financial assets held for trading	5,841	7,615	17,130	16,263
Available-for-sale financial assets	2,658	2,134	8,386	6,468
Held-to-maturity financial assets	858	948	2,907	2,698
Loan and lease operations	20,252	21,462	58,335	60,123
Other financial assets	262	292	734	672
Total	**40,862**	**40,219**	**118,776**	**109,180**

b) Interest and similar expense

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Deposits	(3,711)	(3,700)	(10,597)	(9,870)
Securities sold under repurchase agreements	(11,581)	(7,831)	(34,895)	(23,272)
Interbank market debt	(3,793)	(1,571)	(5,047)	(5,193)
Institutional market debt	(1,258)	(2,292)	(6,139)	(6,051)
Financial expense from technical reserves for insurance and private pension	(4,633)	(2,680)	(13,631)	(8,649)
Other	(33)	(21)	(93)	(52)
Total	**(25,009)**	**(18,095)**	**(70,402)**	**(53,087)**

c) Net gain (loss) on investment securities and derivatives

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Financial assets held for trading	560	(2,912)	2,688	(3,205)
Derivatives (*)	1,081	(1)	5,814	2,301
Financial assets designated at fair value through profit or loss	32	5	94	30
Available-for-sale financial assets	(190)	(1,809)	(825)	(2,560)
Finacial liabilities held for trading	(39)	68	(142)	114
Total	**1,444**	**(4,649)**	**7,629**	**(3,320)**

(*) Includes the ineffective derivatives portion related to hedge accounting.

During the period ended 09/30/2016, ITAÚ UNIBANCO HOLDING recognized reversal in the R$ 63 as impairment losses for Available-for-Sale Financial Assets and R$ 332 impairment losses for Held-to-Maturity Financial Assets, recorded in the statement of income in the line "Net gain (loss) on investment securities and derivatives".

Note 24 - Banking service fees

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Current account services	2,351	2,135	6,986	6,448
Asset management fees	928	792	2,566	2,140
Collection commissions	337	326	973	926
Fees from credit card services	3,440	3,119	9,975	9,316
Fees for guarantees issued and credit lines	468	425	1,313	1,186
Brokerage commission	79	65	187	189
Other	505	497	1,595	1,388
Total	**8,108**	**7,359**	**23,595**	**21,593**

Note 25 - Other income

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Gains on sale of assets held for sale, fixed assets and investments in associates and joint ventures	62	17	157	45
Recovery of expenses	57	44	203	119
Reversal of provisions	49	56	107	314
Program for Cash or Installment Payment of Federal Taxes	-	1	11	122
Other	160	204	476	277
Total	**328**	**322**	**954**	**877**

Note 26 - General and administrative expenses

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Personnel expenses	**(6,627)**	**(5,380)**	**(16,942)**	**(14,535)**
Compensation	(2,470)	(2,282)	(6,529)	(6,006)
Payroll taxes	(661)	(679)	(1,917)	(1,913)
Welfare benefits	(781)	(611)	(2,244)	(1,796)
Retirement plans and post-employment benefits (Note 29)	11	(233)	28	(230)
Defined benefit	(26)	(20)	(65)	(57)
Defined contribution	37	(213)	93	(173)
Stock option plan (Note 22d)	(72)	(61)	(248)	(178)
Training	(54)	(53)	(128)	(140)
Employee profit sharing	(966)	(856)	(2,620)	(2,554)
Dismissals	(132)	(85)	(368)	(244)
Provision for labor claims (Note 32)	(1,502)	(520)	(2,916)	(1,474)
Administrative expenses	**(3,864)**	**(3,800)**	**(11,482)**	**(11,012)**
Data processing and telecommunications	(979)	(1,025)	(2,895)	(2,951)
Third party services	(1,054)	(994)	(3,135)	(2,926)
Installations	(287)	(261)	(829)	(746)
Advertising, promotions and publications	(239)	(277)	(695)	(764)
Rent	(337)	(320)	(1,038)	(959)
Transportation	(99)	(100)	(297)	(299)
Materials	(89)	(103)	(229)	(305)
Financial services	(182)	(163)	(558)	(459)
Security	(177)	(176)	(535)	(507)
Utilities	(93)	(99)	(331)	(302)
Travel	(51)	(55)	(140)	(159)
Other	(277)	(227)	(800)	(635)
Depreciation	**(421)**	**(419)**	**(1,310)**	**(1,249)**
Amortization	**(351)**	**(227)**	**(913)**	**(663)**
Insurance acquisition expenses	**(168)**	**(281)**	**(581)**	**(850)**
Other expenses	**(2,121)**	**(2,610)**	**(6,384)**	**(6,634)**
Expenses related to credit cards	(755)	(865)	(2,335)	(2,443)
Losses with third party frauds	(151)	(129)	(380)	(368)
Loss on sale of assets held for sale, fixed assets and investments in associates and joint ventures	(30)	(51)	(195)	(118)
Provision for civil lawsuits (Note 32)	(485)	(490)	(1,219)	(1,549)
Provision for tax and social security lawsuits	(225)	(715)	(703)	(1,045)
Refund of interbank costs	(79)	(68)	(213)	(191)
Other	(396)	(292)	(1,339)	(920)
Total	**(13,552)**	**(12,717)**	**(37,612)**	**(34,943)**

Note 27 – Income tax and social contribution

ITAÚ UNIBANCO HOLDING and each of its subsidiaries file separate, for each fiscal year, corporate income tax returns and social contribution on net income.

a) Composition of income tax and social contribution expenses

I - Demonstration of Income tax and social contribution expense calculation:

Due on operations for the period	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Income before income tax and social contribution	**7,154**	**(1,354)**	**30,118**	**10,669**
Charges (income tax and social contribution) at the rates in effect (Note 2.4 n)	(3,219)	482	(13,553)	(4,327)
Increase / decrease in income tax and social contribution charges arising from:				
Share of profit or (loss) of associates and joint ventures net	43	56	150	147
Foreign exchange variation on assets and liabilities abroad	294	5,789	(4,413)	8,499
Interest on capital	1,065	686	2,280	1,815
Corporate reorganizations (Note 2.4 a III)	157	157	471	474
Dividends and interest on external debt bonds	56	56	233	184
Other nondeductible expenses net of non taxable income (*)	(214)	(10,544)	11,440	(15,051)
Income tax and social contribution expenses	**(1,818)**	**(3,318)**	**(3,392)**	**(8,259)**
Related to temporary differences				
Increase (reversal) for the period	315	10,090	(9,057)	14,706
Increase (reversal) of prior periods	(29)	(68)	(27)	(49)
Increase in the social contribution tax rate (Note 27b III)	-	3,948	-	3,948
(Expenses)/Income related to deferred taxes	**286**	**13,970**	**(9,084)**	**18,605**
Total income tax and social contribution expenses	**(1,532)**	**10,652**	**(12,476)**	**10,346**

(*) Includes temporary (additions) and exclusions.

b) Deferred taxes

I - The deferred tax asset balance and respective changes are as follows:

	12/31/2015	Realization / reversal	Increase [1]	09/30/2016
Reflected in income	**48,911**	**(13,556)**	**13,591**	**48,946**
Allowance for loan and lease losses	25,572	(4,305)	6,425	27,692
Related to income tax and social contribution tax carryforwards	6,655	(337)	1,671	7,989
Provision for contingent liabilities	5,385	(982)	1,561	5,964
Civil lawsuits	2,149	(493)	447	2,103
Labor claims	1,812	(424)	904	2,292
Tax and social security	1,420	(65)	210	1,565
Other	4	-	-	4
Goodwill on purchase of investments	511	(511)	-	-
Legal liabilities – tax and social security	508	(47)	59	520
Adjustments of operations carried out on the futures settlement market	1,253	(775)	18	496
Adjustment to market value of financial assets held for trading and derivatives	4,951	(4,951)	44	44
Provision related to health insurance operations	322	(29)	-	293
Other	3,754	(1,619)	3,813	5,948
Reflected in stockholders' equity	**4,253**	**(1,886)**	**649**	**3,017**
Corporate reorganizations (Note 2.4 a III)	1,883	(470)	-	1,413
Adjustment to market value of available-for-sale securities	1,980	(1,416)	52	617
Cash flow hedge	137	-	597	734
Other	253	-	-	253
Total [2][3]	**53,164**	**(15,442)**	**14,240**	**51,963**

(1) Includes balance arising from the Corpbanca acquisition R$ 1,121 and Recovery acquisition R$ 45 (Note 3).

(2) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R$ 38,697 and R$ 759.

(3) The accounting records of deferred tax assets on income tax losses and/or social contribution loss carryforwards, as well as those arising from temporary differences, are based on technical feasibility studies which consider the expected generation of future taxable income, considering the history of profitability for each subsidiary individually, and for the consolidated taken as a whole. For the subsidiaries, Itaú Unibanco S.A. and Banco Itaucard S.A., a petition has been sent to Central Bank of Brazil, in compliance with paragraph 7 of article 1 of Resolution No. 4,441/15 and pursuant to Circular 3,776/15.

	12/31/2014	Realization / reversal	Increase	12/31/2015
Reflected in income	**32,513**	**(7,009)**	**23,407**	**48,911**
Allowance for loan and lease losses	18,909	(2,319)	8,982	25,572
Related to income tax and social contribution tax carryforwards	5,430	(239)	1,464	6,655
Provision for contingent liabilities	4,298	(1,364)	2,451	5,385
Civil lawsuits	1,818	(624)	955	2,149
Labor claims	1,460	(382)	734	1,812
Tax and social security	1,009	(351)	762	1,420
Other	11	(7)	-	4
Goodwill on purchase of investments	721	(210)	-	511
Legal liabilities – tax and social security	394	(698)	812	508
Adjustments of operations carried out in futures settlement market	3	(4)	1,254	1,253
Adjustment to market value of financial assets held for trading and derivatives	109	(109)	4,951	4,951
Provision related to health insurance operations	274	-	48	322
Other	2,375	(2,066)	3,445	3,754
Reflected in stockholders' equity	**4,106**	**(1,527)**	**1,674**	**4,253**
Corporate reorganizations (Note 2.4 a III)	2,514	(631)	-	1,883
Adjustment to market value of available-for-sale securities	539	(142)	1,583	1,980
Cash flow hedge	50	-	87	137
Other	1,003	(754)	4	253
Total [*]	**36,619**	**(8,536)**	**25,081**	**53,164**

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R$ 47,453 and R$ 370.

II- The provision for deferred tax liability balance and respective changes are as follows:

	12/31/2015	Realization / reversal	Increase [1]	09/30/2016
Reflected in income	**4,277**	**(1,940)**	**10,605**	**12,942**
Depreciation in excess – finance lease	1,487	(523)	-	964
Adjustment of escrow deposits and contingent liabilities	1,130	(128)	230	1,232
Pension plans	336	-	48	384
Adjustments of operations carried out on the futures settlement market	51	-	884	935
Adjustment to market value of financial assets held for trading and derivatives	198	(198)	6,801	6,801
Taxation of results abroad – capital gains	286	-	946	1,232
Other	789	(1,091)	1,696	1,394
Reflected in stockholders' equity accounts	**1,804**	**(1,285)**	**564**	**1,083**
Adjustment to market value of available-for-sale securities	53	-	553	606
Cash flow hedge	1,313	(1,284)	-	29
Provision for pension plan benefits	424	-	11	435
Other	14	(1)	-	13
Total [2]	**6,081**	**(3,225)**	**11,169**	**14,025**

(1) Includes balance arising from the Corpbanca acquisition R$ 994 (Note 3).

(2) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R$ 38,697 and R$ 759.

	12/31/2014	Realization / reversal	Increase	12/31/2015
Reflected in income	**4,735**	**(1,801)**	**1,343**	**4,277**
Depreciation in excess – finance lease	2,508	(1,021)	-	1,487
Adjustment of escrow deposits and contingent liabilities	876	(425)	679	1,130
Pension plans	336	(34)	34	336
Adjustments of operations carried out on the futures settlement market	4	(12)	59	51
Adjustment to market value of financial assets held for trading and derivatives	6	(6)	198	198
Taxation of results abroad – capital gains	563	(277)	-	286
Other	442	(26)	373	789
Reflected in stockholders' equity accounts	**956**	**(97)**	**945**	**1,804**
Adjustment to market value of available-for-sale securities	132	(79)	-	53
Cash flow hedge	373	-	940	1,313
Provision for pension plan benefits	442	(18)	-	424
Other	9	-	5	14
Total [*]	**5,691**	**(1,898)**	**2,288**	**6,081**

(*) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R$ 47,453 and R$ 370.

III - The estimate of realization and present value of tax credits and from the Provision for Deferred Income Tax and Social Contribution existing at 09/30/2016, are:

	Deferred tax assets									
	Temporary differences	%	Tax loss / social contribution loss carryforwards	%	Total	%	Deferred tax liabilities	%	Net deferred taxes	%
2016	7,975	18%	21	0%	7,996	15%	(1,619)	12%	6,377	17%
2017	13,327	31%	52	1%	13,379	26%	(870)	6%	12,509	33%
2018	10,915	25%	504	6%	11,419	22%	(992)	7%	10,427	28%
2019	1,819	4%	2,789	35%	4,608	9%	(1,427)	10%	3,181	8%
2020	508	1%	2,284	29%	2,792	5%	(1,254)	9%	1,538	4%
After 2020	9,430	21%	2,339	29%	11,769	23%	(7,863)	56%	3,906	10%
Total	**43,974**	**100%**	**7,989**	**100%**	**51,963**	**100%**	**(14,025)**	**100%**	**37,938**	**100%**
Present value [*]	**39,240**		**6,607**		**45,847**		**(10,920)**		**34,927**	

(*) The average funding rate, net of tax effects, was used to determine the present value.

The projections of future taxable income include estimates related to macroeconomic variables, exchange rates, interest rates, volume of financial operations and services fees and others, which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to the taxable income, due to differences between the accounting criteria and tax legislation, in addition to corporate aspects. Accordingly, it is recommended that the trends for the realization of deferred tax assets arising from temporary differences, and tax loss carry forwards should not be used as an indication of future net income.

Considering the temporary effects of Law 13,169/15, which increases the Social Contribution tax rate to 20% until December 31, 2018, tax credits were accounted for based on their expected realization. There are no unrecorded deferred tax assets at 09/30/2016 and 12/31/2015. At 12/31/2015 the effect on the consolidated statement of income was R$ 3,921.

Note 28 – Earnings per share

Basic and diluted earnings per share were computed as shown in the table below for the periods indicated. Basic earnings per share are computed by dividing the net income attributable to the stockholder of ITAÚ UNIBANCO HOLDING by the average number of shares for the period, and by excluding the number of shares purchased and held as treasury shares by the company. Diluted earnings per share are computed on a similar way, but with the adjustment made in the denominator when assuming the conversion of all shares that may be diluted.

Net income attributable to owners of the parent company – basic earnings per share	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Net income	**5,561**	**9,202**	**17,271**	**20,720**
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(70)	(71)	(70)	(71)
Subtotal	**5,491**	**9,131**	**17,201**	**20,649**
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(74)	(74)	(74)	(74)
Subtotal	**5,417**	**9,057**	**17,127**	**20,575**
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis				
To common equity owners	2,781	4,625	8,802	10,454
To preferred equity owners	2,636	4,432	8,325	10,121
Total net income available to common equity owners	**2,855**	**4,698**	**8,876**	**10,527**
Total net income available to preferred equity owners	**2,706**	**4,504**	**8,395**	**10,193**
Weighted average number of shares outstanding (Note 21a)				
Common shares	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred shares	3,176,533,914	3,212,645,039	3,170,218,593	3,245,278,574
Earnings per share - basic – R$				
Common shares	0.85	1.40	2.65	3.14
Preferred shares	0.85	1.40	2.65	3.14

Net income attributable to owners of the parent company – diluted earnings per share	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Total net income available to preferred equity owners	**2,706**	**4,504**	**8,395**	**10,193**
Dividend on preferred shares after dilution effects	17	37	50	58
Net income available to preferred equity owners considering preferred shares after the dilution effect	**2,723**	**4,541**	**8,445**	**10,251**
Total net income available to ordinary equity owners	**2,855**	**4,698**	**8,876**	**10,527**
Dividend on preferred shares after dilution effects	(17)	(37)	(50)	(58)
Net income available to ordinary equity owners considering preferred shares after the dilution effect	**2,838**	**4,661**	**8,826**	**10,469**
Adjusted weighted average of shares (Note 21a)				
Common shares	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred shares	3,215,372,610	3,265,083,430	3,206,930,190	3,282,109,221
Preferred shares	3,176,533,914	3,212,645,039	3,170,218,593	3,245,278,574
Incremental shares from stock options granted under our share-based payment	35,307,905	52,438,391	33,374,179	36,830,647
Incremental bonus shares, included in the share base as from October 21, 2016	3,530,791	-	3,337,418	-
Earnings per share - diluted – R$				
Common shares	0.85	1.39	2.63	3.12
Preferred shares	0.85	1.39	2.63	3.12

Potential anti-dilution effects of shares under our share-based payment, which were excluded from the calculation of diluted earnings per share, totaled 11,421,169 preferred shares at 09/30/2016, 6,275,772 preferred shares at 09/30/2015.

Note 29 – Post-employment benefits

We present the policies of ITAÚ UNIBANCO HOLDING and its subsidiaries regarding employee benefits, as well as the accounting procedures adopted.

The total amounts recognized in Income for the Period and Stockholders' Equity – Other comprehensive income were as follows:

Total amounts recognized in Income for the period

	Defined benefit				Defined contribution				Other benefits				Total			
	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Cost of current service	(16)	(18)	(47)	(51)	-	-	-	-	-	-	-	-	(16)	(18)	(47)	(51)
Net interest	(8)	(1)	(13)	(4)	59	54	179	164	(4)	(9)	(14)	(13)	47	44	152	147
Contribution	-	-	-	-	(22)	(267)	(86)	(337)	-	-	-	-	(22)	(267)	(86)	(337)
Benefits paid	-	-	-	-	-	-	-	-	2	7	9	11	2	7	9	11
Total Amounts Recognized	**(24)**	**(19)**	**(60)**	**(55)**	**37**	**(213)**	**93**	**(173)**	**(2)**	**(2)**	**(5)**	**(2)**	**11**	**(234)**	**28**	**(230)**

(*) In 2015, includes a provision to settle the surplus of social security fund, in the amount of R$ 236.
In the period, contributions to the defined contributions plan, including PGBL, totaled R$ 201 (R$ 146 from 01/01 to 09/30/2015), of which R$ 86 (R$ 101 from 01/01 to 09/30/2015) arising from social security funds.

Total amounts recognized in Stockholders' Equity – Other comprehensive income

	Defined benefit		Defined contribution		Other benefits		Total	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
At the beginning of the period	**(45)**	**(75)**	**(314)**	**(221)**	**(13)**	**(8)**	**(372)**	**(304)**
Effects on asset ceiling	(13)	(103)	8	(38)	-	-	(5)	(141)
Remeasurements	25	133	(2)	(55)	-	(5)	23	73
Total Amounts Recognized	**(33)**	**(45)**	**(308)**	**(314)**	**(13)**	**(13)**	**(354)**	**(372)**

a) Retirement plans

ITAÚ UNIBANCO HOLDING and some of its subsidiaries sponsor defined benefit plans, including variable contribution plans, whose basic purpose of which is to provide benefits that, in general, represent a life annuity benefit, and may be converted into survivorship annuities, according to the plan's regulations. They also sponsor defined contribution plans, the benefit of which is calculated based on the accumulated balance of individual accounts at the eligibility date, according to the plan's regulations, which does not require actuarial calculation, except as described in Note 29c.

Employees hired prior to July 31, 2002, for those who came from Itaú, and prior to February 27, 2009 for those who came from Unibanco, are beneficiaries of the above-mentioned plans. As regards the new employees hired after these dates, they have the option to voluntarily participate in a variable contribution plan (PGBL), managed by Itaú Vida e Previdência S.A.

Retirement plans are managed by closed-end private pension entities (EFPC), with independent legal structures, as detailed below:

Entity	Benefit plan
Fundação Itau Unibanco - Previdência Complementar	Supplementary retirement plan – PAC (1)
	Franprev benefit plan - PBF (1)
	002 benefit plan - PB002 (1)
	Itaulam basic plan - PBI (1)
	Itaulam Supplementary Plan - PSI (2)
	Itaubanco Defined Contribution Plan (3)
	Itaubank Retirement Plan (3)
	Itaú Defined Benefit Plan (1)
	Itaú Defined Contribution Plan (2)
	Unibanco Pension Plan (3)
	Prebeg benefit plan (1)
	UBB PREV defined benefit plan (1)
	Benefit plan II (1)
	Supplementary Retirement Plan – Flexible Premium Annuity (ACMV) (1)
	REDECARD Basic Retirement Plan (1)
	REDECARD Supplementary Retirement Plan (2)
	REDECARD Pension Plan (3)
	ITAUCARD Defined Benefit Retirement Plan (1)
	ITAUCARD Supplementary Retirement Plan (2)
Funbep Fundo de Pensão Multipatrocinado	Funbep I Benefit Plan (1)
	Funbep II Benefit Plan (2)

(1) Defined benefit plan;
(2) Variable contribution plan;
(3) Defined contribution plan.

b) Governance

The closed-end private pension entities (EFPC) and the benefit plans they manage are regulated in conformity with the related specific legislation. The EFPC are managed by the Executive Board, Advisory Council and Fiscal Council, with some members appointed by the sponsors and others appointed as representatives of active and other participants, pursuant to the respective Entity's by laws. The main purpose of the EFPC is to pay benefits to eligible participants, pursuant to the Plan Regulations, maintaining the plans assets invested separately and independently from ITAÚ UNIBANCO HOLDING.

c) Defined benefit plans

I - Main assumptions used in actuarial valuation of retirement plans

	09/30/2016	09/30/2015
Discount rate (1)	11.28% p.a.	10.24% p.a.
Mortality table (2)	AT-2000	AT-2000
Turnover (3)	Exp.Itaú 2008/2010	Exp.Itaú 2008/2010
Future salary growth	5.04% to 7.12% p.a.	5.04% to 7.12% p.a.
Growth of the pension fund and social security benefits	4.00% p.a.	4.00% p.a.
Inflation	4.00% p.a.	4.00% p.a.
Actuarial method (4)	Projected Unit Credit	Projected Unit Credit

(1) The adoption of this assumption is based on interest rates obtained from the actual interest curve in IPCA, for medium term liabilities of retirement plans sponsored by ITAÚ UNIBANCO HOLDING. At 12/31/2015 assumptions were adopted consistently with the economic scenario at the balance sheet date rate, considering the volatility of the interest markets and the models adopted.

(2) The mortality tables adopted correspond to those disclosed by Society of Actuaries (SOA), the North-American entity which corresponds to Brazilian Institute of Actuarial Science (IBA), which reflects a 10% increase in the probabilities of survival compared to the respective basic tables.The life expectancy in years per the AT-2000 mortality table for participants aged 55 years is 27 and 31 years for men and

(3) The turnover assumption is based on the effective experience of active participants linked to ITAÚ UNIBANCO HOLDING, resulting in the average of 2.4 % p.a. based on the 2008/2010 experience.

(4) Using the Projected Unit Credit method, the mathematical reserve is determined based on the current projected benefit amount multiplied by the ratio between the length of service at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

In case of benefits sponsored by foreign subsidiaries, actuarial assumptions adequate to the group of participants and the country's economic scenario are adopted.

Biometric/demographic assumptions adopted are consistent with the group of participants of each benefit plan, pursuant to the studies carried out by an independent external actuarial consulting company.

II- Risk Exposure - Through its defined benefit plans, ITAÚ UNIBANCO HOLDING is exposed to a number of risks, the most significant ones are:

- Volatility of Assets - The actuarial liability is calculated by adopting a discount rate defined on the income related to securities issued by the Brazilian treasury (government securities). If the actual income related to plan assets is lower than expected, this may give rise to a deficit. The plans have a significant percentage of fixed-income securities pegged to the plan commitments, aimed at minimizing volatility and short and medium term risk.

- Changes in Investment Income - A decrease in income related to public securities will imply a decrease in the discount rate and, therefore, will increase the plan's actuarial liability. The effect will be partially offset by the recognition of these securities at market value.

- Inflation Risk - Most of the employee benefit plans are pegged to the inflation rates, and a higher inflation will lead to higher obligations. The effect will also be partially offset because a significant portion of the plan assets is pegged to government securities restated at the inflation rate.

- Life Expectancy - Most of the plan obligations are to provide life benefits, and therefore an increase in life expectancy will result in increased plan liabilities.

III - Management of defined benefit plan assets

The general purpose of managing EFPCs funds is to search for a long term balance between assets and obligations to pay retirement benefits, by exceeding the actuarial targets (discount rate plus benefit adjustment index, established in the plan regulations).

Regarding the assets guaranteeing the actuarial liability reserves, management should ensure the payment capacity of retirement benefits in the long term by avoiding the risk of mismatching assets and liabilities in each pension plan.

The allocation of plan assets and the allocation target by type of asset are as follows:

Types	Fair Value		% Allocation		
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	Meta 2016
Fixed income securities	12,718	12,369	90.24%	90.73%	53% a 100%
Variable income securities	670	537	4.76%	3.94%	0% a 20%
Structured investments	8	27	0.06%	0.20%	0% a 10%
Real estate	625	633	4.44%	4.64%	0% a 7%
Loans to participants	71	67	0.50%	0.49%	0% a 5%
Total	**14,092**	**13,633**	**100.00%**	**100.00%**	

The defined benefit plan assets include shares of ITAÚ UNIBANCO HOLDING, its main parent company (ITAÚSA) and of subsidiaries of the latter, with a fair value of R$ 578 (R$ 452 at 12/31/2015), and real estate rented to Group companies, with a fair value of R$ 599 (R$ 606 at 12/31/2015).

Fair Value

The fair value of the plan assets is adjusted up to the Balance Sheet date, as follows:

Fixed-Income Securities and Structured Investments – accounted for at market value, considering the average trading price on the calculation date, net realizable value obtained upon the technical addition of pricing, considering, at least, the payment terms and maturity, credit risk and the indexing unit.

Variable income securities – accounted for at market value, taken to be the share average quotation at the last day of the month or at the closest date on the stock exchange on which the share has posted the highest liquidity rate.

Real Estate – stated at acquisition or construction cost, adjusted to market value based on reappraisals made in 2015, supported by technical appraisal reports. Depreciation is calculated under the straight line method, considering the useful life of the real estate.

Loans to participants – adjusted up to the report date, in compliance with the respective agreements.

Fund Allocation Target

The fund allocation target is based on Investment Policies that are currently revised and approved by the Advisory Council of each EFPC, considering a five-year period, which establishes guidelines for investing funds guaranteeing Actuarial Liability and for classifying securities.

IV- Net amount recognized in the balance sheet

Following is the calculation of the net amount recognized in the balance sheet, corresponding to the defined benefit plan:

	09/30/2016	12/31/2015
1 - Net assets of the plans	14,092	13,633
2- Actuarial liabilities	(12,042)	(11,587)
3- Surplus (1-2)	**2,050**	**2,046**
4- Asset ceiling (*)	(2,328)	(2,134)
5- Net amount recognized in the balance sheet (3-4)	**(278)**	**(88)**
Amount recognized in assets (Note 20a)	237	224
Amount recognized in liabilities (Note 20b)	(515)	(312)

(*) Corresponds to the excess of the present value of the available economic benefit, in conformity with paragraph 58 of IAS 19.

V- Changes in the net amount recognized in the balance sheet:

	09/30/2016				
	Plan net assets	**Actuarial liabilities**	**Surplus**	**Asset ceiling**	**Recognized amount**
Value at the beginning of the period	**13,633**	**(11,587)**	**2,046**	**(2,134)**	**(88)**
Cost of current service	-	(47)	(47)	-	(47)
Net interest [(1)]	1,112	(944)	168	(181)	(13)
Benefits paid	(701)	701	-	-	-
Contributions of sponsors	50	-	50	-	50
Contributions of participants	10	-	10	-	10
Effects on asset ceiling	-	-	-	(13)	(13)
Balance arising from the CoprBanca acquisition (Note 3)	-	(206)	(206)	-	(206)
Exchange Variation	(12)	26	14	-	14
Remeasurements [(2) (3)]	-	15	15	-	15
Value end of the period	**14,092**	**(12,042)**	**2,050**	**(2,328)**	**(278)**

	12/31/2015				
	Plan net assets	**Actuarial liabilities**	**Surplus**	**Asset ceiling**	**Recognized amount**
Value at the beginning of the period	**13,438**	**(11,695)**	**1,743**	**(1,847)**	**(104)**
Cost of current service	-	(68)	(68)	-	(68)
Net interest [(1)]	1,334	(1,151)	183	(189)	(6)
Benefits paid	(908)	908	-	-	-
Contributions of sponsors	60	-	60	-	60
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(103)	(103)
Remeasurements [(2) (3)]	(306)	419	113	5	118
Value end of the period	**13,633**	**(11,587)**	**2,046**	**(2,134)**	**(88)**

(1) Corresponds to the amount calculated on 01/01/2016 based on the beginning amount (Net Assets, Actuarial Liabilities and Asset ceiling), taking into account the estimated amount of payments/ receipts of benefits/ contributions, multiplied by the discount rate of 11.28% p.a. (At 01/01/2015 used by the discount rate of 10.24% p.a.)

(2) Remeasurements recorded in net assets and asset ceiling correspond to the income earned above/below the expected return rate.

(3) The actual return on assets amounted to R$ 1,112 (R$ 1,028 at 12/31/2015).

During the period, the contributions made totaled R$ 50 (R$ 60 from 01/01 to 12/31/2015). The contribution rate increases based on the beneficiary's salary.

In 2016, contribution to the retirement plans sponsored by ITAÚ UNIBANCO HOLDING is expected to amount to R$ 55.

The estimate for payment of benefits for the next 10 years is as follows:

Period	**Payment estimate**
2016	949
2017	977
2018	1,009
2019	1,042
2020	1,083
2021 to 2025	5,935

VI- Sensitivity of defined benefit obligation

The impact, due to the change in the assumption – discount rate by 0.5%, which would be recognized in Actuarial liabilities of the plans, as well as in Stockholders' Equity – Other Comprehensive Income of the sponsor (before taxes) would amount to:

Change in Assumption	**Effects on actuarial liabilities of the plan**		**Effect which would be recognized in Stockholders' Equity [(*)]**
	Value	**Percentage of actuarial liabilities**	**Value**
- Decrease by 0.5%	566	4.92%	(281)
- Increase by 0.5%	(520)	(4.51%)	201

(*) Net of effects of asset ceiling

d) Defined contribution plans

The defined contribution plans have assets relating to sponsors' contributions not yet included in the participant's account balance due to loss of eligibility to a plan benefit, as well as resources from the migration from the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

I - Change in the net amount recognized in the Balance sheet:

	09/30/2016			12/31/2015		
	Pension plan fund	Asset ceiling	Recognized amount	Pension plan fund	Asset ceiling	Recognized amount
Value beginning of the period	**2,229**	**(270)**	**1,959**	**2,438**	**(224)**	**2,214**
Net interest	202	(23)	179	239	(20)	219
Contribution (Note 29)	(86)	-	(86)	(381)	-	(381)
Effects on asset ceiling	-	8	8	-	(38)	(38)
Remeasurements	(2)	-	(2)	(67)	12	(55)
Value end of the period (Note 20a)	**2,343**	**(285)**	**2,058**	**2,229**	**(270)**	**1,959**

e) Other post-employment benefits

ITAÚ UNIBANCO HOLDING and its subsidiaries do not offer other post-employment benefits, except in those cases arising from obligations under acquisition agreements signed by ITAÚ UNIBANCO HOLDING, as well as in relation to the benefits granted due to a judicial sentence, in accordance with the terms and conditions established, in which health plans are totally or partially sponsored for specific groups of former workers and beneficiaries.

Based on the report prepared by an independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of ITAÚ UNIBANCO HOLDING are as follows:

I- Change in the net amount recognized in the balance sheet:

	09/30/2016	12/31/2015
At the beginning of the period	**(179)**	**(170)**
Interest cost	(14)	(17)
Benefits paid	9	13
Remeasurements	-	(5)
At the end of the period (Note 20b)	**(184)**	**(179)**

The estimate for payment of benefits for the next 10 years is as follows:

Period	Payment estimate
2016	12
2017	13
2018	14
2019	15
2020	15
2021 to 2025	91

II- Assumptions and sensitivity - medical care cost

For calculation of projected benefits obligations in addition to the assumptions used for the defined benefit plans (Note 29c I), an 8.16% p.a. increase in medical costs assumption is assumed.

Assumptions about medical care cost trends have a significant impact on the amounts recognized in income. A change of one percentage point in the medical care cost rates would have the following effects:

	Recognition	1% increase	1% decrease
Service cost and interest cost	Income	4	(3)
Present value of obligation	Other comprehensive income	20	(17)

Note 30 – Insurance contracts

a) Insurance contracts

ITAÚ UNIBANCO HOLDING, through its subsidiaries, offers to the market insurance and private pension products, with the purpose of assuming risks and restoring the economic balance of the assets of the policyholder if damaged. Products are offered through insurance brokers (third parties operating in the market and its own brokers), Itaú Unibanco branches and electronic channels, according to their characteristics and regulatory requirements.

b) Main products

I - Insurance

The contract entered into between the parties aims at guaranteeing the protection of the client's assets. Upon payment of a premium, the policyholder is protected through previously-agreed replacement or indemnification clauses for damages. ITAÚ UNIBANCO HOLDING insurance companies then recognize technical reserves administered by themselves, through specialized areas within the conglomerate, with the objective of indemnifying the policyholder's loss in the event of claims of insured risks.

The insurance risks sold by insurance companies of ITAÚ UNIBANCO HOLDING are divided into property and casualty, that covers losses, damages or liabilities for assets or persons, and life insurance, that includes coverage for death and personal accidents.

Main insurance lines	Loss ratio %		Sales ratio %	
	01/01 to 09/30/2016	01/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Group accident insurance	5.3	5.5	42.3	41.8
Individual accident	18.7	20.9	12.4	11.2
Commercial multiple peril	42.3	41.5	21.0	20.9
Internal credit	190.0	113.5	4.7	19.3
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	86.1	87.4	1.4	1.4
Serious or terminal diseases	15.9	16.3	10.7	10.7
Extended warranty - assets	17.4	17.0	64.1	64.6
Credit Life	19.6	15.4	19.2	21.7
Income from Uncertain Events	17.3	12.3	14.1	15.0
Multiple risks	11.5	6.3	62.1	62.1
Health	144.1	150.3	0.1	0.1
Education Insurance				
Home Insurance in Market Policies – Other Coverage	3.7	1.9	0.1	-
Home insurance in market policies – Credit Life	12.3	15.7	(2.4)	(3.0)
Touristic	34.7	44.4	6.4	6.1
Group life	46.9	45.7	13.5	12.8
Individual life	20.8	24.0	-	-

II - Private pension

Developed as a solution to ensure the maintenance of the quality of life of participants, as a supplement to the government plans, through long term investments, private pension products are divided into three major groups:

- **PGBL - Plan Generator of Benefits:** The main objective of this plan is the accumulation of financial resources, but it can be purchased with additional risk coverage. Recommended for clients that file the full version of income tax return, because they can deduct contributions paid for tax purposes up to 12% of the annual taxable gross income.
- **VGBL - Redeemable Life Insurance:** This is an insurance structured as a pension plan. Its taxation differs from the PGBL; in this case, the tax basis is the earned income.
- **FGB - Fund Generator of Benefits:** This is a pension plan with minimum income guarantee, and possibility of receiving earnings from asset performance. Once recognized the distribution of earnings at a certain percentage, as established by the FGB policy, it is not at management's discretion, but instead represents an obligation to ITAÚ UNIBANCO HOLDING. Although there are plans still in existence, they are no longer sold.

III – Income related to insurance and private pension

The revenue from the main insurance and private pension products is as follows:

	Premiums and contributions issued				Reinsurance				Retained premiums and contributions			
	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Group accident insurance	200	218	602	659	(1)	(1)	(4)	(2)	199	217	598	657
Individual accident	59	55	179	175	(1)	(6)	(12)	(6)	58	49	167	169
Commercial multiple peril	17	15	46	44	-		-	(1)	17	15	46	43
Internal Credit	11	37	50	97	-	-	-	-	11	37	50	97
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	8	8	32	32	-	-	-	-	8	8	32	32
Serious or terminal diseases	45	47	132	136	-	(1)	(1)	(1)	45	46	131	135
Warranty extension - assets	28	63	100	205	-	-	-	-	28	63	100	205
Disability Savings Pension	77	67	221	187	-	(1)	(2)	(5)	77	66	219	182
PGBL	398	387	1,214	1,144	-	-	-	-	398	387	1,214	1,144
Credit Life	133	177	408	568	-	5	-	(1)	133	182	408	567
Income from Uncertain Events	40	36	113	110	-	-	-	-	40	36	113	110
Multiple risks	43	43	125	128	-	-	-	-	43	43	125	128
Health	39	37	116	108	-	-	-	-	39	37	116	108
Home Insurance in Market Policies – Other Coverage	21	18	60	50	-	-	-	(1)	21	18	60	49
Home Insurance in Market Policies – Credit Life	66	58	192	165	(5)	(3)	(13)	(15)	61	55	179	150
Traditional	37	36	94	102	-	-	-	-	37	36	94	102
Touristic	7	11	19	30	-	-	-	-	7	11	19	30
VGBL	4,527	3,981	13,169	11,212	-	-	-	-	4,527	3,981	13,169	11,212
Group life	343	388	998	1,143	(10)	(7)	(36)	(18)	333	381	962	1,125
Individual life	3	4	10	11	-	-	-	-	3	4	10	11
Other lines	48	40	128	109	(3)	(4)	(9)	(5)	45	36	119	104
Total	**6,150**	**5,726**	**18,008**	**16,415**	**(20)**	**(18)**	**(77)**	**(55)**	**6,130**	**5,708**	**17,931**	**16,360**

c) Technical reserves for insurance and private pension

The technical provisions of insurance and pension plan are recognized according to the technical notes approved by SUSEP and criteria established by current legislation.

I - Insurance and private pension:

- **Provision for unearned premiums –** this provision is recognized, based on insurance premiums, for the coverage of amounts payable related to claims and expenses to be incurred, throughout their terms maturity, in connection with the risks assumed at the calculation base date. The calculation is performed on the level of policies or endorsement of agreements in force, on a *pro rata-die* basis.The provision includes an estimate for effective and not issued risks (PPNG-RVNE).

- **Provision for unsettled claims –** this provision is recognized for the coverage of amounts payable related to lump-sum payments and income overdue from claims reported up to the calculation base date, but not yet paid. The provision covers administrative and legal claims, gross of accepted coinsurance operations and reinsurance operations and net of ceded coinsurance operations. The provision should include, whenever required, IBNER (claims incurred but not sufficiently reported) for the aggregate development of claims reported but not paid, which amounts may be changed throughout the process up to final settlement.

- **Provision for claims incurred and not reported** – this provision is recognized for the coverage of expected unsettled amounts related to claims incurred but not reported up to the calculation base date, gross of accepted coinsurance operations and reinsurance operations, and net of ceded coinsurance operations.

- **Mathematical provisions for benefits to be granted -** recognized for the coverage of commitments assumed to participants or policyholders, based on the assumptions set forth in the contract, while the event that gave rise to the benefit and/or indemnity has not occurred. The provision is calculated in accordance with the methodology approved in the actuarial technical note to the product.

- **Mathematical provisions for granted benefits -** recognized after the event triggering the benefit occurs, for the coverage of the commitments assumed to the participants or insured parties, based on the assumptions established in the agreement. The provision is calculated in accordance with the methodologies approved in the technical actuarial note on the product.

- **Provision for financial surplus –** it is recognized to ensure the amounts intended for distribution of financial surplus, if the event is stated in the agreement. Corresponds to the financial income exceeding the minimum return guaranteed in the product.

- **Other technical provisions –** it is recognized when insufficiency of premiums or contributions are identified related to payments of benefits and indemnities.

- **Provision for redemptions and other amounts to regularize –** it comprises the amounts related to redemptions to regularize, returns of premiums or funds, portability requested but, for any reason, not yet transferred to the insurance company or open private pension entity beneficiary, and premiums received but not quoted.

- **Provision for related expenses -** It is recognized for the coverage of expected amounts related to expenses with benefits and indemnities, due to events incurred and to be incurred.

II - Change in reserves for insurance and private pension

The details about the changes in balances of reserves for insurance and private pension operations are as follows:

II.I - Change in technical provisions

	09/30/2016				12/31/2015			
	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total
Opening balance	**4,755**	**32,688**	**91,862**	**129,305**	**5,872**	**28,228**	**75,678**	**109,778**
(+) Additions arising from premiums / contribution	3,310	1,529	13,169	18,008	4,825	2,255	15,501	**22,581**
(-) Deferral of risk	(3,918)	(220)	-	(4,138)	(5,780)	(253)	-	**(6,033)**
(-) Payment of claims / benefits	(1,210)	(265)	(30)	(1,505)	(1,553)	(337)	(19)	**(1,909)**
(+) Reported claims	1,219	-	-	1,219	1,712	-	-	**1,712**
(-) Redemptions	(1)	(1,564)	(10,314)	(11,879)	(2)	(1,479)	(8,720)	**(10,201)**
(+/-) Net portability	-	337	492	829	-	886	504	**1,390**
(+) Adjustment of reserves and financial surplus	16	3,410	10,036	13,462	9	3,244	9,052	**12,305**
(+/-) Other (recognition / reversal)	6	404	1,952	2,362	(328)	144	(134)	**(318)**
Reserves for insurance and private pension	**4,177**	**36,319**	**107,167**	**147,663**	**4,755**	**32,688**	**91,862**	**129,305**

II.II - Technical provisions balances

	Insurance		Private pension		Total	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Unearned premiums	2,415	3,027	16	15	2,431	3,042
Mathematical reserve for benefits to be granted and benefits granted	25	24	141,682	122,914	141,707	122,938
Redemptions and Other Unsettled Amounts	11	23	240	166	251	189
Financial surplus	2	1	570	547	572	548
Unsettled claims [(1)]	791	783	18	18	809	801
IBNR	444	424	25	24	469	448
Administrative and Related Expenses	42	42	63	50	105	92
Other	447	431	872	816	1,319	1,247
Total [(2)]	**4,177**	**4,755**	**143,486**	**124,550**	**147,663**	**129,305**

(1) The provision for unsettled claims is detailed in Note 30e.

(2) This table covers the amendments established by Susep Circular No. 517, de 07/30/2015, also for comparison purposes.

d) Deferred selling expenses

Deferred acquisition costs of insurance are direct and indirect costs incurred to sell, underwrite and originate a new insurance contract.

Direct costs are basically commissions paid for brokerage services, agency and prospecting efforts and are deferred for amortization in proportion to the recognition of revenue from earned premiums, that is, over the coverage period, for the term of effectiveness of contracts, according to the calculation rules in force.

Balances are recorded under gross reinsurance assets and changes are shown in the table below:

Balance at 01/01/2016	**901**
Increase	699
Amortization	(1,078)
Balance at 09/30/2016	**522**
Balance to be amortized in up to 12 months	397
Balance to be amortized after 12 months	125

Balance at 01/01/2015	**1,647**
Increase	1,133
Amortization	(1,879)
Balance at 12/31/2015	**901**
Balance to be amortized in up to 12 months	644
Balance to be amortized after 12 months	257

The amounts of deferred selling expenses from reinsurance are stated in Note 30I.

e) Table of loss development

Changes in the amount of obligations of the ITAÚ UNIBANCO HOLDING may occur at the end of each annual reporting period. The table below shows the development by the claims incurred method. The first part of the table shows how the final loss estimate changes through time. The second part of the table reconciles the amounts pending payment and the liability disclosed in the balance sheet.

The values shown in the tables express the position of 06/30/2016, since the actuarial calculations are made semiannually:

I – Gross of reinsurance

Reserve for unsettled claims (*)	787
(-) DPVAT operations	20
(-) IBNER (claims incurred but not sufficiently reported)	232
(-) Retrocession and other estimates	5
Liability claims presented in the development table (Ia + Ib)	**530**

(*) Provision for unsettled claims stated in Note 30c II.II of 06/30/2016, gross of reinsurance

Ia - Administratives claims - gross of reinsurance

Occurrence date	06/30/2012	06/30/2013	06/30/2014	06/30/2015	06/30/2016	Total
At the end of reporting period	987	1,135	1,231	1,314	1,446	
After 1 year	992	1,146	1,246	1,346		
After 2 years	995	1,148	1,254			
After 3 years	995	1,150				
After 4 years	995					
Current estimate	995	1,150	1,254	1,346	1,446	
Accumulated payments through base date	994	1,146	1,246	1,317	1,239	5,942
Liabilities recognized in the balance sheet	1	4	8	29	207	249
Liabilities in relation to prior years						24
Total administratives claims included in balance sheet						**273**

Ib - Judicial claims - gross of reinsurance

Occurrence date	06/30/2012	06/30/2013	06/30/2014	06/30/2015	06/30/2016	Total
At the end of reporting period	59	45	39	39	35	
After 1 year	65	59	55	48		
After 2 years	73	67	60			
After 3 years	78	70				
After 4 years	80					
Current estimate	80	70	60	48	35	
Accumulated payments through base date	52	51	41	31	22	197
Liabilities recognized in the balance sheet	28	19	19	17	13	96
Liabilities in relation to prior years						161
Total judicial claims included in balance sheet						**257**

II - Net of reinsurance

Reserve for unsettled claims [1]	787
(-) DPVAT operations	20
(-) IBNER	232
(-) Reinsurance [2]	41
(-) Retrocession and other estimates	5
Liability claims presented in the development table (IIa + IIb)	**489**

(1) Provision refers to provision for unsettled claims stated in Note 30c II.II of 06/30/2016.

(2) Reinsurance operations stated in Note 30l III of 06/30/2016.

IIa - Administratives claims - net of reinsurance

Occurrence date	06/30/2012	06/30/2013	06/30/2014	06/30/2015	06/30/2016	Total
At the end of reporting period	955	1,095	1,202	1,280	1,422	
After 1 year	962	1,106	1,217	1,293		
After 2 years	965	1,108	1,222			
After 3 years	965	1,110				
After 4 years	965					
Current estimate	965	1,110	1,222	1,293	1,422	
Accumulated payments through base date	964	1,106	1,214	1,276	1,219	5,779
Liabilities recognized in the balance sheet	1	4	8	17	203	233
Liabilities in relation to prior years						16
Total administratives claims included in balance sheet						**249**

IIb - Judicial claims - net of reinsurance

Occurrence date	06/30/2012	06/30/2013	06/30/2014	06/30/2015	06/30/2016	Total
At the end of reporting period	58	46	39	38	34	
After 1 year	64	59	54	47		
After 2 years	72	67	60			
After 3 years	77	70				
After 4 years	79					
Current estimate	79	70	60	47	34	
Accumulated payments through base date	52	51	42	30	22	197
Liabilities recognized in the balance sheet	27	19	18	17	12	93
Liabilities in relation to prior years						147
Total judicial claims included in balance sheet						**240**

The breakdown of the table development of claims between administrative and legal evidences the reallocation of claims up to a certain base date and that become legal ones afterwards, which may give the wrong impression of need for adjusting the provisions in each breakdown.

f) Liability adequacy test

As established in IFRS 4 – "Insurance contracts", an insurance company must carry out the Liability Adequacy Test, comparing the amount recognized for its technical reserves with the current estimate of cash flow of its future obligations. The estimate should consider all cash flows related to the business, which is the minimum requirement for carrying out the adequacy test.

The Liability adequacy test did not show any deficiency for periods ended 2015, 2014 and 2013.

The assumptions used in the test are periodically reviewed and are based on the best practices and the analysis of subsidiaries' experience, therefore representing the best estimates for cash flow projections.

Methodology and Test Grouping
The methodology for testing all products is based on the projection of cash flows. Specifically for insurance products, cash flows were projected using the method known as run-off triangle of quarterly frequency. Cash flows for the deferral and the assignment phases are tested on a separate basis for social security products.

The risk grouping criterion considers groups subject to similar risks that are jointly managed as a single portfolio.

Biometric Tables
Biometric tables are instruments to measure the biometric risk represented by the probability of death, survival or disability of a participant.

For death and survival estimates, the Brazilian Market Insurer Experience (BR-EMS) tables in effect are used, adjusted according to life expectancy development of Scale G, and the Álvaro Vindas table is adopted to estimate benefit requests for disability

Risk-free Interest Rate
The relevant risk-free forward interest-rate structure is an indicator of the pure time value of money used to price the set of projected cash flows.

The relevant structure of risk-free interest rate was obtained from the curve of securities deemed to be credit risk free, available in the Brazilian financial market and determined pursuant to an internal policy of ITAÚ UNIBANCO HOLDING, considering the addition of spread, which took into account the impact of the market result of held-to-maturity securities of the guarantee assets portfolio.

Income conversion rate
The income conversion rate represents the expected conversion of balances accumulated by participants in retirement benefits. The decision of conversion into income by participants is influenced by behavioral, economic and tax factors.

Other Assumptions
Related expenses, cancellations and partial redemptions, future increases and contributions, among others, are assumptions that affect the estimate of projected cash flows since they represent expenses and income arising from insurance agreements assumed.

g) Insurance risk – effect of changes on actuarial assumptions

Property insurance is a short-lived insurance, and the main actuarial assumptions involved in the management and pricing of the associated risks are claims frequency and severity. Volatility above the expected number of claims and/or amount of claim indemnities may result in unexpected losses.

Life insurance and pension plans are, in general, medium or long-lived products and the main risks involved in the business may be classified as biometric risk, financial risk and behavioral risk.

Biometric risk relates to: i) more than expected increase in life expectancies for products with survivorship coverage (mostly pension plans); ii) more than expected decrease in mortality rates for products with survivorship coverage (mostly life insurance).

Products offering financial guarantee predetermined under contract involve financial risk inherent in the underwriting risk, with such risk being considered insurance risk.

Behavioral risk relates to a more than expected increase in the rates of conversion into annuity income, resulting in increased payments of retirement benefits.

The estimated actuarial assumptions are based on the historical evaluation of ITAÚ UNIBANCO HOLDING, on benchmarks and the experience of the actuaries.

To measure the effects of changes in the key actuarial assumptions, sensitivity tests were conducted in the amounts of current estimates of future liability cash flows. The sensitivity analysis considers a vision of the impacts caused by changes in assumptions, which could affect the income for the period and stockholders' equity at the balance sheet date. This type of analysis is usually conducted under the *ceteris paribus* condition, in which the sensitivity of a system is measured when one variable of interest is changed and all the others remain unchanged. The results obtained are shown in the table below:

The sensitivity analysis considers a vision of the impacts caused by changes in assumptions, which could affect the income for the period and stockholders' equity at the balance sheet date. Results were as follows:

Sensitivity analysis	Impact in Results and Stockholders' Equity [1]					
	09/30/2016			12/31/2015		
	Supplementary Retirement Plans and Life with Living Benefits	Insurance		Supplementary Retirement Plans and Life with Living Benefits	Insurance	
		Gross of reinsurance	Net of reinsurance		Gross of reinsurance	Net of reinsurance
5% increase in mortality rates	17	(3)	(2)	8	(4)	(3)
5% decrease in mortality rates	(12)	2	2	(8)	3	3
0.1% increase in risk-free interest rates	46	2	2	38	7	7
0.1% decrease in risk-free interest rates	(47)	(2)	(2)	(39)	(7)	(7)
5% increase in conversion in income rates	(13)	-	-	(12)	-	-
5% decrease in conversion in income rates	19	-	-	12	-	-
5% increase in claims	-	(60)	(58)	-	(62)	(60)
5% decrease in claims	-	60	58	-	63	60

(1) Amounts net of tax effects.

(2) The amounts shown in the table express the position at 06/30/2016, since the actuarial calculations are made semi-annually.

h) Risks of insurance and private pension

ITAÚ UNIBANCO HOLDING has specific committees to define the management of funds from the technical reserves for insurance and private pension, issue guidelines for managing these funds with the objective of achieving long term return, and define evaluation models, risk limits and strategies on allocation of funds to defined financial assets. Such committees are comprised not only of executives and those directly responsible for the business management process, but also for an equal number of professionals that head up or coordinate the commercial and financial areas.

The extended warranty product, this is marketed by the retail company that sells to consumer. The DPVAT production results from the participation that the insurance companies of ITAÚ UNIBANCO HOLDING have in the Leading Insurance Company of the DPVAT consortium.

There is no product concentration in relation to insurance premiums, reducing the concentration risk of products and distribution channels.

	07/01 to 09/30/2016			07/01 to 09/30/2015			01/01 to 09/30/2016			01/01 to 09/30/2015		
	Insurance premiums	Retained premium	Retention (%)	Insurance premiums	Retained premium	Retention (%)	Insurance premiums	Retained premium	Retention (%)	Insurance premiums	Retained premium	Retention (%)
Property and casualty												
Mandatory personal injury caused by motor vehicle (DPVAT)	8	8	100.0	8	8	100.0	32	32	100.0	32	32	100.0
Extended warranty	28	28	100.0	63	63	100.0	100	100	100.0	205	205	100.0
Individuals												
Group accident insurance	200	199	99.5	218	217	99.5	602	598	99.3	659	657	99.7
Individual accident	59	58	98.3	55	49	89.1	178	167	93.8	175	169	96.6
Group life	343	333	97.1	388	381	98.2	998	962	96.4	1,143	1,125	98.4
Individual life												

i) Insurance, pension plan and capitalization management structure

The products that make up the portfolios of ITAÚ UNIBANCO HOLDING's insurance companies are related to the life insurance and elementary, pension plan and capitalization lines. Therefore, we understand that the major risks inherent in these products are as follows:

- Underwriting risk is the possibility of losses arising from operations of insurance, pension plan and capitalization that go against the organization's expectations, directly or indirectly associated with the technical and actuarial bases adopted to calculate premiums, contributions and provisions.
- Market risk is the possibility of incurring losses due to fluctuations in the market values of assets and liabilities comprising the actuarial technical reserves.
- Credit risk is the possibility of a certain debtor failing to meet any obligations in connection with the settlement of operations involving the trade of financial assets or reinsurance.
- Operational risk is the possibility of incurring losses arising from the failure, deficiency or inadequacy or internal processes, personnel and systems, or external events impacting the achievement of strategic, tactical or operational purposes of the insurance, pension plan and capitalization operations.
- Liquidity risk in insurance operations is the possibility of the institution being unable to honor its obligations on a timely basis before policyholders and beneficiaries due to lack of liquidity of assets that make up their actuarial technical reserves.

j) Duties and responsibilities

In line with good national and international practices and to ensure that the risks arising from insurance, pension plan and capitalization products are properly identified, measured, assesses, reported and approved in proper bodies, the ITAÚ UNIBANCO HOLDING has a risk management structure which guidelines are established in an internal policy, approved by its Board of Directors, applicable to the companies and subsidiaries exposed to insurance, pension plan and capitalization risks in Brazil and abroad.

The management process of insurance, pension plan and capitalization risks is based on responsibilities established and distributed between the control and business areas, assuring independence among them and focusing on the specificities of each risk, in accordance with the guidelines established by ITAÚ UNIBANCO HOLDING.

Also, as part of the risk management process, there is a governance structure where decisions may be escalated to panels, ensuring compliance with a number of internal and regulatory requirements, as well as balanced decisions regarding risks.

The purpose of ITAÚ UNIBANCO HOLDING is to ensure that assets backing long-term products, with guaranteed minimum returns, are managed according to the characteristics of the liabilities aiming at actuarial balance and long-term solvency.

Considering actuarial assumptions, a detailed mapping of the liabilities of long-term products that result in payment flows of projected future benefits is performed annually. Based on this mapping, Asset Liability Management models are used to find the best asset portfolio composition that enables the neutralize the risks entailed in this type of product, considering its long-term economic and financial feasibility. The portfolios of backing assets are periodically rebalanced based on the fluctuations in market prices of assets, the company's liquidity needs, and changes in characteristics of liabilities.

k) Market, credit and liquidity risk

Market risk

Market risk is analyzed, in relation to insurance operations, based on the following metrics and sensitivity and loss control measures: Value at Risk (*VaR*), Losses in Stress Scenarios (Stress Test), Sensitivity (DV01- Delta Variation) and Concentration. For a detailed description of metrics, see Note 36 – Market risk. In the table, the sensitivity analysis (DV01 – Delta Variation) is presented in relation to insurance operations that demonstrate the impact on the cash flows market value when submitted to a 1 annual basis point increase in the current interest rates or index rate and 1 percentage point in the share price and currency.

(R$ million)

Class	09/30/2016		12/31/2015	
	Account balance	**DV01**	**Account balance**	**DV01**
Government securities				
NTN-C	5,443	(3.45)	4,821	(3.20)
NTN-B	2,482	(2.91)	2,055	(1.95)
LTN	200	0.00	-	-
DI Future	**-**	**-**	**-**	**-**
Private securities				
Indexed to IPCA	324	(0.15)	209	(0.09)
Indexed to PRE	107	(0.00)	77	(0.00)
Shares	**0**	**0.00**	**1**	**0.01**
Floating assets	**6,252**	**-**	**4,998**	**-**
Under agreements to resell	**4,390**	**-**	**4,977**	**-**

Liquidity Risk

Liquidity risk is the risk that ITAÚ UNIBANCO HOLDING may have insufficient net funds available to honor its current obligations at a given moment. The liquidity risk is managed, for insurance operation, continuously based on the monitoring of payment flows related to its liabilities vis a vis the inflows generated by its operations and financial assets portfolio.

Financial assets are managed in order to optimize the risk-return ratio of investments, considering, on a careful basis, the characteristics of their liabilities. The risk integrated control considers the concentration limits by issuer and credit risk, sensitivities and market risk limits and control over asset liquidity risk. Thus, investments are concentrated in government and private securities with good credit quality in active and liquid markets, keeping a considerable amount invested in short-term assets, available on demand, to cover regular needs and any liquidity contingencies. Additionally, ITAÚ UNIBANCO HOLDING constantly monitors the solvency conditions of its insurance operations.

Liabilities	Assets	09/30/2016			12/31/2015		
		Liabilities amounts [1]	Liabilities DU [2]	Assets DU [2]	Liabilities amounts [1]	Liabilities DU [2]	Assets DU [2]
Insurance operations	**Backing asset**						
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	2,414	20.8	15.5	3,025	15.8	13.8
IBNR, PDR e PSL	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	1,274	19.8	21.1	1,243	15.7	16.9
Other provisions	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	452	94.5	33.8	434	104.6	22.7
Subtotal	**Subtotal**	**4,140**			**4,702**		
Pension plan, VGBL and individual life operations							
Related expenses	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	63	101.9	82.4	50	102.7	85.7
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB and debentures	17	-	18.0	17	-	12.2
Unsettled claims	LFT, repurchase agreements, NTN-B, CDB and debentures	21	-	17.7	20	-	12.3
IBNR	LFT, repurchase agreements, NTN-B, CDB and debentures	26	10.9	18.0	28	9.8	10.5
Redemptions and Other Unsettled Amounts	LFT, repurchase agreements, NTN-B, CDB and debentures	251	-	17.9	190	-	12.3
Mathematical reserve for benefits granted	LFT, repurchase agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and debentures	1,697	101.9	82.6	1,540	102.7	85.8
Mathematical reserve for benefits to be granted – PGBL/ VGBL	LFT, repurchase agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and debentures [3]	135,459	166.1	39.8	117,073	160.6	23.9
Mathematical reserve for benefits to be granted – traditional	LFT, repurchase agreements, NTN-B, NTN-C, Debentures	4,546	212.4	87.9	4,321	208.1	79.4
Other provisions	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	872	212.4	87.9	816	208.1	79.4
Financial surplus	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	571	212.1	87.8	548	207.8	79.2
Subtotal	**Subtotal**	**143,523**			**124,603**		
Total technical reserves	**Total backing assets**	**147,663**			**129,305**		

(1) Gross amounts of Credit Rights, Escrow Deposits and Reinsurance.

(2) DU = Duration in months

(3) Excluding PGBL / VGBL reserves allocated in variable income.

Credit Risk

I - Reinsurers – Breakdown

We present below the division of risks granted by the ITAÚ UNIBANCO HOLDING's insurance companies to reinsurance companies:

- **Insurance Operations:** reinsurance premiums operations are basically represented by: IRB Brasil Resseguros with 49.84% (66.67% at 12/31/2015) and Munich Re do Brasil with 49.51% (32.94% at 12/31/2015).

- **Social Security Operations:** social security operations related to reinsurance premiums are entirely represented by Munich Re do Brasil with 70% (50% at 12/31/2015) and General Reinsurance AG with 30% (50% at 12/31/2015).

II - Risk level of financial assets

The table below shows insurance financial assets, individually evaluated, classified by rating:

Internal rating (*)	09/30/2016					
	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Derivatives assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Lower risk	5,873	127,707	219	3,562	4,570	141,931
Satisfactory	-	13	-	-	-	13
Higher Risk	-	14	-	-	-	14
Total	**5,873**	**127,734**	**219**	**3,562**	**4,570**	**141,958**
%	**4.1**	**90.0**	**0.2**	**2.5**	**3.2**	**100.0**

(*) Internal risk level ratings, with due associated probability of default, are detailed in Note 36.

Internal rating (*)	12/31/2015					
	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Derivatives assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Lower risk	5,667	94,709	126	2,732	4,320	107,554
Satisfactory	-	16	-	-	-	16
Higher Risk	-	-	-	-	-	-
Total	**5,667**	**94,725**	**126**	**2,732**	**4,320**	**107,570**
%	**5.3**	**88.1**	**0.1**	**2.5**	**4.0**	**100.0**

(*) Internal risk level ratings, with due associated probability of default, are detailed in Note 36.

l) Reinsurance

Expenses and revenues from reinsurance premiums ceded are recognized in the period when they occur, according to the accrual basis, with no offset of assets and liabilities related to reinsurance except in the event there is a contractual provision for the offset of accounts between the parties. Analyses of reinsurance required are made to meet the current needs of ITAÚ UNIBANCO HOLDING, maintaining the necessary flexibility to comply with changes in management strategy in response to the various scenarios to which it may exposed.

Reinsurance assets

Reinsurance assets are valued according to consistent basis of risk assignment contracts, and in the event of losses effectively paid, as from December 2015; they are revalued after 180 days have elapsed in relation to the possibility of non-recovery. For previous periods, revaluation term is 365 days. This amendment was for compliance with the SUSEP Circular in force. In case of doubt, these assets are reduced based on the provision recognized for credit risk associated to reinsurance.

Reinsurance transferred

ITAÚ UNIBANCO HOLDING transfers, in the normal course of its businesses, reinsurance premiums to cover losses on underwriting risks to its policy holders and is in compliance with the operational limits established by the regulating authority. In addition to proportional contracts, non-proportional contracts are also entered into in order to transfer a portion of the responsibility to the reinsurance company for losses that exceed a certain level of losses in the portfolio. Non-proportional reinsurance premiums are included in Other assets - prepaid expenses and amortized to Other operating expenses over the effectiveness period of the contract on a daily accrual basis.

I- Changes in balances of transactions with reinsurance companies

	Credits		Debits	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Opening balance	**18**	**262**	**103**	**610**
Issued contracts	-	-	64	75
Recoverable claims	26	-	-	-
Prepayments / payments to reinsurer	(2)	12	(95)	(36)
Other increase / reversal	1	(256)	-	(546)
Closing balance	**43**	**18**	**72**	**103**

II – Balances of technical reserves with reinsurance assets

	09/30/2016	12/31/2015
Reinsurance claims	79	52
Reinsurance premiums	14	24
Reinsurance commission	-	-
Closing balance	**93**	**76**

III – Changes in balances of technical reserves for reinsurance claims

	09/30/2016	12/31/2015
Opening balance	**52**	**2,456**
Reported claims	53	32
Paid claims	(55)	(25)
Other increase / reversal	2	(2,412)
Monetary adjustment and interest of claims	27	1
Closing balance (*)	**79**	**52**

(*) Includes Reserve for unsettled claims, IBNER (Reserve for claims not sufficiently warned), IBNR (Reserve for claims incurred but not reported), not covered by the table of loss development net of reinsurance Note 30 eII.

IV – Changes in balances of technical reserves for reinsurance premiums

	09/30/2016	12/31/2015
Opening balance	**24**	**949**
Receipts	58	61
Payments	(68)	(45)
Other increase / reversal	-	(941)
Closing balance	**14**	**24**

V – Changes in balances of technical reserves for reinsurance commission

	09/30/2016	12/31/2015
Opening balance	**-**	**(37)**
Receipts	4	4
Payments	(4)	(4)
Other increase / reversal		37
Closing balance	**-**	**-**

m) Regulatory authorities

Insurance and private pension operations are regulated by the National Council of Private Insurance (CNSP) and the Superintendence of Private Insurance (SUSEP). These authorities are responsible for regulating the market, and consequently for assisting in the mitigation of risks inherent in the business.

The CNSP is the regulatory authority of insurance activities in Brazil, created by Decree-Law N° 73, of November 21, 1966. The main attribution of CNSP, at the time of its creation, was to set out the guidelines and rules of government policy on private insurance segments, and with the enactment of Law N° 6,435, of July 15, 1977, its attributions included private pension of public companies.

The Superintendence of Private Insurance (SUSEP) is the authority responsible for controlling and overseeing the insurance, and reinsurance markets. An agency of the Ministry of Finance, it was created by the Decree-Law N° 73, of November 21, 1966, which also created the National System of Private Insurance, comprising the National Council of Private Insurance (CNSP), IRB Brasil Resseguros S.A. – IRB Brasil Re, the companies authorized to have plans and the open-ended private pension companies.

Note 31 – Fair value of financial instruments

In cases where market prices are not available, fair values are based on estimates using discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions adopted, including the discount rate and estimate of future cash flows. The estimated fair value achieved through these techniques cannot be substantiated by comparison with independent markets and, in many cases, it cannot be realized in the immediate settlement of the instrument.

The following table summarizes the carrying and estimated fair values for financial instruments:

	09/30/2016		12/31/2015	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	96,564	96,564	85,100	85,100
Interbank deposits	23,108	23,127	30,525	30,525
Securities purchased under agreements to resell	257,122	257,122	254,404	254,404
Financial assets held for trading (*)	189,895	189,895	164,311	164,311
Financial assets designated at fair value through profit or loss (*)	741	741	642	642
Derivatives (*)	26,187	26,187	26,755	26,755
Available-for-sale financial assets (*)	86,602	86,602	86,045	86,045
Held-to-maturity financial assets	41,186	41,815	42,185	38,892
Loan operations and lease operations	465,350	472,745	447,404	446,787
Other financial assets	50,880	50,880	53,506	53,506
Financial liabilities				
Deposits	308,599	308,574	292,610	292,775
Securities sold under repurchase agreements	347,790	347,790	336,643	336,643
Financial liabilities held for trading (*)	482	482	412	412
Derivatives (*)	26,144	26,144	31,071	31,071
Interbank market debt	137,556	137,071	156,886	156,174
Institutional market debt	97,158	95,750	93,918	95,461
Liabilities for capitalization plans	3,091	3,091	3,044	3,044
Other financial liabilities	63,939	63,939	68,715	68,715

(*) These assets and liabilities are recorded in the balance sheet at their fair value.

Financial instruments not included in the Balance Sheet (Note 36) are represented by Standby letters of credit and guarantees provided, which amount to R$ 79,729 (R$ 81,180 at 12/31/2015) with an estimated fair value of R$ 1,082 (R$ 1,143 at 12/31/2015).

The methods and assumptions adopted to estimate the fair value are defined below:

a) **Cash and deposits on demand, Central Bank compulsory deposits, Securities purchased under agreements to resell, Securities sold under repurchase agreements and liabilities for capitalization plans –** The carrying amounts for these instruments approximate their fair values.

b) **Interbank deposits, deposits, Interbank market debt and Institutional market debt** – ITAÚ UNIBANCO HOLDING estimates the fair values by discounting the estimated cash flows and adopting the market interest rates.

c) **Financial assets held for trading, including Derivatives (assets and liabilities), Financial assets designated at fair value through profit or loss, Available-for-sale financial assets, Held-to-maturity financial assets and Financial liabilities held for trading –** Under normal conditions, market prices are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quoted market prices and, in such cases, the adoption of present value estimates and other pricing techniques are required. In the absence of quoted prices from National Association of Financial Market Institutions (ANBIMA), the fair values of bonds are calculated based on the interest rates provided by others on the market (brokers). The fair values of corporate debt securities are computed by adopting criteria similar to those applied to interbank deposits, as described above. The fair values of shares are computed based on their prices quoted in the market. The fair values of derivative financial instruments were determined as follows:

- **Swaps:** The cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves may be drawn mainly based on the exchange price of derivatives at BM&FBOVESPA, of Brazilian government securities in the secondary market or derivatives and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).

- **Futures and forwards:** Quotations on exchanges or criteria identical to those applied to swaps.

- **Options:** The fair values are determined based on mathematical models (such as Black&Scholes) that are fed with implicit volatility data, interest rate yield curve and fair value of the underlying asset. Current market prices of options are used to compute the implicit volatilities. All these data are obtained from different sources (usually Bloomberg).

- **Credit:** Inversely related to the probability of default (PD) in a financial instrument subject to credit risk. The process of adjusting the market price of these spreads is based on the differences between the yield curves with no risk and the yield curves adjusted for credit risk.

d) Loan operations and lease operations – Fair value is estimated based on groups of loans with similar financial and risk characteristics, using valuation models. The fair value of fixed-rate loans was determined by discounting estimated cash flows, applying current interest rates for similar loans. For the majority of loans at floating rate, the carrying amount was considered close to their fair value. The fair value of loan and lease operations not overdue was calculated by discounting the expected payments of principal and interest through maturity, at the aforementioned rates. The fair value of overdue loan and lease transactions was based on the discount of estimated cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying collateral. The assumptions related to cash flows and discount rates are determined using information available in the market and the borrower's specific information of the debtor.

e) Deposits – The fair value of fixed-rate loans with maturity dates was determined by discounting estimated cash flows, applying current interest rates for similar funding operations. Cash deposits are not considered in the fair value estimate. The assumptions related to cash flows and discount rates are determined based on information available in the market and information specific for each operation.

f) Other financial assets / liabilities – primarily composed of receivables from credit card issuers, deposits in guarantee for contingent liabilities and trading and intermediation of securities. The carrying amounts for these assets/liabilities substantially approximate their fair values, since they principally represent amounts to be received in the short term from credit card holders and to be paid to credit card acquirers, judicially required deposits (indexed to market rates) made by ITAÚ UNIBANCO HOLDING as guarantees for lawsuits or very short-term receivables (generally with a maturity of approximately 5 (five) business days). All of these items represent assets / liabilities without significant associated market, credit and liquidity risks.

In accordance with IFRS, ITAÚ UNIBANCO HOLDING classifies fair value measurements in a fair value hierarchy that reflects the significance of inputs adopted in the measurement process.

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market is a market in which transactions for the asset or liability being measured occur often enough and with sufficient volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 generally includes: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or quoted prices vary substantially either over time or among market makers, or in which little information is released publicly; (iii) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, etc.); (iv) inputs that are mainly derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable for the asset or liability. Unobservable information shall be used to measure fair value to the extent that observable information is not available, thus allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial assets for trading, Available for sale, and Designated at fair value through profit or loss:

Level 1: Highly-liquid securities with prices available in an active market are classified in Level 1 of the fair value hierarchy. This classification level includes most of the Brazilian Government Securities, securities of foreign governments, shares and debentures traded on stock exchanges and other securities traded in an active market.

Level 2: When the pricing information is not available for a specific security, the assessment is usually based on prices quoted in the market for similar instruments, pricing information obtained for pricing services, such as Bloomberg, Reuters and brokers (only when the prices represent actual transactions) or discounted cash flows, which use information for assets actively traded in an active market. These securities are classified into Level 2 of the fair value hierarchy and are comprised of certain Brazilian government securities, debentures, some government securities quoted in a less-liquid market in relation to those classified into Level 1, and some share prices in investment funds. ITAÚ UNIBANCO HOLDING does not hold positions in alternative investment funds or private equity funds.

Level 3: When no pricing information in an active market, ITAÚ UNIBANCO HOLDING uses internally developed models, from curves generated according to the proprietary model. The Level 3 classification includes some Brazilian government and private securities falling due after 2025 and securities that are not usually traded in an active market.

Derivatives:

Level 1: Derivatives traded on stock exchanges are classified in Level 1 of the hierarchy.

Level 2: For derivatives not traded on stock exchanges, ITAÚ UNIBANCO HOLDING estimates the fair value by adopting a variety of techniques, such as Black&Scholes, Garman & Kohlhagen, Monte Carlo or even the discounted cash flow models usually adopted in the financial market. Derivatives included in Level 2 are credit default swaps, cross currency swaps, interest rate swaps, plain vanilla options, certain forwards and generally all swaps. All models adopted by ITAÚ UNIBANCO HOLDING are widely accepted in the financial services industry and reflect all derivative contractual terms. Considering that many of these models do not require a high level of subjectivity, since the methodologies adopted in the models do not require major decisions and information for the model are readily observed in the actively quotation markets, these products were classified in Level 2 of the measurement hierarchy.

Level 3: The derivatives with fair values based on non-observable information in an active market were classified into Level 3 of the fair value hierarchy, and are comprised of non-standard options, certain swaps indexed to non-observable information, and swaps with other products, such as swap with option and USD Check, credit derivatives and futures of certain commodities. These operations have their pricing derived from a range of volatility using the basis of historical volatility.

All aforementioned valuation methodologies may result in a fair value that may not be indicative of the net realizable value or future fair values. However, ITAÚ UNIBANCO HOLDING believes that all methodologies used are appropriate and consistent with the other market participants. However, the adoption of other methodologies or assumptions different than those used to estimate fair value may result in different fair value estimates at the balance sheet date.

Distribution by level

The following table presents the breakdown of risk levels at 09/30/2016 and 12/31/2015 for financial assets held for trading and available-for-sale financial assets.

	09/30/2016				12/31/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	**150,188**	**38,492**	**1,215**	**189,895**	**123,948**	**40,303**	**60**	**164,311**
Investment funds	15	1,278	-	1,293	19	1,032	-	1,051
Brazilian government securities	141,147	2,749	1	143,897	114,007	3,043	3	117,053
Brazilian external debt bonds	6,173	-	-	6,173	4,431	-	-	4,431
Government securities – other countries	**946**	**2,982**	**-**	**3,928**	**933**	**216**	**-**	**1,149**
Argentina	700	-	-	700	696	-	-	696
Chile	-	153	-	153	-	36	-	36
Colombia	-	2,648	-	2,648	-	72	-	72
United States	78	-	-	78	132	-	-	132
Mexico	7	-	-	7	3	-	-	3
Paraguay	-	123	-	123	-	68	-	68
Uruguay	-	58	-	58	-	40	-	40
Other	161	-	-	161	102	-	-	102
Corporate securities	**1,907**	**31,483**	**1,214**	**34,604**	**4,558**	**36,012**	**57**	**40,627**
Shares	581	-	1,072	1,653	2,161	-	-	2,161
Bank deposit certificates	11	2,541	-	2,552	19	2,564	-	2,583
Debentures	730	2,596	103	3,429	2,333	2,141	48	4,522
Eurobonds and others	585	9	39	633	45	940	6	991
Financial credit bills	-	26,288	-	26,288	-	30,367	-	30,367
Other	-	49	-	49	-	-	3	3
Available-for-sale financial assets	**33,161**	**44,452**	**8,989**	**86,602**	**32,439**	**49,347**	**4,259**	**86,045**
Investment funds	-	96	-	96	6	98	114	218
Brazilian government securities	13,602	709	231	14,542	10,793	791	212	11,796
Brazilian external debt bonds	14,772	-	-	14,772	17,312	-	-	17,312
Government securities – other countries	**1,671**	**12,074**	**86**	**13,831**	**2,152**	**7,702**	**29**	**9,883**
Chile	-	4,128	86	4,214	-	1,378	29	1,407
Colombia	-	1,585	-	1,585	-	-	-	-
Korea	-	2,688	-	2,688	-	1,626	-	1,626
Denmark	-	1,300	-	1,300	-	2,548	-	2,548
Spain	-	684	-	684	-	1,060	-	1,060
United States	1,549	-	-	1,549	2,022	-	-	2,022
Netherlands	101	-	-	101	122	-	-	122
Paraguay	-	1,329	-	1,329	-	912	-	912
Portugal	14	-	-	14	-	-	-	-
Uruguay	-	360	-	360	-	178	-	178
Other	7	-	-	7	8	-	-	8
Corporate securities	**3,116**	**31,573**	**8,672**	**43,361**	**2,176**	**40,756**	**3,904**	**46,836**
Shares	1,128	-	-	1,128	661	-	267	928
Rural Product Note	-	859	519	1,378	-	1,078	52	1,130
Bank deposit certificates	-	1,409	114	1,523	-	1,443	130	1,573
Securitized real estate loans	-	-	2,113	2,113	-	-	2,037	2,037
Debentures	681	16,131	4,686	21,498	410	21,581	844	22,835
Eurobonds and others	1,307	5,851	1,224	8,382	1,105	8,981	26	10,112
Financial credit bills	-	5,776	-	5,776	-	6,479	367	6,846
Promissory notes	-	1,296	-	1,296	-	937	54	991
Other	-	251	16	267	-	257	127	384
Financial assets designated at fair value through profit or loss	**741**	**-**	**-**	**741**	**642**	**-**	**-**	**642**
Brazilian government securities	741	-	-	741	506	-	-	506
Government securities – other countries	-	-	-	-	136	-	-	136
Financial liabilities held for trading	**-**	**482**	**-**	**482**	**-**	**412**	**-**	**412**
Structured notes	-	482	-	482	-	412	-	412

The following table presents the breakdown of risk levels at 09/30/2016 and 12/31/2015 for our derivative assets and liabilities.

	09/30/2016				12/31/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives - assets	**195**	**25,400**	**592**	**26,187**	**529**	**24,975**	**1,251**	**26,755**
Futures	195	-	-	195	529	-	-	529
Swap – differential receivable	-	12,095	472	12,567	-	7,958	1,189	9,147
Options	-	5,536	114	5,650	-	5,550	33	5,583
Forwards (onshore)	-	3,279	-	3,279	-	3,166	-	3,166
Credit derivatives	-	153	-	153	-	614	-	614
Forwards (offshore)	-	4,124	-	4,124	-	3,430	-	3,430
Check of swap	-	112	-	112	-	355	-	355
Other derivatives	-	101	6	107	-	3,902	29	3,931
Derivatives - liabilities	**-**	**(26,124)**	**(20)**	**(26,144)**	**-**	**(31,038)**	**(33)**	**(31,071)**
Swap – differential payable	-	(14,173)	(14)	(14,187)	-	(16,310)	(21)	(16,331)
Options	-	(5,682)	(6)	(5,688)	-	(5,771)	(12)	(5,783)
Forwards (onshore)	-	(2,696)	-	(2,696)	-	(833)	-	(833)
Credit derivatives	-	(140)	-	(140)	-	(875)	-	(875)
Forwards (offshore)	-	(3,015)	-	(3,015)	-	(3,142)	-	(3,142)
Check of swap	-	(358)	-	(358)	-	(545)	-	(545)
Other derivatives	-	(60)	-	(60)	-	(3,562)	-	(3,562)

There were no significant transfer between Level 1 and Level 2 during the period from September 30, 2016 and December 31, 2015. Transfers to and from Level 3 are presented in movements of Level 3.

Measurement of fair value Level 2 based on pricing services and brokers

When pricing information is not available for securities classified as Level 2, pricing services, such as Bloomberg or brokers, are used to value such instruments.

In all cases, to assure that the fair value of these instruments is properly classified as Level 2, internal analysis of the information received are conducted, so as to understand the nature of the input used in the establishment of such values by the service provider.

Prices provided by pricing services that meet the following requirements are considered Level 2: input is immediately available, regularly distributed, provided by sources actively involved in significant markets and it is not proprietary.

Of the total of R$ 82,944 million in financial instruments classified as Level 2, at September 30, 2016, pricing service or brokers were used to evaluate securities at the fair value of R$ 39,643 million, substantially represented by:

- **Debentures:** When available, we use price information for transactions recorded in the Brazilian Debenture System (SND), an electronic platform operated by CETIP, which provides multiple services for transactions involving debentures in the secondary market. Alternatively, prices of debentures provided by ANBIMA are used. Its methodology includes obtaining, on a daily basis, illustration and non-binding prices from a group of market players deemed to be significant. Such information is subject to statistical filters established in the methodology, with the purpose of eliminating outliers.

- **Global and corporate securities:** The pricing process for these securities consists in capturing from 2 to 8 quotes from Bloomberg, depending on the asset. The methodology consists in comparing the highest purchase prices and the lowest sale prices of trades provided by Bloomberg for the last day of the month. Such prices are compared with information from purchase orders that the Institutional Treasury of ITAÚ UNIBANCO HOLDING provides for Bloomberg. Should the difference between them be lower than 0.5%, the average price of Bloomberg is used. Should it be higher than 0.5% or if the Institutional Treasury does not provide information on this specific security, the average price gathered directly from other banks is used. The price of the Institutional Treasury is used as a reference only and never in the computation of the final price.

Level 3 recurring fair value measurements

The departments in charge of defining and applying the pricing models are segregated from the business areas. The models are documented, submitted to validation by an independent area and approved by a specific committee. The daily process of price capture, calculation and disclosure are periodically checked according to formally defined testing and criteria and the information is stored in a single and corporate history data base.

The most recurring cases of assets classified as Level 3 are justified by the discount factors used. Factors such as the fixed interest curve in Brazilian Reais and the TR coupon curve – and, as a result, its related factors – have inputs with terms shorter than the maturities of these fixed-income assets. For swaps, the analysis is carried out by index for both parties. There are some cases in which the inputs periods are shorter than the maturity of the derivative.

Level 3 recurring fair value changes

The tables below show the changes in balance sheet for financial instruments classified by ITAÚ UNIBANCO HOLDING in Level 3 of the fair value hierarchy. Derivative financial instruments classified in Level 3 mainly correspond to other derivatives linked to shares.

	Fair value at 12/31/2015	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 09/30/2016	Total gains (losses) related to assets and liabilities still held at 09/30/2016
Financial assets held for trading	**60**	**56**	**763**	**(458)**	**794**	**1,215**	**(40)**
Brazilian government securities	**3**	**-**	**1**	**(3)**	**-**	**1**	**-**
Corporate securities	**57**	**56**	**762**	**(455)**	**794**	**1,214**	**(40)**
Shares	-	-	-	-	1,072	1,072	(38)
Debentures	48	(24)	581	(409)	(93)	103	(2)
Eurobonds and others	6	80	176	(38)	(185)	39	-
Other	3	-	5	(8)	-	-	-
Available-for-sale financial assets	**4,259**	**(259)**	**20,476**	**(11,288)**	**(4,199)**	**8,989**	**(1,311)**
Investment funds	114	313	-	(427)	-	-	-
Brazilian government securities	**212**	**(206)**	**170**	**51**	**4**	**231**	**9**
Government securities – abroad - Chile	**29**	**(43)**	**335**	**(235)**	**-**	**86**	**-**
Corporate securities	**3,904**	**(323)**	**19,971**	**(10,677)**	**(4,203)**	**8,672**	**(1,320)**
Shares	267	(46)	-	(227)	6	-	-
Rural Product Note	52	93	1,844	(1,618)	148	519	(53)
Bank deposit certificates	130	5	513	(534)	-	114	-
Securitized real estate loans	2,037	52	4,099	(4,075)	-	2,113	(78)
Debentures	844	(412)	11,252	(2,216)	(4,782)	4,686	(1,150)
Eurobonds and others	26	(37)	1,421	(588)	402	1,224	(39)
Financial credit bills	367	8	667	(1,042)	-	-	-
Promissory notes	54	-	-	(54)	-	-	-
Other	127	14	175	(323)	23	16	-

	Fair value at 12/31/2015	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 09/30/2016	Total gains (losses) related to assets and liabilities still held at 09/30/2016
Derivatives - assets	**1,251**	**(650)**	**233**	**(242)**	**-**	**592**	**(23)**
Swap – differential receivable	1,189	(696)	8	(29)	-	472	(39)
Options	33	65	225	(209)	-	114	15
Other derivatives	29	(19)	-	(4)	-	6	1
Derivatives - liabilities	**(33)**	**14**	**(29)**	**28**	**-**	**(20)**	**29**
Swap – differential payable	(21)	4	(5)	8	-	(14)	14
Options	(12)	10	(24)	20	-	(6)	15

	Fair value at 12/31/2014	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2015	Total gains (losses) related to assets and liabilities still held at 12/31/2015
Financial assets held for trading	**790**	**33**	**102**	**(865)**	**-**	**60**	**-**
Brazilian government securities	**-**	**4**	**-**	**(1)**	**-**	**3**	**-**
Corporate securities	**790**	**29**	**102**	**(864)**	**-**	**57**	**-**
Securitized real estate loans	1	-	-	(1)	-	-	-
Debêntures	210	(13)	66	(215)	-	48	-
Promissory notes	577	54	-	(631)	-	-	-
Eurobonds and others	2	(6)	27	(17)	-	6	-
Other	-	(6)	9	-	-	3	
Available-for-sale financial assets	**5,404**	**(1,241)**	**4,453**	**(4,624)**	**267**	**4,259**	**(451)**
Investment funds	-	(1,128)	1,242	-	-	114	-
Brazilian government securities	**249**	**(116)**	**85**	**(6)**	**-**	**212**	**(22)**
Government securities – abroad - Chile	**13**	**(1)**	**101**	**(84)**	**-**	**29**	**-**
Corporate securities	**5,142**	**4**	**3,025**	**(4,534)**	**267**	**3,904**	**(429)**
Shares	-	-	-	-	267	267	-
Rural Product Note	51	1	9	(9)	-	52	-
Bank deposit certificates	58	7	201	(136)	-	130	-
Securitized real estate loans	2,522	(142)	68	(411)	-	2,037	(207)
Debêntures	706	(12)	915	(765)	-	844	(222)
Eurobonds and others	53	(8)	94	(113)	-	26	2
Financial credit bills	270	48	49	-	-	367	(2)
Promissory notes	1,397	72	1,574	(2,989)	-	54	-
Other	85	38	115	(111)	-	127	-

	Fair value at 12/31/2014	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2015	Total gains (losses) related to assets and liabilities still held at 12/31/2015
Derivatives - Assets	**121**	**369**	**316**	**(219)**	**664**	**1,251**	**31**
Swaps - differential receivable	33	318	192	(18)	664	1,189	-
Options	16	(29)	124	(78)	-	33	(10)
Other derivatives	72	80	-	(123)	-	29	41
Derivatives - Liabilities	**(44)**	**(40)**	**(95)**	**148**	**(2)**	**(33)**	**-**
Swaps - differential payable	(38)	(38)	(11)	68	(2)	(21)	-
Options	(6)	(2)	(84)	80	-	(12)	-

Sensitivity analyses operations of Level 3

The fair value of financial instruments classified in Level 3 (in which prices negotiated are not easily noticeable in active markets) is measured through assessment techniques based on correlations and associated products traded in active markets, internal estimates and internal models.

Significant unverifiable inputs used for measurement of the fair value of instruments classified in Level 3 are: interest rates, underlying asset prices and volatility. Significant variations in any of these inputs separately may give rise to significant changes in the fair value.

The table below shows the sensitivity of these fair values in scenarios of changes of interest rates, asset prices, or in scenarios vary in prices with shocks and the volatility for non-linear assets:

Sensitivity – Level 3 Operations		09/30/2016	
		Impact	
Risk factor groups	Scenarios	Result	Stockholders' equity
Interest rates	I	(1.9)	(1.7)
	II	(48.0)	(44.0)
	III	(96.1)	(87.4)
Currency, commodities, and ratios	I	(1.1)	-
	II	(2.1)	-
Nonlinear	I	(27.7)	-
	II	(43.7)	-

The following scenarios are used to measure the sensitivity:

Interest rate

Shocks at 1, 25 and 50 basis points (scenarios I, II and III respectively) in the interest curves, both for increase and decrease, considering the largest losses resulting in each scenario.

Currencies, commodities and ratios

Shocks at 5 and 10 percentage points (scenarios I and II respectively) in prices of currencies, commodities and ratios, both for increase and decrease, considering the largest losses resulting in each scenario.

Non linear

Scenario I: Shocks at 5 percentage points in prices and 25 percentage points the level in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Scenario II: Shocks at 10 percentage points in prices and 25 percentage points the level in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Note 32 – Provisions, contingencies and other commitments

Provision	09/30/2016	12/31/2015
Civil	5,221	5,227
Labor	7,389	6,132
Tax and social security	8,071	7,500
Other	285	135
Total	**20,966**	**18,994**
Current	**4,421**	**3,848**
Non-current	**16,545**	**15,146**

ITAÚ UNIBANCO HOLDING, as a result of the ordinary course of its business, may be a party to legal lawsuits of labor, civil and tax nature. The contingencies related to these lawsuits are classified as follows:

a) Contingent assets: there are no contingent assets recorded.

b) Provisions and contingencies: The criteria to quantify contingencies are adequate in relation to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks, taking into consideration the opinion of its legal advisors, the nature of the lawsuits, the similarity with previous lawsuits and the prevailing previous court decisions.

- **Civil lawsuits**

In general, contingencies arise from claims related to the revision of contracts and compensation for damages and pain and suffering and the lawsuits are classified as follows:

Collective lawsuits (related to claims of a similar nature and with individual amounts that are not considered significant): contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the nature of the lawsuit and the characteristics of the court (Small Claims Court or Regular Court). Contingencies and provisions are adjusted to reflect the amounts deposited as guarantee for their execution when realized.

Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): These are periodically calculated based on the calculation of the amount claimed. Probability of loss, which is estimated based on the characteristics of the lawsuit. The amounts considered as probable losses are recorded as provisions.

It should be mentioned that ITAÚ UNIBANCO HOLDING is a party to specific lawsuits related to the collection of understated inflation adjustments to savings accounts resulting from economic plans implemented in the 80's and 90's as a measure to combat inflation.

Although ITAÚ UNIBANCO HOLDING complied with the rules in effect at the time, the company is a defendant in lawsuits filed by individuals that address this topic, as well as in class actions filed by: (i) consumer protection associations; and (ii) the Public Prosecution Office on behalf of savings account holders. With respect to these lawsuits, ITAÚ UNIBANCO HOLDING records provisions when it is served and when the individuals apply to enforce the decision rendered by the Judicial Branch, using the same criteria adopted to determine provisions for individual lawsuits.

The Federal Supreme Court (STF) has issued some decisions favorable to savings account holders, but it has not established its understanding with respect to the constitutionality of the economic plans and their applicability to savings accounts. Currently, the appeals involving these matters are suspended, as determined by the STF, until it pronounces a final decision.

No amount is recorded as a provision in relation to Civil lawsuits which likelihood of loss is considered possible, which total estimated risk is R$ 2,828 (R$ 2,460 at 12/31/2015), in this amount there are no values resulting from interests in joint ventures.

- **Labor claims**

  Contingencies arise from lawsuits in which labor rights provided for in labor legislation specific to the related profession are discussed, such as: overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement, among others, are discussed. These lawsuits are classified as follows:

  Collective lawsuits (related to claims considered similar and with individual amounts that are not considered relevant): The expected amount of loss is determined and accrued on a monthly basis in accordance with a statistical share pricing model and is reassessed taking into account the court rulings. These contingencies are adjusted to the amounts deposited as guarantee for their execution when realized.

  Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): These are periodically calculated based on the calculation of the amount claimed. Probability of loss which, in turn, is estimated in accordance with the actual and legal characteristics related to that lawsuit.

  No amount is recorded as a provision for labor claims for which the likelihood of loss is considered possible, and for which the total estimated risk is R$ 54 (R$ 829 12/31/2015).

- **Other risks**

  These are quantified and recorded as provisions mainly based on the evaluation of agribusiness credit transactions with joint obligation and FCVS (Salary Variations Compensation Fund) credits transferred to Banco Nacional.

The table below shows the changes in the balances of provisions for civil, labor and other provision and the respective escrow deposit balances:

	01/01 to 09/30/2016			
	Civil	**Labor**	**Other**	**Total**
Opening balance	**5,227**	**6,132**	**135**	**11,494**
Balance arising from Corpbanca acquisition (Note 3)	2	5	133	**140**
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(236)	(1,089)	**-**	(1,325)
Subtotal	**4,993**	**5,048**	**268**	**10,309**
Interest (Note 26)	227	473	-	700
Changes in the period reflected in results (Note 26)	992	2,443	17	3,452
Increase (*)	1,512	2,594	18	4,124
Reversal	(520)	(151)	(1)	(672)
Payment	(1,242)	(1,649)	-	(2,891)
Subtotal	**4,970**	**6,315**	**285**	**11,570**
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	251	1,074	-	1,325
Closing balance	**5,221**	**7,389**	**285**	**12,895**
Escrow deposits at 09/30/2016 (Note 20a)	**1,571**	**2,418**	**-**	**3,989**

(*) Civil provisions include the provision for economic plans amounting to R$ 248.

	01/01 to 09/30/2015			
	Civil	**Labor**	**Other**	**Total**
Opening balance	**4,643**	**5,598**	**159**	**10,400**
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(132)	(1,029)	-	(1,161)
Subtotal	**4,511**	**4,569**	**159**	**9,239**
Interest (Note 26)	250	417	-	667
Changes in the period reflected in results (Note 26)	1,299	1,057	17	2,373
Increase (*)	2,029	1,184	18	3,231
Reversal	(730)	(127)	(1)	(858)
Payment	(1,131)	(1,290)	-	(2,421)
Subtotal	**4,929**	**4,753**	**176**	**9,858**
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	232	1,217	-	1,449
Closing balance	**5,161**	**5,970**	**176**	**11,307**
Escrow deposits at 09/30/2015 (Note 20a)	**1,969**	**2,291**	**-**	**4,260**

(*) Civil provisions include the provision for economic plans amounting to R$ 181.

- **Tax and social security lawsuits**

ITAÚ UNIBANCO HOLDING classify as legal liability the lawsuits filed to discuss the legality and unconstitutionality of the legislation in force, which are the subject matter of a provision, regardless of the probability of loss.

Tax contingencies correspond to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. A provision is recognized whenever the likelihood of loss is probable.

The table below shows the changes in the balances of provisions and respective balance of escrow deposits for tax and social security lawsuits:

Provision	01/01 to 09/30/2016	01/01 to 09/30/2015
Opening balance	**7,500**	**6,627**
(-) Contingencies guaranteed by indemnity clause	(65)	(61)
Subtotal	**7,435**	**6,566**
Interest (*)	576	494
Changes in the period reflected in results	**56**	**355**
Increase (*)	133	862
Reversal (*)	(77)	(507)
Payment	(64)	(132)
Subtotal	**8,003**	**7,283**
(+) Contingencies guaranteed by indemnity clause	68	64
Closing balance	**8,071**	**7,347**

(*) The amounts are included in the headings Tax Expenses, General and Administrative Expenses and Current Income Tax and Social Contribution.

Escrow deposits	01/01 to 09/30/2016	01/01 to 09/30/2015
Opening balance	**4,339**	**4,736**
Appropriation of interest	289	192
Changes in the period	107	163
Deposits made	181	323
Withdrawals	(49)	(68)
Deposits released	(25)	(92)
Closing balance (Note 20a)	**4,735**	**5,091**

Main discussions related to the provisions recognized for Tax and Social Securities Lawsuits are described as follows:

- CSLL – Isonomy – R$ 1,182: the company is discussing the lack of constitutional support for the increase, establishes by law nº 11,727/08, of the CSLL rate for financial and insurance companies from 9% to 15%. The balance of the deposit in court totals R$ 1,165;

- INSS – Accident Prevention Factor (FAP) – R$ 981: the company is discussing the legality of FAP and inconsistent calculations made by the INSS. The balance of the deposit in court totals R$ 107;

- PIS and COFINS – Calculation basis – R$ 641: the company is defending the levy of PIS and COFINS on revenue, which should be understood as revenue from the sales of assets and services. The balance of the deposit in court totals R$ 559;

- IRPJ and CSLL – Profits abroad– R$ 592: the company is discussing the calculation bases with respect to profits earned abroad and defending the inapplicability of the SRF Regulatory Instruction No. 213/02, which exceeds the corresponding legal provision. The balance of the deposit in court totals R$ 226.

Off-balance sheet contingencies

The amounts involved in tax and social security lawsuits for which the likelihood of loss is possible are not recognized in a provision. The estimated amounts at risk in the main tax and social security lawsuits with a likelihood of loss deemed possible, which total R$ 18,024, are described below:

- INSS – Non-compensatory amounts – R$ 4,687: the company defends the non-levy of this contribution on these amounts, among which are profit sharing, stock options, transportation vouchers and sole bonuses;

- IRPJ and CSLL – Goodwill – Deduction – R$ 3,058: the deductibility of goodwill with future expected profitability on the acquisition of investments, and R$ 652 of this amount is guaranteed in purchase agreements;

- IRPJ, CSLL, PIS and COFINS – Requests for offsetting dismissed - R$ 1,557: cases in which the liquidity and the ability of offset credits are discussed;

- IRPJ and CSLL – Interest on capital – R$ 1,381: the company is defending the deductibility of interest on capital declared to stockholders based on the Brazilian long term interest rate (TJLP) on the stockholders' equity for the year and for prior years;

- ISS – Banking Institutions – R$ 1,226: these are banking operations, revenue from which may not be interpreted as prices for services rendered, and/or which arises from activities not listed under Supplementary Law No. 116/03 or Decree Law No. 406/68.

- IRPJ/ CSLL – Deductibility of Losses in Credit Operations – R$ 517 – Assessments drawn up to require the payment of IRPJ and CSLL due to the alleged non-observance of the legal criteria for the deduction of losses upon the receipt of credits.

c) Receivables - Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R$ 1,146 (R$ 1,093 at 12/31/2015) (Note 20a). This value is derived from basically the guarantee in the privatization process of the Banco Banerj S.A. which occurred 1997, where the State of Rio de Janeiro created a fund to guarantee civil, labor and tax contingencies.

d) Assets pledged as collateral for contingencies

Assets pledged as collateral for lawsuits involving contingent liabilities are restricted or deposited as shown below:

	09/30/2016	09/30/2015
Financial assets held for trading and Available-for-sale financial assets (basically financial treasury bills)	919	808
Escrow deposits (Note 20a)	4,494	4,359

Deposits related to lawsuits must be made in court and can be withdrawn by the winning party in the lawsuit, with the respective additions provided for by law, according to the court decision.

In general, the provisions related to the lawsuits of ITAÚ UNIBANCO HOLDING are long term, considering the time required for the termination of these lawsuits in the Brazilian judicial system. For this reason, no estimate of the specific year in which these lawsuits will be terminated has been disclosed.

According to the opinion of its legal advisors, ITAÚ UNIBANCO HOLDING CONSOLIDATED is not involved in any other administrative or judicial proceedings that may significantly impact the results of their operations.

e) Programs for Cash or Installment Payment of Municipal Taxes

ITAÚ UNIBANCO HOLDING adhere to PPIs – Installment Payment Incentive Programs substantially related to the local level, established the following by laws: Law No. 5,854, of April 27, 2015 - Rio de Janeiro; Law No. 8,927, of October 22, 2015 and Decree-Law No. 26,624, of October 26, 2015 - Salvador; Law No. 18,181, of November 30, 2015 and Decree Law No. 29,275, of November 30, 2015 - Recife; Supplementary Law No. 95, of October 19, 2015 - Curitiba.

The PPIs promote the regularization of debts mentioned in these laws, arising from tax and non-tax credits, either recognized or not, including those that are part of the Enforceable Debt, either filed or to be filed in court.

The net effect of the PPIs in result was R$ 12, and it is recorded in Other Operating Income.

Note 33 – Regulatory capital

ITAÚ UNIBANCO HOLDING is subject to regulation by the Central Bank of Brazil (BACEN) which issues rules and instructions regarding currency and credit policies for financial institutions operating in Brazil. BACEN also determines minimum capital requirements, procedures for verification of information for assessment of the global systemic importance of financial institutions(*), limits for fixed assets, limits for loans, accounting practices and requirements of compulsory deposits, requiring banks to comply with the regulation based on the Basel Accord on capital adequacy. Additionally, the National Council of Private Insurance (CNSP) and SUSEP issue regulations on capital requirement, which affect our insurance, pension plan and capitalization operations.

BACEN, in line with the Basel Accord, requires banks to present minimum capitalization rates equivalent to the ratio between Regulatory Capital (PR) and risk-weighted assets (RWA) of at least 9.875%, gradually decreasing to 8.0% on January 1, 2019. On the other hand, BACEN also requires the compliance with an *Additional Principal Capital* (ACP), which corresponds to the sum of $ACP_{Conservation}$, $ACP_{Countercyclical}$ and $ACP_{Systemic}$ portions, which together with the minimum capitalization rates, increased capital requirements over time. Currently, the value determined for $ACP_{Conservation}$ corresponds to 0.625%, whereas the $ACP_{Countercyclical}$ and $ACP_{Systemic}$ are established at 0%.

The PR used to check the compliance with operating limits imposed by BACEN is composed of three levels, where:

- Principal Capital: sum of capital, reserves and retained earnings, less deductions and prudential adjustments.
- Supplementary Capital: composed of instruments of perpetual nature that meet eligibility requirements. Added to Principal Capital, compose Tier I.
- Tier II: composed of subordinated debt instruments with defined maturity that meet eligibility requirements. Added to Principal Capital and Supplementary Capital, compose Total Capital.

Management manages capital with the intention to meet the minimum capital by the BACEN. During the period ITAÚ UNIBANCO HOLDING complied with all externally imposed capital requirements to which we are subject.

The table below summarizes the breakdown of Regulatory Capital, Minimum Required Regulatory Capital, and Basel ratio, calculated in compliance with BACEN's rules, based on Prudential Consolidated, which includes financial institutions, consortium administrators, payment institutions, companies that acquire operations with credit risk or assume, either directly or indirectly, credit risk, and investment funds in which ITAÚ UNIBANCO HOLDING substantially retains risks and benefits.

For further information on capital requirements, that is not part of the financial statements, please see to the company's website www.itau.com.br/investor-relations, Corporate Governance section/ Risk and Capital Management – Pillar 3.

** For details on the indicators of the Global Systemic Importance Index, that is not part of the financial statements, see to our website www.itau.com.br/investor-relations, at "Corporate Governance", "Global Systemically Important Banks".*

	09/30/2016	12/31/2015
	Consolidated Prudential [1]	
Regulatory Capital		
Tier I	**115,936**	**101,001**
Common Equity Tier I	115,364	100,955
Additional Tier I Capital	572	46
Tier II	**23,622**	**27,464**
Total	**139,558**	**128,465**
Requirement for coverage of risk-weighted assets		
Credit	673,404	679,593
Market [2]	24,690	14,252
Operational	37,826	28,623
Risk-weighted assets	**735,921**	**722,468**
Minimum Required Regulatory Capital	**72,672**	**79,471**
Excess capital in relation to Minimum Required Regulatory Capital	**66,885**	**48,994**
Capital to risk-weighted assets ratio - %	**19.0%**	**17.8%**

(1) Consolidated financial statements including financial companies and the like: As from the base date January 2015, in accordance with Circular 4,278, this is the basis for the consolidation operational limit calculation.

(2) In September 2016, Itaú Unibanco was authorized by BACEN to use internal models to calculate its risk weighted assets.

Considering our current capital base at September 30, 2016, should the Basel III rules established by BACEN be immediately and fully applied, the principal capital ratio would be 15.1% (13.6% at 12/31/2015), considering the use of tax credit. This ratio does not consider the effect of acquisitions of assets that have yet not been merged.

The funds obtained through the issuance of subordinated debt securities are considered Tier II capital for the purpose of capital to risk-weighted assets ratio, as follows. According to current legislation, the accounting balance of subordinated debt as of December 2012 was used for the calculation of reference equity as of June, 2016, considering instruments approved after the closing date to compose Tier II, totaling R$ 51,134.

Name of security / currency	Principal amount (original currency)	Issue	Maturity	Return p.a.	Saldo Contábil 09/30/2016
Subordinated CDB - BRL					
	466	2006	2016	100% do CDI + 0,7% (*)	1,371
	367	2010	2017	IPCA + 7,21% a 7,33%	907
	833			**Total**	**2,278**
Subordinated financial bills - BRL					
	50			112% a 112,5% do CDI	54
	30			IPCA + 7%	66
	206	2010	2017	IPCA + 6,95% a 7,2%	332
	3,215	2011	2017	108% a 112% do CDI	3,507
	3,650			100% do CDI + 1,29% a 1,52%	3,775
	352			IPCA + 6,15% a 7,8%	632
	138			IGPM + 6,55% a 7,6%	270
	500	2012	2017	100% do CDI + 1,12%	526
	42	2011	2018	IGPM + 7%	63
	30			IPCA + 7,53% a 7,7%	47
	6,373	2012	2018	108% a 113% do CDI	7,281
	461			IPCA + 4,4% a 6,58%	744
	3,782			100% do CDI + 1,01% a 1,32%	3,973
	112			9,95% a 11,95%	170
	2	2011	2019	109% a 109,7% do CDI	3
	1	2012	2019	110% do CDI	2
	12			11.96%	20
	101			IPCA + 4,7% a 6,3%	160
	1	2012	2020	111% do CDI	2
	20			IPCA + 6% a 6,17%	36
	6	2011	2021	109,25% a 110,5% do CDI	11
	2,307	2012	2022	IPCA + 5,15% a 5,83%	3,812
	20			IGPM + 4,63%	26
	21,411			**Total**	**25,513**
Subordinated euronotes - USD					
	990	2010	2020	6.20%	3,300
	1,000	2010	2021	5.75%	3,280
	730	2011	2021	5,75% a 6,20%	2,440
	550	2012	2021	6.20%	1,785
	2,600	2012	2022	5,50% a 5,65%	8,426
	1,851	2012	2023	5.13%	6,128
	7,721			**Total**	**25,359**
Total					**53,150**

(*) Subordinated CDBs may be redeemed from November 2011.

Note 34 – Segment Information

ITAÚ UNIBANCO HOLDING is a banking institution that offers its customers a wide range of financial products and services.

As from the first quarter of 2015, the way of presenting the segments was changed in order to adjust it to the bank's current organizational structure. The following segments will be reported: Retail Banking, Wholesale Banking, and Activities with the Market + Corporation. The Retail Banking now covers the former segments Commercial Banking, – Retail and Consumer Credit – Retail, with the transfer of operations from Private Banking and Latam to the Wholesale Banking and these are the main changes of this presentation.

The current operational and reporting segments of ITAÚ UNIBANCO HOLDING are described below:

- **Retail Banking**

  The result of the Retail Banking segment arises from the offer of banking products and services to a diversified client base of account holders and non-account holders, individuals and companies. The segment includes retail clients, high net worth clients (Itaú Uniclass and Personnalité), and the corporate segment (very small and small companies). This segment comprises financing and lending activities carried out in units other than the branch network, and offering of credit cards, in addition to operations with Itaú BMG Consignado.

- **Wholesale Banking**

  The result of the Wholesale Banking segment arises from the products and services offered to middle-market companies, private banking clients, from the activities of Latin America units, and the activities of Itaú BBA, the unit in charge of commercial operations with large companies and performing as an investment banking unit.

- **Activities with the Market + Corporation**

  This segment records the result arising from capital surplus, subordinated debt surplus and the net balance of tax credits and debits. It also shows the financial margin with the market, the Treasury operating cost, the equity in earnings of companies not associated to each segment and the interest in Porto Seguro.

Basis of presentation of segment information

Segment information is prepared based on the reports used by top management (Executive Committee) to assess the performance and to make decisions regarding the allocation of funds for investment and other purposes.

The top management (Executive Committee) of ITAÚ UNIBANCO HOLDING uses a variety of information for such purposes including financial and non-financial information that is measured on different bases as well as information prepared based on accounting practices adopted in Brazil. The main index used to monitor the business performance is the Recurring Net Income and the Economic Capital allocated to each segment.

The segment information has been prepared following accounting practices adopted in Brazil modified for the adjustments described below:

- **Allocated capital and income tax rate**

Based on the managerial income statement, the segment information considers the application of the following criteria:

Allocated capital: The impacts associated to capital allocation are included in the financial information. Accordingly, adjustments were made to the financial statements, based on a proprietary model. The Allocated Economic Capital (AEC) model was adopted for the financial statements by segments, and as from 2015, we changed the calculation methodology. The AEC considers, in addition to Tier I allocated capital, the effects of the calculation of expected loan losses, supplementary to the requirements of the Central Bank of Brazil, pursuant to CMN Circular No. 2.682/99. Accordingly, the Allocated Capital comprises the following components: Credit risk (including expected loss), operational risk, market risk and insurance underwriting risk. Based on the portion of allocated capital tier I, we calculated the Return on Allocated Economic Capital, which corresponds to

an operational performance indicator consistently adjusted to the capital required to support the risk associated to asset and liability positions assumed, in conformity with our risk appetite.

Income tax rate: We consider the total income tax rate, net of the tax effect from the payment of interest on capital, for the Retail Banking, Wholesale Bank and Activities with the Market segments. The difference between the income tax amount calculated by segment and the effective income tax amount, as stated in the consolidated financial statements, is allocated to the Activities with the Market + Corporation column.

- **Reclassification and application of managerial criteria**

  The managerial statement of income was used to prepare information per segment. These statements were obtained based on the statement of income adjusted by the impact of non-recurring events and the managerial reclassifications in income.

  From the first quarter of 2013 on, some changes were made in the consolidation criteria for managerial results presented in order to better reflect the way Management monitors the bank's figures. These adjustments change the order of presentation of the lines only and, therefore, do not affect the net income disclosed. Through these reclassifications, ITAÚ UNIBANCO HOLDING seeks to align the way it presents its results and enables a better comparison and understanding of the bank's performance assessment.

  We describe below the main reclassifications between the accounting and managerial results:

  Banking product: The banking product considers the opportunity cost for each operation. The financial statements were adjusted so that the stockholders' equity was replaced by funding at market price. Subsequently, the financial statements were adjusted to include revenues related to capital allocated to each segment. The cost of subordinated debt and the respective remuneration at market price were proportionally allocated to the segments, based on the economic allocated capital.

  Hedge tax effects: The tax effects of the hedge of investments abroad were adjusted – these were originally recorded in the tax expenses (PIS and COFINS) and Income Tax and Social Contribution on net income lines – and are now reclassified to the margin. The strategy to manage the foreign exchange risk associated to the capital invested abroad aims at preventing the effects of the exchange rates variation on income. In order to achieve this objective, we used derivative instruments to hedge against such foreign currency risk, with investments remunerated in Brazilian Reais. The hedge strategy for foreign investments also considers the impact of all tax effects levied.

  Insurance: Insurance business revenues and expenses were concentrated in Income related to Insurance, pension plan and capitalization operations. The main reclassifications of revenues refer to the financial margins obtained with the technical provisions of insurance, pension plan and capitalization, in addition to revenue from management of pension plan funds.

  Other reclassifications: Other Income, Share of Income of Associates, Non-Operating Income, Profit Sharing of Management Members and Expenses for Credit Card Reward Program were reclassified to those lines representing the way the institution manages its business, enabling greater understanding for performance analysis. Accordingly, equity in earnings of investment in Banco CSF S.A. ("Banco Carrefour") was reclassified to the financial margin line. Additionally, for better comparison with the new consolidation criteria, 100% of the results from partnerships were consolidated (they were previously proportionally consolidated), and expenses for provisions associated to securities and derivatives were reclassified (from Non-interest expenses income to Expenses for allowance for loan losses).

  The adjustments and reclassifications column shows the effects of the differences between the accounting principles followed for the presentation of segment information, which are substantially in line with the accounting practices adopted for financial institutions in Brazil, except as described above, and the policies used in the preparation of these consolidated financial statements according to IFRS. Main adjustments are as follows:

- Allowance for Loan Losses, which, under IFRS (IAS 39), should be recognized upon objective evidence that loan operations are impaired (incurred loss), and the Expected Loss concept is adopted according to Brazilian accounting standards;

- Shares and units classified as permanent investments were stated at fair value under IFRS (IAS 39 and 32), and their gains and losses were directly recorded to Stockholders' Equity, not passing through income for the period;

- Effective interest rates, financial assets and liabilities stated at amortized cost, are recognized by the effective interest rate method, allocating revenues and costs directly attributable to acquisition, issue or disposal for the transaction period of the operation; according to Brazilian standards, fee expenses and income are recognized as these transactions are engaged.

- Business combinations are accounted for under the acquisition method in IFRS (IFRS 3), in which the purchase price is allocated among assets and liabilities of the acquired company, and the amount not subject to allocation, if any, is recognized as goodwill. Such amount is not amortized, but is subject to an impairment test.

ITAÚ UNIBANCO HOLDING S.A.
From July 1 to September 30, 2016
(In millions of Reais, except per share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	**17,274**	**7,780**	**2,543**	**27,597**	**285**	**27,882**
Net interest [1]	9,650	5,555	2,500	17,705	294	17,999
Revenue from services	5,718	2,072	35	7,825	283	8,108
Income related to insurance, private pension and capitalization operations before claim and selling expenses	1,906	153	8	2,067	(620)	1,447
Other revenues	-	-	-	-	328	328
Losses on loans and claims	**(3,508)**	**(2,094)**	**(3)**	**(5,605)**	**94**	**(5,511)**
Expenses for allowance for loan and lease losses	(3,930)	(2,236)	(3)	(6,169)	94	(6,075)
Recovery of credits written off as loss	783	156	-	939	(1)	938
Expenses for claims / recovery of claims under reinsurance	(361)	(14)	-	(375)	1	(374)
Banking product net of losses on loans and claims	**13,766**	**5,686**	**2,540**	**21,992**	**379**	**22,371**
Other operating income (expenses)	**(10,078)**	**(3,451)**	**(629)**	**(14,158)**	**(1,059)**	**(15,217)**
Non-interest expenses [2]	(8,999)	(3,074)	(437)	(12,510)	(1,042)	(13,552)
Tax expenses for ISS, PIS and COFINS and other	(1,079)	(377)	(192)	(1,648)	(122)	(1,770)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	105	105
Net income before income tax and social contribution	**3,688**	**2,235**	**1,911**	**7,834**	**(680)**	**7,154**
Income tax and social contribution	(1,311)	(670)	(210)	(2,191)	659	(1,532)
Non-controlling interest in subsidiaries	(55)	10	(3)	(48)	(13)	(61)
Net income	**2,322**	**1,575**	**1,698**	**5,595**	**(34)**	**5,561**

(1) Includes interest and similar income and expenses of R$ 15,853, dividend income of R$ 2, net gains (loss) on investment securities and derivatives of R$ 1,444, and results from foreign exchange operations and exchange variation of transactions abroad of R$ 700.

(2) Refers to general and administrative expenses including depreciation expenses of R$ 421, amortization expenses of R$ 351 and insurance acquisition expenses of R$ 168.

Total assets [1] - 09/30/2016	**886,696**	**580,596**	**115,450**	**1,399,100**	**(74,978)**	**1,324,122**
Total liabilities - 09/30/2016	**853,581**	**520,300**	**80,873**	**1,271,112**	**(82,555)**	**1,188,557**
[1] Includes:						
Investments in associates and joint ventures	1,295	-	3,013	4,308	714	5,022
Goodwill	1,433	6,751	-	8,184	1,191	9,375
Fixed assets, net	5,420	1,166	-	6,586	1,334	7,920
Intangible assets, net	6,657	757	-	7,414	358	7,772

The Consolidated figures do not represent the sum of the parties because there are intercompany transactions that were eliminated only in the consolidated statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.
From July 1 to September 30, 2015
(In millions of Reais, except per share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	**17,619**	**6,824**	**2,502**	**26,945**	**(9,884)**	**17,061**
Net interest [(1)]	10,220	4,894	2,481	17,595	(9,936)	7,659
Revenue from services	5,248	1,824	10	7,082	277	7,359
Income related to insurance, private pension and capitalization operations before claim and selling expenses	2,151	106	11	2,268	(547)	1,721
Other revenues	-	-	-	-	322	322
Losses on loans and claims	**(3,755)**	**(1,371)**	**36**	**(5,090)**	**(123)**	**(5,213)**
Expenses for allowance for loan and lease losses	(4,338)	(1,445)	36	(5,747)	(123)	(5,870)
Recovery of credits written off as loss	1,007	87	-	1,094	1	1,095
Expenses for claims / recovery of claims under reinsurance	(424)	(13)	-	(437)	(1)	(438)
Banking product net of losses on loans and claims	**13,864**	**5,453**	**2,538**	**21,855**	**(10,007)**	**11,848**
Other operating income (expenses)	**(9,299)**	**(2,867)**	**(582)**	**(12,748)**	**(454)**	**(13,202)**
Non-interest expenses [(2)]	(8,220)	(2,551)	(403)	(11,174)	(1,543)	(12,717)
Tax expenses for ISS, PIS and COFINS and Other	(1,079)	(316)	(179)	(1,574)	942	(632)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	147	147
Net income before income tax and social contribution	**4,565**	**2,586**	**1,956**	**9,107**	**(10,461)**	**(1,354)**
Income tax and social contribution	**(1,573)**	**(808)**	**(530)**	**(2,911)**	**13,563**	**10,652**
Non-controlling interest in subsidiaries	**(75)**	**-**	**(4)**	**(79)**	**(17)**	**(96)**
Net income	**2,917**	**1,778**	**1,422**	**6,117**	**3,085**	**9,202**

(1) Includes interest and similar income and expenses of R$ 22,124, dividend income of R$ 8, net gains (loss) on investment securities and derivatives of R$ (4,649), and results from foreign exchange operations and exchange variation of transactions abroad of R$ (9,284).

(2) Refers to general and administrative expenses including depreciation expenses of R$ 419, amortization expenses of R$ 227 and insurance acquisition expenses of R$ 281.

Total assets [(1)] - 12/31/2015	**873,202**	**547,236**	**127,716**	**1,359,172**	**(82,757)**	**1,276,415**
Total liabilities - 12/31/2015	**840,033**	**502,887**	**97,017**	**1,250,955**	**(88,599)**	**1,162,356**
[(1)] Includes:						
Investments in associates and joint ventures	1,064	-	2,436	3,500	899	4,399
Goodwill	232	-	-	232	1,825	2,057
Fixed assets, net	5,781	1,274	-	7,055	1,486	8,541
Intangible assets, net	6,606	857	-	7,463	(1,168)	6,295

The Consolidated figures do not represent the sum of all parties because there are intercompany transactions that were eliminated only in the consolidated statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.
From January 1 to September 30, 2016
(In millions of Reais, except for share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	**51,750**	**21,839**	**6,354**	**79,943**	**9,419**	**89,362**
Interest margin [(1)]	29,072	15,491	6,288	50,851	9,505	60,356
Banking service fees	16,793	5,968	49	22,810	785	23,595
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	5,885	380	17	6,282	(1,825)	4,457
Other income	-	-	-	-	954	954
Losses on loans and claims	**(11,414)**	**(6,777)**	**73**	**(18,118)**	**2,164**	**(15,954)**
Expenses for allowance for loan and lease losses	(12,723)	(7,087)	73	(19,737)	2,162	(17,575)
Recovery of loans written off as loss	2,387	353	-	2,740	2	2,742
Expenses for claims / recovery of claims under reinsurance	(1,078)	(43)	-	(1,121)	-	(1,121)
Operating margin	**40,336**	**15,062**	**6,427**	**61,825**	**11,583**	**73,408**
Other operating income (expenses)	**(27,862)**	**(9,685)**	**(1,631)**	**(39,178)**	**(4,112)**	**(43,290)**
Non-interest expenses [(2)]	(24,641)	(8,636)	(1,221)	(34,498)	(3,114)	(37,612)
Tax expenses for ISS, PIS and COFINS and Other	(3,221)	(1,049)	(410)	(4,680)	(1,362)	(6,042)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	364	364
Net income before income tax and social contribution	**12,474**	**5,377**	**4,796**	**22,647**	**7,471**	**30,118**
Income tax and social contribution	**(4,430)**	**(1,151)**	**(354)**	**(5,935)**	**(6,541)**	**(12,476)**
Non-controlling interest in subsidiaries	**(176)**	**(116)**	**(15)**	**(307)**	**(64)**	**(371)**
Net income	**7,868**	**4,110**	**4,427**	**16,405**	**866**	**17,271**

(1) Includes net interest and similar income and expenses of R$ 48,374 dividend income of R$ 118, net gain (loss) on investment securities and derivatives of R$ 7,629 and results from foreign exchange results and exchange variation of transactions abroad of R$ 4,235.

(2) Refers to general and administrative expenses including depreciation expenses of R$ 1,310, amortization expenses of R$ 913 and insurance acquisition expenses of R$ 581.

Total assets [(1)] - 09/30/2016	**886,696**	**580,596**	**115,450**	**1,399,100**	**(74,978)**	**1,324,122**
Total liabilities - 09/30/2016	**853,581**	**520,300**	**80,873**	**1,271,112**	**(82,555)**	**1,188,557**
[(1)] Includes:						
Investments in associates and joint ventures	1,295	-	3,013	4,308	714	5,022
Goodwill	1,433	6,751	-	8,184	1,191	9,375
Fixed assets, net	5,420	1,166	-	6,586	1,334	7,920
Intangible assets, net	6,657	757	-	7,414	358	7,772

The consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.
From January 1 to September 30, 2015
(In millions of Reais except per share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Actitivities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	**52,527**	**18,630**	**6,073**	**77,230**	**(13,189)**	**64,041**
Interest margin [(1)]	30,861	12,965	5,967	49,793	(13,194)	36,599
Banking service fees	15,461	5,346	48	20,855	738	21,593
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	6,205	319	58	6,582	(1,610)	4,972
Other income	-	-	-	-	877	877
Losses on loans and claims	**(9,733)**	**(5,013)**	**61**	**(14,685)**	**(577)**	**(15,262)**
Expenses for allowance for loan and lease losses	(11,574)	(5,269)	61	(16,782)	(583)	(17,365)
Recovery of loans written off as loss	2,997	291	-	3,288	6	3,294
Expenses for claims / recovery of claims under reinsurance	(1,156)	(35)	-	(1,191)	-	(1,191)
Operating margin	**42,794**	**13,617**	**6,134**	**62,545**	**(13,766)**	**48,779**
Other operating income (expenses)	**(26,403)**	**(8,124)**	**(1,516)**	**(36,043)**	**(2,067)**	**(38,110)**
Non-interest expenses [(2)]	(23,231)	(7,242)	(1,096)	(31,569)	(3,374)	(34,943)
Tax expenses for ISS, PIS and COFINS and Other	(3,172)	(882)	(420)	(4,474)	870	(3,604)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	437	437
Net income before income tax and social contribution	**16,391**	**5,493**	**4,618**	**26,502**	**(15,833)**	**10,669**
Income tax and social contribution	**(5,703)**	**(1,534)**	**(942)**	**(8,179)**	**18,525**	**10,346**
Non-controlling interest in subsidiaries	**(257)**	**-**	**(7)**	**(264)**	**(31)**	**(295)**
Net income	**10,431**	**3,959**	**3,669**	**18,059**	**2,661**	**20,720**

(1) Includes net interest and similar income and expenses of R$ 56,093, dividend income of R$ 23, net gain (loss) on investment securities and derivatives of R$ (3,320) and foreign exchange results and exchange variation on transactions of abroad R$ (16,197).

(2) Refers to general and administrative expenses including depreciation expenses of R$ 1,249, amortization expenses of R$ 663, and insurance acquisition expenses of R$ 850.

Total assets [(1)] - 12/31/2015	**873,202**	**547,236**	**127,716**	**1,359,172**	**(82,757)**	**1,276,415**
Total liabilities - 12/31/2015	**840,033**	**502,887**	**97,017**	**1,250,955**	**(88,599)**	**1,162,356**
[(1)] Includes:						
Investments in associates and joint ventures	1,064	-	2,436	3,500	899	4,399
Goodwill	232	-	-	232	1,825	2,057
Fixed assets, net	5,781	1,274	-	7,055	1,486	8,541
Intangible assets, net	6,606	857	-	7,463	(1,168)	6,295

The Consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

Information on the result of main services and products and noncurrent assets by geographic area are as follows:

	01/01 to 09/30/2016			01/01 to 09/30/2015		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Income related to financial operations (1) (2)	116,615	14,143	130,758	83,589	6,097	89,686
Income related to insurance, private pension and capitalization operations before claim and selling expenses	4,358	99	4,457	4,927	45	4,972
Banking service fees	21,437	2,158	23,595	20,479	1,114	21,593
Non-current assets (3)	13,319	2,373	15,692	13,841	995	14,836

(1) Includes interest and similar income, dividend income, net gain (loss) on investment securities and derivatives, foreign exchange results, and exchange variation on transactions.

(2) ITAÚ UNIBANCO HOLDING does not have clients representing 10% or higher of its revenues.

(3) The amounts for comparative purposes refer to the 12/31/2015.

Note 35 – Related parties

a) Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation (Note 2.4a) were eliminated from the consolidated financial statements and the absence of risk is taken into consideration.

The unconsolidated related parties are as follows:

- Itaú Unibanco Participações S.A. (IUPAR), Companhia E. Johnston de Participações S.A. (shareholder of IUPAR) and ITAÚSA, direct and indirect shareholders of ITAÚ UNIBANCO HOLDING;
- The non-financial subsidiaries of ITAÚSA, especially: Itautec S.A., Duratex S.A., Elekeiroz S.A., ITH Zux Cayman Company Ltd and Itaúsa Empreendimentos S.A.;
- Fundação Itaú Unibanco - Previdência Complementar and FUNBEP – Fundo de Pensão Multipatrocinado, closed-end supplementary pension entities, that administer retirement plans sponsored by ITAÚ UNIBANCO HOLDING and / or its subsidiaries;
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, Associação Itaú Viver Mais and Associação Cubo Coworking Itaú, entities sponsored by ITAÚ UNIBANCO HOLDING and subsidiaries to act in their respective areas of interest; and
- Investments in Porto Seguro Itaú Unibanco Participações S.A. and BSF Holding S.A.

The transactions with these related parties are mainly as follows:

		ITAÚ UNIBANCO HOLDING CONSOLIDATED					
		Assets / (liabilities)			Revenue / (expenses)		
	Annual rate	09/30/2016	12/31/2015	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Securities sold under repurchase agreements		**(146)**	**(249)**	**(4)**	**(5)**	**(16)**	**(19)**
Duratex S.A.	97.5% to 102% CDI	(21)	(41)	(1)	(2)	(3)	(8)
Elekeiroz S.A.	97.5% to 100% CDI	(3)	(8)	-	(1)	(1)	(1)
Itautec S.A.	96.5% to 100.1% CDI	(9)	(110)	-	-	(3)	-
Itaúsa Empreendimentos S.A.	100% CDI	(70)	(64)	(3)	(2)	(7)	(8)
Olimpia Promoção e Serviços S.A.		(14)	(11)	-	-	(1)	(1)
Other	93.96% CDI 100% SELIC	(30)	(15)	(1)	-	(2)	(1)
Amounts receivable from (payable to) related companies / Banking service fees (expenses)		**(127)**	**(116)**	**6**	**18**	**21**	**8**
Itaúsa Investimentos Itaú S.A.		-	-	-	1	-	2
Itaúsa Empreendimentos S.A.		-	-	(1)	(2)	-	(5)
Olimpia Promoção e Serviços S.A.		(2)	(2)	(5)	(7)	(18)	(21)
Fundação Itaú Unibanco - Previdência Complementar		(125)	(114)	11	26	32	28
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	1	1	4	4
Other		-	-	-	(1)	2	-
Rental revenues (expenses)		**-**	**-**	**(13)**	**(18)**	**(42)**	**(44)**
Itaúsa Investimentos Itaú S.A.		-	-	1	-	-	(1)
Fundação Itaú Unibanco - Previdência Complementar		-	-	(11)	(10)	(33)	(30)
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	(4)	(3)	(10)	(9)
Other		-	-	-	(5)	-	(4)
Donation expenses		**-**	**-**	**41**	**(16)**	**(70)**	**(63)**
Instituto Itaú Cultural		-	-	45	(16)	(65)	(62)
Associação Itaú Viver Mais		-	-	-	-	-	(1)
Other		-	-	(5)	-	(5)	-

Pursuant to the current rules, financial institutions cannot grant loans or advances to the following:

a) any individuals or companies that control the Institution or any entity under common control with the institution, or any executive officer, director, member of the fiscal council, or the immediate family members of these individuals;

b) any entity controlled by the institution; or

c) any entity in which the bank directly or indirectly holds more than 10% of the capital stock.

Therefore, no loans or advances were granted to any subsidiary, executive officer, director or family members.

b) Compensation of the key management personnel

Compensation for the period paid to key management members of ITAÚ UNIBANCO HOLDING consisted of:

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Compensation	**87**	**127**	**260**	**359**
Board of directors	6	4	26	16
Executives	81	123	234	343
Profit sharing	**61**	**60**	**159**	**167**
Board of directors	-	-	1	-
Executives	61	60	158	167
Contributions to pension plans - executives	**3**	**2**	**9**	**7**
Stock option plan – executives	**63**	**61**	**210**	**166**
Total	**214**	**250**	**639**	**700**

Note 36 – Management of financial risks

Credit risk

1. Credit risk measurement

ITAÚ UNIBANCO HOLDING understands credit risk is the possibility of losses arising from the breach by the borrower, issuer or counterparty of the respective agreed-upon financial obligations, the devaluation of loan agreement due to downgrading of the borrower's, the issuer's, the counterparty's risk rating, the reduction in gains or compensation, the advantages given upon posterior renegotiation and the recovery costs.

The credit risk management of ITAÚ UNIBANCO HOLDING's is the primary responsibility of all business units and aims to keep the quality of loan portfolios in levels consistent with the institution's risk appetite for each market segment in which it operates.

ITAÚ UNIBANCO HOLDING establishes its credit policy based on internal factors, such as the client rating criteria, performance of and changes in portfolio, default levels, return rates, and the allocated economic capital; among others, and external factors, such as interest rates, market default indicators, inflation, changes in consumption, among others. The assessment process of policies and products enables ITAÚ UNIBANCO HOLDING to identify potential risks, so as to make sure that credit decisions make sense from an economic and risk perspective.

ITAÚ UNIBANCO HOLDING has a structured process to keep a diversified portfolio deemed as adequate by the institution. The ongoing monitoring on the concentration level of portfolios, by assessing the economic activity sectors and major debtors, enables it to take preventive measures, to prevent that defined limits are breached.

The table below shows the correspondence between risk levels attributed by all segments of ITAÚ UNIBANCO HOLDING internal models (lower risk, satisfactory, higher risk and impaired) and the probability of default associated with each of these levels, and the risk levels assigned by the respective market models.

Internal rating	PD	External rating		
		Moody's	S&P	Fitch
Lower risk	Lower or equal than 4.44%	Aaa to B2	AAA to B	AAA to B-
Satisfactory	From 4.44% up to 25.95%	B3 to Caa3	B- to CCC-	CCC+ to CCC-
Higher risk	Higher than 25.95%	Ca1 to D	CC+ to D	CC+ to D
Impairment	Corporate operations with a PD higher than 31.84% Operations past due for over 90 days Renegotiated operations past due for over 60 days	Ca1 to D	CC+ to D	CC+ to D

For individual, small and middle-market companies, credit rating is attributed based on application statistical models (in the early phases of ITAÚ UNIBANCO HOLDING's relationship with the client) and behavior score (used for clients with which ITAÚ UNIBANCO HOLDING already has a relationship). Decisions are made based on these models, which are continuously monitored by an independent framework. Exceptionally, there can be an individual analysis of specific cases, in which credit approval is submitted to proper levels.

For large companies, the rating is based on information such as economic and financial condition of the counterparty, their cash-generating capability, the economic group to which they belong, and the current and prospective situation of the economic sector in which they operate. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism.

Government securities and other debt instruments are classified by ITAÚ UNIBANCO HOLDING according to their credit quality aiming at managing their exposures.

In line with the principles of CMN Resolution N° 3,721, of April 30, 2009, ITAÚ UNIBANCO HOLDING has structure and corporate guidelines on credit risk management, approved by its Board of Directors, applicable to companies and subsidiaries in Brazil and abroad.

2. Credit risk management

ITAÚ UNIBANCO HOLDING strictly controls the credit exposure of clients and counterparties, taking action to address situations in which the actual exposure exceeds the desired one. For this purpose, contractually provided actions can be taken, such as early settlement or requirement of additional collateral.

3. Collateral and policies for mitigating credit risk

ITAÚ UNIBANCO HOLDING uses guarantees to increase its recovery capacity in transactions involving credit risk. The guarantees used may be personal guarantees, collateral, legal structures with mitigation power and offset agreements.

For management purposes, for collaterals to be considered instruments that mitigate credit risk, they must comply with the requirements and standards of the rules that regulate them domestic or not, and be legally valid (effective), enforceable and assessed on a regular basis.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, such as single name CDS, to mitigate credit risk of its portfolios of loans and securities. These instruments are priced based on models that use the fair value of market inputs, such as credit spreads, recovery rates, correlations and interest rates.

4. Policy on the provision

The policies on the provision adopted by ITAÚ UNIBANCO HOLDING are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized when there are indications of the impairment of the portfolio and takes into account a horizon of loss appropriate for each type of transaction. We consider as *impaired* loans overdue for more than 90 days, renegotiated loans overdue by more than 60 days and Corporate loans below a specific internal rating. Loans are written-down 360 days after such loans become past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	09/30/2016			12/31/2015		
	Brazil	**Abroad**	**Total**	**Brazil**	**Abroad**	**Total**
Interbank deposits	5,333	17,775	23,108	7,502	23,023	30,525
Securities purchased under agreements to resell	255,935	1,187	257,122	252,295	2,109	254,404
Financial assets held for trading	179,138	10,757	189,895	157,206	7,105	164,311
Financial assets designated at fair value through profit or loss	-	741	741	-	642	642
Derivatives	14,552	11,635	26,187	15,858	10,897	26,755
Available-for-sale financial assets	52,723	33,879	86,602	52,221	33,824	86,045
Held-to-maturity financial assets	27,844	13,342	41,186	27,378	14,807	42,185
Loan operations and lease operations	300,973	164,377	465,350	326,241	121,163	447,404
Other financial assets	43,565	7,315	50,880	47,665	5,841	53,506
Off balance sheet	261,528	42,571	304,099	272,274	30,246	302,520
Endorsements and sureties	63,125	9,292	72,417	68,897	5,347	74,244
Letters of credit to be released	7,312	-	7,312	6,936	-	6,936
Commitments to be released	191,091	33,279	224,370	196,441	24,899	221,340
Mortgage loans	4,465	-	4,465	6,812	-	6,812
Overdraft accounts	84,534	-	84,534	81,151	-	81,151
Credit cards	97,749	1,232	98,981	102,721	1,211	103,932
Other pre-approved limits	4,343	32,047	36,390	5,757	23,688	29,445
Total	**1,141,591**	**303,579**	**1,445,170**	**1,158,640**	**249,657**	**1,408,297**

The table above presents the maximum exposure at September 30, 2016 and December 31, 2015, without considering any collateral received or other additional credit improvements.

For assets recognized in the balance sheet, the exposures presented are based on net carrying amounts. This analysis includes only financial assets subject to credit risk and excludes non-financial assets.

The contractual amounts of endorsements and sureties and letters of credit represent the maximum potential of credit risk in the event the counterparty does not meet the terms of the agreement. The vast majority of commitments (real estate loans, overdraft accounts and other pre-approved limits) mature without being drawn, since they are renewed monthly and we have the power to cancel them at any time. As a result, the total contractual amount does not represent our effective future exposure to credit risk or the liquidity needs arising from such commitments.

As shown in the table, the most significant exposures correspond to loan operations, financial assets held for trading, and securities purchased under agreements to resell, in addition to sureties, endorsements and other commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 88.2% of loan operations and other financial assets exposure (Table 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;
- only 4.0% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired;
- 6.5% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

5.1 Maximum exposure of financial assets segregated by business sector

a) Loan operations and lease operations portfolio

	09/30/2016	%	12/31/2015	%
Public sector	2,966	0.6	3,182	0.7
Industry and commerce	112,053	22.6	125,386	26.5
Services	121,600	24.5	104,226	22.0
Natural resources	24,096	4.9	25,306	5.3
Other sectors	3,874	0.8	2,526	0.5
Individuals	231,091	46.6	213,622	45.0
Total	**495,680**	**100.0**	**474,248**	**100.0**

b) Other financial assets (*)

	09/30/2016	%	12/31/2015	%
Natural resources	2,984	0.5	4,313	0.7
Public sector	229,580	36.8	197,871	32.7
Industry and commerce	10,926	1.7	11,856	2.0
Services	867	0.1	89,932	14.9
Other sectors	99,962	16.1	15,420	2.5
Individuals	292	0.0	546	0.1
Financial	280,230	44.8	284,929	47.1
Total	**624,841**	**100.0**	**604,867**	**100.0**

(*) Includes financial assets held for trading, derivatives, assets designated at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, interbank deposits and securities purchased under agreements to resell.

c) The credit risks of off balance sheet items (endorsements and sureties, letters of credit and commitments to be released) are not categorized or managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans operations and lease operations portfolio considering: loans not overdue and loans overdue either impaired or not impaired:

Internal rating	09/30/2016				12/31/2015			
	Loans not overdue and not impaired	Loans overdue not impaired	Loans overdue and impaired	Total loans	Loans not overdue and not impaired	Loans overdue and not impaired	Loans overdue and impaired	Total loans
Lower risk	364,813	4,728	-	369,541	340,368	3,838	-	344,206
Satisfactory	64,690	7,499	-	72,189	76,940	6,489	-	83,429
Higher risk	14,172	7,489	-	21,661	12,609	6,847	-	19,456
Impairment	-	-	32,289	32,289	-	-	27,157	27,157
Total	**443,675**	**19,716**	**32,289**	**495,680**	**429,917**	**17,174**	**27,157**	**474,248**
%	**89.5%**	**4.0%**	**6.5%**	**100.0%**	**90.7%**	**3.6%**	**5.7%**	**100.0%**

The following table shows the breakdown of loans operations and lease operations by portfolios of areas and classes, based on indicators of credit quality:

	09/30/2016					12/31/2015				
	Lower risk	Satisfactory	Higher risk	Impaired	Total	Lower risk	Satisfactory	Higher risk	Impaired	Total
Individuals	**119,781**	**39,336**	**12,125**	**11,002**	**182,244**	**102,479**	**60,132**	**13,030**	**11,579**	**187,220**
Credit cards	39,301	10,595	2,179	3,675	55,750	40,297	11,887	2,286	4,072	58,542
Personal	6,938	6,875	8,646	4,952	27,411	6,234	8,014	9,099	5,049	28,396
Payroll loans	27,247	16,385	664	1,340	45,636	9,582	33,766	844	1,242	45,434
Vehicles	11,819	2,938	576	637	15,970	14,149	4,292	737	880	20,058
Mortgage loans	34,476	2,543	60	398	37,477	32,217	2,173	64	336	34,790
Corporate	**100,384**	**6,170**	**7**	**15,673**	**122,234**	**133,779**	**6,915**	**206**	**11,627**	**152,527**
Small and medium businesses	**38,629**	**10,757**	**5,083**	**3,807**	**58,276**	**45,202**	**12,567**	**4,993**	**3,276**	**66,038**
Foreign loans - Latin America	**110,747**	**15,926**	**4,446**	**1,807**	**132,926**	**62,746**	**3,815**	**1,227**	**675**	**68,463**
Total	**369,541**	**72,189**	**21,661**	**32,289**	**495,680**	**344,206**	**83,429**	**19,456**	**27,157**	**474,248**
%	**74.5%**	**14.6%**	**4.4%**	**6.5%**	**100.0%**	**72.6%**	**17.6%**	**4.1%**	**5.7%**	**100.0%**

The table below shows the breakdown of loans operations and lease operations portfolio not overdue and not impaired, by portfolio of segments and classes, based on indicators of credit quality.

	09/30/2016				12/31/2015			
	Lower risk	Satisfactory	Higher risk	Total	Lower risk	Satisfactory	Higher risk	Total
I – Individually evaluated								
Corporate								
Large companies	**100,018**	**5,712**	**7**	**105,737**	**133,251**	**6,721**	**114**	**140,086**
II- Collectively-evaluated								
Individuals	**117,993**	**34,960**	**7,352**	**160,305**	**100,819**	**55,625**	**8,269**	**164,713**
Credit card	38,986	9,785	1,260	50,031	39,945	11,086	1,492	52,523
Personal	6,845	6,397	5,523	18,765	6,166	7,527	6,030	19,723
Payroll loans	26,940	15,931	501	43,372	9,501	33,116	642	43,259
Vehicles	11,243	1,847	55	13,145	13,584	2,918	84	16,586
Mortgage loans	33,979	1,000	13	34,992	31,623	978	21	32,622
Small and medium businesses	**38,201**	**9,629**	**3,580**	**51,410**	**44,582**	**11,181**	**3,456**	**59,219**
Foreign loans and Latin America	**108,601**	**14,389**	**3,233**	**126,223**	**61,716**	**3,413**	**770**	**65,899**
Total	**364,813**	**64,690**	**14,172**	**443,675**	**340,368**	**76,940**	**12,609**	**429,917**

6.1.1 Loan operations and lease operations by portfolios of areas and classes, are classified by maturity as follows (loans overdue not impaired):

	09/30/2016				12/31/2015			
	Overdue by up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total	Overdue by up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total
Individuals	**6,229**	**3,165**	**1,542**	**10,936**	**6,306**	**2,973**	**1,650**	**10,929**
Credit card	1,141	433	470	2,044	978	417	551	1,946
Personal	2,003	1,211	480	3,694	1,992	1,127	505	3,624
Payroll loans	523	242	159	924	532	248	153	933
Vehicles	1,427	563	198	2,188	1,706	642	245	2,593
Mortgage loans	1,135	716	235	2,086	1,098	539	196	1,833
Corporate	**602**	**200**	**22**	**824**	**571**	**168**	**73**	**812**
Small and medium businesses	**1,819**	**843**	**397**	**3,059**	**2,128**	**987**	**429**	**3,544**
Foreign loans - Latin America	**3,636**	**897**	**364**	**4,897**	**1,506**	**274**	**109**	**1,889**
Total	**12,286**	**5,105**	**2,325**	**19,716**	**10,511**	**4,402**	**2,261**	**17,174**

6.1.2 The table below shows other financial assets, individually evaluated, classified by rating:

09/30/2016							
Internal rating	**Interbank deposits and securities purchased under agreements to resell**	**Held-for-trading financial assets**	**Financial assets designated at fair value through profit or loss**	**Derivatives assets**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Total**
Lower risk	280,230	189,855	741	25,908	82,848	39,302	618,884
Satisfactory	-	19	-	82	1,490	285	1,876
Higher risk	-	21	-	197	1,379	331	1,928
Impairment	-	-	-	-	885	1,268	2,153
Total	**280,230**	**189,895**	**741**	**26,187**	**86,602**	**41,186**	**624,841**
%	**44.8**	**30.4**	**0.1**	**4.2**	**13.9**	**6.6**	**100.0**

12/31/2015							
Internal rating	**Interbank deposits and securities purchased under agreements to resell**	**Held-for-trading financial assets**	**Financial assets designated at fair value through profit or loss**	**Derivatives assets**	**Available-for-sale financial assets**	**Held-to-maturity financial assets**	**Total**
Lower risk	284,929	164,283	642	26,251	84,284	41,843	602,232
Satisfactory	-	26	-	130	889	342	1,387
Higher Risk	-	2	-	374	308	-	684
Impairment	-	-	-	-	564	-	564
Total	**284,929**	**164,311**	**642**	**26,755**	**86,045**	**42,185**	**604,867**
%	**47.1**	**27.2**	**0.1**	**4.4**	**14.2**	**7.0**	**100.0**

6.1.3 Collateral held for loan and lease operations portfolio

Financial effect of collateral	09/30/2016				12/31/2015			
	(I) Over-collateralized assets		(II) Under-collateralized assets		(I) Over-collateralized assets		(II) Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Individuals	**53,127**	**132,106**	**703**	**643**	**54,640**	**135,202**	**639**	**572**
Personal	514	1,377	528	500	495	1,204	448	419
Vehicles	15,336	41,501	174	142	19,390	50,662	189	152
Mortgage loans	37,277	89,228	1	1	34,755	83,336	2	1
Small, medium businesses and corporate	**122,504**	**378,297**	**13,142**	**8,241**	**169,560**	**481,916**	**7,968**	**2,932**
Foreign loans - Latin America	**101,402**	**157,226**	**7,023**	**3,880**	**57,680**	**89,531**	**7,715**	**6,042**
Total	**277,033**	**667,629**	**20,868**	**12,764**	**281,880**	**706,649**	**16,322**	**9,546**

The difference between the total loan portfolio and collateralized loan portfolio is generated by non-collateralized loans amounting to R$ 197,779 (R$ 176,046 at 12/31/2015).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk and manages and regularly reviews its collateral with the objective that collateral held is sufficient, legally exercisable (effective) and feasible. Thus, collateral is used to maximize the recoverability potential of impaired loans and not to reduce the exposure value of customers and counterparties.

Individuals

Personal – This category of credit products usually requires collateral, focusing on endorsements and sureties.
Vehicles – For this type of operation, clients' assets serve as collateral, which are also the leased assets in leasing operations.
Mortgage loans – Regards buildings themselves given in guarantee.

Small, Medium Businesses and Corporate – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety / joint debtor, Mortgage and others).

Foreign loans – Latin America – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, Mortgage and others).

7. Repossessed assets

Repossessed assets are recognized as assets when possession is effectively obtained.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, or (ii) the carrying amount of the loan.

Further impairment of assets is recorded as a provision, with a corresponding charge to income. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets (assets not for use) includes periodic auctions that are announced in advance and considers that the assets cannot be held for more than one year as stipulated by the BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets repossessed in the period:

	07/01 to 09/30/2016	07/01 to 09/30/2015	01/01 to 09/30/2016	01/01 to 09/30/2015
Real estate not for own use	1	-	12	133
Residential properties - mortgage loans	74	45	324	115
Vehicles - linked to loan operations	3	4	11	14
Other (Vehicles / Furniture / Equipments) - Dation	13	4	112	33
Total	**91**	**53**	**459**	**295**

Market risk

Market risk is the possibility of incurring financial losses arising from the changes in the market value of positions held by a financial institution, including the risks of transactions subject to foreign exchange variation, interest rates, share prices, price indexes and commodity prices, among other indices related to risk factors.

Market risk management is the process through which the ITAÚ UNIBANCO HOLDING monitors and controls the risks of variations in financial instruments market values due market changes, aimed at optimizing the risk-return ratio, by using an appropriate structure of limits, alerts, models and adequate management tools.

The policy of risk management the ITAÚ UNIBANCO HOLDING is in line with the principles of CMN Resolution No. 3,464 of June 26, 2007, and posterior amendments, comprising a set of principles that drive the institution's strategy of control and management of market risks in all business units and legal entities of ITAÚ UNIBANCO HOLDING.

The document set forth by the corporate guidelines on market risk management, that is not part of the financial statements, may be viewed on the website www.itau.com.br/relacoes-com-investidores, in the section Corporate Governance / Rules and Policies / Public Access Report - Market Risk.

The risk management strategy of ITAÚ UNIBANCO HOLDING tries to achieve a balance between business objectives, considering among others:

- Political, economic and market context;
- Portfolio profile of ITAÚ UNIBANCO HOLDING;
- Capacity to operate in specific markets.

The process for managing the market risk of ITAÚ UNIBANCO HOLDING is conducted within the governance and hierarchy of committees and a framework of limits and warnings approved specifically for this purpose, covering different levels and classes of market risk (such as interest rate, and exchange variation risk, among others). This framework of limits and warnings covers from the monitoring of risk aggregate indicators (portfolio level) to granular limits (individual desk level). The framework of market risk ranges from the risk factor level, with specific limits aiming at improving the risk monitoring and understanding process, and at avoiding risk concentration. These limits are quantified by assessing the forecasted results of the balance sheet, size of stockholders' equity, liquidity, markets complexity and volatility and the institution's appetite for risk. Limits are monitored daily and excesses and potential violations are reported and discussed for each established limit:

- Within one business day, for management of business units in charge and executives of the risk control area and business areas; and
- Within one month, for proper committees.

Daily risk reports, used by the business and control departments, are issued for senior management. Additionally, the risk control and management process is submitted to periodic reviews for the purpose of keeping it in line with the best market practices and adherent to the ongoing improvement processes at ITAÚ UNIBANCO HOLDING.

The structure of limits and alerts follows the Board of Directors' guidelines and is approved by panels. The process to definite limit levels and violation reports follow the governance to approve the internal policies of ITAÚ UNIBANCO HOLDING. The information flow established aims at disseminating information to the several levels of executives of the institution, including the members of the Executive Board, by means of the Committees in charge of risk management. This limit and warning framework increases effectiveness and the control coverage is reviewed at least on an annual basis.

The purpose of market risk of ITAÚ UNIBANCO HOLDING structure is:

- Providing visibility and assurance to all executive levels that the assumption of market risks is in line with ITAÚ UNIBANCO HOLDING and the risk-return objective;
- Promoting disciplined and educated discussion on the global risk profile and its evolution over time;
- Increasing transparency on the way the business seeks to optimize results;
- Providing early warning mechanisms in order to make the effective risk management easier, without jeopardizing the business purposes; and

- Monitoring and avoiding risk concentration.

The market risk is controlled by an area independent from the business areas, which is responsible for the daily activities of: (i) risk measurement and assessment, (ii) monitoring of stress scenarios, limits and warnings, (iii) application, analysis and tests of stress scenarios, (iv) risk reporting for individuals responsible within the business areas, in compliance with governance of ITAÚ UNIBANCO HOLDING, (v) monitoring of actions required for adjustment of positions and/or risk levels to make them feasible, and (vi) support to the launch of new financial products with security. For that purpose, ITAÚ UNIBANCO HOLDING has a structured reporting and information process and an information flow that provides input for the follow-up by committees and complies with the requirements of Brazilian and foreign regulatory agencies.

ITAÚ UNIBANCO HOLDING hedges transactions with clients and proprietary positions, including foreign investments, aiming at mitigating risks arising from fluctuations in market factors and maintaining the classification the transactions into the current exposure limits. Derivatives are the most frequently used instruments for these hedges. When these transactions are designed for as hedge accounting, specific supporting documentation is prepared, including continuous review of the hedge effectiveness (retrospective and prospective) and other changes in the accounting process. Accounting and managerial hedge are governed by corporate guidelines of ITAÚ UNIBANCO HOLDING.

For a detailed vision of the accounting hedge topic, see Note 9 – Hedge accounting.

The market risk structure categorizes transactions as part of either the banking portfolio or the trading portfolio, in accordance with general criteria established by the National Monetary Council Resolution No. 3,464 and BACEN Circular No. 3,354 of July 27, 2007.

The trading portfolio consists of all transactions involving financial instruments and goods, including derivatives, which are carried out with the intention of trading.

The banking portfolio is basically characterized by transactions from the banking business and transactions related to the management of the balance sheet of the institution. It has the no-intention of resale and medium and long term time horizons as general guidelines.

Exposures to market risks inherent in the many different financial instruments, including derivatives, are broken down into a number of risk factors, primary market components for pricing. The main risk factors measured by ITAÚ UNIBANCO HOLDING are:

- Interest rates: the risk of losses from transactions subject to interest rate variations, foreign-currency coupons and price-index coupons;
- Currencies: the risk of losses from transactions subject to foreign exchange rate variation;
- Shares: the risk of losses from transactions subject to share price variations;
- Commodities: the risk of losses from transactions subject to commodity price variations.

The CMN has regulations that establish the segregation of exposure to market risk at least in the following categories: interest rate, exchange rate, shares and commodities. Inflation rates are addressed as a group of risk factors and received the same treatment as the other risk factors, such as interest rates, exchange rates, etc., and follow the structure of risk and limits governance adopted by ITAÚ UNIBANCO HOLDING to manage market risk.

Market risk is analyzed based on the following metrics:

- Value at risk (VaR): statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a certain time horizon and confidence level;
- Losses in stress scenarios (Stress test): simulation technique to assess the behavior of assets, liabilities and derivatives of a portfolio when several risk factors are taken to extreme market situations (based on prospective and historical scenarios) in the portfolio;
- Stop loss: metrics which purpose is to review positions, should losses accumulated in a certain period reach a certain amount;
- Concentration: cumulative exposure of a certain financial instruments or risk factor calculated at market value (“MtM – Mark to Market”); and
- Stressed VaR: statistical metric resulting from the VaR calculation, with the purpose of capturing the highest risk in simulations for the current portfolio, considering the returns that can be observed in historic scenarios of extreme volatility.

In addition to the risk measures, sensitivity and loss control measures are also analyzed. They comprise:

- Gap analysis: accumulated exposure, by risk factor, of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity (DV01 – Delta Variation): the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates or index rate;
- Sensitivity to the Several Risk Factors (Greeks): partial derivatives of an options portfolio in relation to the underlying assets price, implicit volatility, interest rate and timing.

ITAÚ UNIBANCO HOLDING uses proprietary systems to measure the consolidated market risk. The processing of these systems occur, in an access-controlled environment, being highly available, which has data safekeeping and recovery processes, and counts on such an infrastructure to ensure the continuity of business in contingency (disaster recovery) situations.

VaR - Consolidated ITAÚ UNIBANCO HOLDING

Consolidated VaR of ITAÚ UNIBANCO HOLDING is calculated through the Historical Simulation methodology, which fully reflects all its positions based on the historical series of asset prices. In the first quarter of 2016, o ITAÚ UNIBANCO HOLDING opted for including the exposures of each foreign unit in the calculation of ITAÚ UNIBANCO HOLDING's Consolidated VaR, so as to take into account the risk factors of these units, thus improving the methodology used.

The Consolidated Total VaR table provides an analysis of the exposure to market risk of ITAÚ UNIBANCO HOLDING portfolios.

ITAÚ UNIBANCO HOLDING maintaining its conservative management and portfolio diversification, continued with its policy of operating within low limits in relation to its capital in the period. In this quarter, the Total Average VaR remained lower than 1% of ITAÚ UNIBANCO HOLDING`s stockholders` equity, in line with that recorded in the previous quarter.

From January 1st to September 30, 2016, the average total VaR in Historical Simulation was R$ 213,1 million, or 0,16% of total stockholders' equity (throughout 2015 it was R$ 207.0 million or 0.18% of total stockholders' equity).

(in R$ million)

	VaR Total - Historical Simulation							
	09/30/2016[1]				**12/31/2015[2]**			
	Average	**Minimum**	**Maximum**	**Var Total**	**Average**	**Minimum**	**Maximum**	**Var Total**
Risk factor group								
Interest rates	452.6	323.7	595.4	587.2	363.5	314.2	606.4	347.1
Currencies	19.1	8.5	33.2	18.1	47.1	11.3	118.6	12.3
Shares	45.2	34.0	63.3	47.5	16.9	6.9	57.2	46.9
Commodities	1.9	1.0	4.0	1.0	1.8	0.8	8.5	2.1
Effect of diversification				(357.5)				(204.4)
Total risk	**213.1**	**155.1**	**321.8**	**296.3**	**207.0**	**152.3**	**340.7**	**204.0**

(1) VaR by Risk factor group includes information from foreign units.

(2) VaR by Risk factor group does not include information from foreign units.

Interest rate

The table on the position of accounts subject to interest rate risk group them by products, book value of accounts distributed by maturity. This table is not used directly to manage interest rate risks; it is mostly used to enable the assessment of mismatching between accounts and products associated thereto and to identify possible risk concentration.

The following table sets forth our interest-earning assets and interest-bearing liabilities and therefore does not reflect interest rate gap positions that may exist as of any given date. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period.

Position of accounts subject to interest rate risk [1]

	09/30/2016						12/31/2015					
	0-30 days	31-180 days	181-365 days	1-5 years	Over 5 years	Total	0-30 days	31-180 days	181-365 days	1-5 years	Over 5 years	Total
Interest-bearing assets	**374,099**	**188,059**	**118,391**	**352,547**	**159,799**	**1,192,895**	**376,617**	**203,639**	**97,021**	**277,995**	**186,609**	**1,141,881**
Interbank deposits	14,097	5,394	2,419	1,198	-	23,108	23,454	3,436	2,879	753	3	30,525
Securities purchased under agreements to resell	200,716	32,824	23,309	273	-	257,122	196,402	57,997	5	-	-	254,404
Central Bank compulsory deposits	72,374	-	-	-	-	72,374	62,766	-	-	-	-	62,766
Held-for-trading financial assets	8,370	7,684	13,633	118,805	41,403	189,895	12,872	9,413	13,649	57,700	70,677	164,311
Financial assets held for trading and designated at fair value through profit or loss	-	-	741	-	-	741	-	-	-	642	-	642
Available-for-sale financial assets	3,335	13,491	7,232	35,869	26,675	86,602	3,903	7,106	11,914	35,098	28,024	86,045
Held-to-maturity financial assets	280	1,847	715	18,683	19,661	41,186	342	-	319	14,500	27,024	42,185
Derivatives	4,346	6,816	3,304	7,787	3,934	26,187	6,040	7,152	2,653	8,116	2,794	26,755
Loan and lease operations portfolio	70,581	120,003	67,038	169,932	68,126	495,680	70,838	118,535	65,602	161,186	58,087	474,248
Interest-bearing liabilities	**308,798**	**100,942**	**73,670**	**302,469**	**74,655**	**860,534**	**290,908**	**98,129**	**74,635**	**316,852**	**72,968**	**853,492**
Savings deposits	104,850	-	-	-	-	104,850	111,319	-	-	-	-	111,319
Time deposits	38,914	25,750	12,890	54,744	7,225	139,523	13,465	19,252	13,277	57,694	1,562	105,250
Interbank deposits	1,360	1,779	765	26	10	3,940	4,475	8,727	1,012	735	-	14,949
Deposits received under repurchase agreements	151,052	25,224	19,907	134,209	17,398	347,790	144,750	15,186	21,262	134,708	20,737	336,643
Interbank market	8,224	33,535	29,155	56,265	10,377	137,556	8,056	42,525	29,966	62,654	13,685	156,886
Institutional market	637	10,105	7,979	41,666	36,771	97,158	4,988	5,123	5,748	42,938	35,121	93,918
Derivatives	3,724	4,482	2,906	12,198	2,834	26,144	3,850	7,309	3,348	14,715	1,849	31,071
Financial liabilities held for trading	37	67	68	270	40	482	5	7	22	364	14	412
Liabilities for capitalization plans	-	-	-	3,091	-	3,091	-	-	-	3,044	-	3,044
Difference asset / liability [2]	65,301	87,117	44,721	50,078	85,144	332,361	85,709	105,510	22,386	(38,857)	113,641	288,389
Cumulative difference	**65,301**	**152,418**	**197,139**	**247,217**	**332,361**		**85,709**	**191,219**	**213,605**	**174,748**	**288,389**	
Ratio of cumulative difference to total interest-bearing assets	5.5%	12.8%	16.5%	20.7%	27.9%		7.5%	16.7%	18.7%	15.3%	25.3%	

(1) Remaining contractual terms.

(2) The difference arises from the mismatch between the maturities of all remunerated assets and liabilities, at the respective period-end date, considering the contractually agreed terms.

Position of accounts subject to currency risk

Assets	09/30/2016			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	6,738	1,624	3,699	12,061
Central Bank compulsory deposits	97	-	4,589	4,686
Interbank deposits	9,009	1,316	7,450	17,775
Securities purchased under agreements to resell	-	145	1,042	1,187
Financial assets held for trading	6,917	293	3,547	10,757
Financial assets designated at fair value through profit or loss	741	-	-	741
Derivatives	5,629	5,442	564	11,635
Available-for-sale financial assets	23,666	5,244	4,969	33,879
Held-to-maturity financial assets	12,742	18	582	13,342
Loan operations and lease operations portfolio, net	46,451	76,997	40,929	164,377
Total assets	**111,990**	**91,079**	**67,371**	**270,440**

Liabilities	09/30/2016			
	Dollar	Chilean Peso	Other	Total
Deposits	38,105	52,831	48,728	139,664
Securities sold under repurchase agreements	20,299	764	3,707	24,770
Financial liabilities held for trading	482	-	-	482
Derivatives	4,969	4,601	336	9,906
Interbank market debt	37,412	6,241	2,640	46,293
Institutional market debt	37,093	23,565	2,868	63,526
Total liabilities	**138,360**	**88,002**	**58,279**	**284,641**
Net position	**(26,370)**	**3,077**	**9,092**	**(14,201)**

The exposure to share price risk is disclosed in Note 7 related to financial assets held for trading and Note 10, related to available-for-sale financial assets.

Assets	12/31/2015			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	6,060	779	4,611	11,450
Central Bank compulsory deposits	234	503	6,435	7,172
Interbank deposits	16,281	2,093	4,649	23,023
Securities purchased under agreements to resell	1,966	56	87	2,109
Financial assets held for trading	6,125	73	907	7,105
Financial assets designated at fair value through profit or loss	642	-	-	642
Derivatives	9,581	1,279	37	10,897
Available-for-sale financial assets	28,833	3,063	1,928	33,824
Held-to-maturity financial assets	14,807	-	-	14,807
Loan operations and lease operations portfolio, net	63,456	36,776	20,931	121,163
Total assets	**147,985**	**44,622**	**39,585**	**232,192**

Liabilities	12/31/2015			
	Dollar	Chilean Peso	Other	Total
Deposits	55,539	25,811	30,657	112,007
Securities sold under securities repurchase agreements	23,405	240	142	23,787
Financial liabilities held for trading	412	-	-	412
Derivatives	9,179	1,396	429	11,004
Interbank market debt	59,203	3,796	821	63,820
Institutional market debt	44,901	8,112	334	53,347
Total liabilities	**192,639**	**39,355**	**32,383**	**264,377**
Net position	**(44,654)**	**5,267**	**7,202**	**(32,185)**

The exposure to share price risk is disclosed in Note 7 related to financial assets held for trading and Note 10, related to available-for-sale financial assets.

Liquidity risk

Liquidity risk is defined as the existence of imbalances between marketable assets and liabilities due – mismatching between payments and receipts - which may affect payment capacity of ITAÚ UNIBANCO HOLDING, taking into consideration the different currencies and payment terms and their respective rights and obligations.

Policies and procedures

The management of liquidity risks seeks to guarantee liquidity sufficient to support possible outflows in market stress situations, as well as the compatibility between funding and the terms and liquidity of assets.

ITAÚ UNIBANCO HOLDING has a structure dedicated to improve the monitoring, control and analysis, through models of projections of the variables that affect cash flows and the level of reserves in local and foreign currencies.

The document that details the guidelines established by the internal policy on liquidity risk management, that is not part of the financial statements, may be viewed on the website www.itau.com.br/relacoes-com-investidores, in the section Corporate Governance/Rules and Policies / Public Access Report – Liquidity Risk.

The liquidity risk measurement process makes use of corporate and own in-house developed application systems. ITAÚ UNIBANCO HOLDING manages proprietary IT systems to support the liquidity risk measurement process.

Additionally, ITAÚ UNIBANCO HOLDING establishes guidelines and limits. Compliance with these guidelines and limits is periodically analyzed in technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs. The liquidity management policies and the respective limits are established based on prospective scenarios periodically reviewed and on the definitions of the top management.

These scenarios may be reviewed in view of cash requirements resulting from atypical market situations or arising from strategic decisions of ITAÚ UNIBANCO HOLDING.

In compliance with the requirements of CMN Resolution No. 4,090 of May 24, 2012 and BACEN Circular N° 3,749 of March 5, 2015 , the Statement of Liquidity Risk (DRL) is sent to BACEN on a monthly basis, and the following items for monitoring and supporting decisions are periodically prepared and submitted to top management:

- Different scenarios projected for changes in liquidity;
- Contingency plans for crisis situations;
- Reports and charts that describe the risk positions;
- Assessment of funding costs and alternative sources of funding;
- Monitoring of changes in funding through a constant control over sources of funding, considering the type of investor and maturities, among other factors;

In compliance with Circular nº 3.724 of BACEN, banks holding total assets over R$ 100 billion are required, since October 2015, to report a standardized Liquidity Coverage Ratio (LCR) ratio to the Central Bank of Brazil. This ratio is calculated based on a methodology defined by the Central Bank of Brazil itself, and is in line with international of Basileia.

The summarized calculation of the indicator is as follows. In 2016, the minimum indicator requirement is 70%. For more detail on the short-term liquidity indicator, that is not part of the financial statements, visit investor-relations, section Corporate Governance / Risk and Capital Management – Pillar 3.

Information on the Liquidity Coverage Ratio (LCR)	3rd quarter 2016
	Total Adjusted Amount(1)
Total high-quality liquid assets (2)	**184,827**
Total potential cash outflows (3)	**86,518**
Liquidity Coverage Ratio (%)	**213.6%**

(1) Corresponds to the amount calculated after the application of weighting factors and limits established by BACEN Circular No. 3,749.

(2) HQLA - High quality liquid assets: balance in the stock, which in certain cases weighted by a discount factor, of assets that remain liquid in the markets during a stress period, which can be easily converted into cash and that pose low risk.

(3) Potential cash outflows calculated in standardized stress, determined by Circular No. 3.749 (outflows), subtracted from (i) potential cash inflows calculated under standardized stress, set forth by Circular No. 3,749 and (ii) 75% x Outflows, whichever is lower.

Primary sources of funding

ITAÚ UNIBANCO HOLDING has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R$ 604.1 billion (R$ 586.2 billion at 12/31/2015), particularly funding from time deposits. A considerable portion of these funds – 35.0% of total, or R$ 210.2 billion – is available on demand to the client. However, the historical behavior of the accumulated balance of the two largest items in this group – demand and savings deposits - is relatively consistent with the balances increasing over time and inflows exceeding outflows for monthly average amounts.

Funding from clients	09/30/2016			12/31/2015		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	205,411	308,599		190,352	292,610	
Demand deposits	60,286	60,286	10.0	61,092	61,092	10.4
Savings deposits	104,850	104,850	17.4	111,319	111,319	19.0
Time deposits	38,915	139,523	23.1	13,465	105,250	18.0
Other	1,360	3,940	0.7	4,476	14,949	2.6
Funds from acceptances and issuance of securities (1)	2,071	90,963	15.1	4,128	75,590	12.9
Funds from own issue (2)	2,286	145,782	24.1	2,863	152,215	25.9
Subordinated debt	410	58,731	9.7	4,722	65,785	11.2
Total	**210,178**	**604,075**	**100.0**	**202,065**	**586,200**	**100**

(1) Includes mortgage notes, real estate credit bills, agribusiness, financial and structured operations certificates recorded in interbank market and debts and liabilities for issuance of debentures and foreign borrowing and securities recorded in funds from institutional markets.

(2) Refer to deposits received under securities repurchase agreements with securities from own issue.

Control over liquidity

ITAÚ UNIBANCO HOLDING manages its liquidity reserves based on estimates of funds that will be available for investment, considering the continuity of business in normal conditions.

During the period of 2016, ITAÚ UNIBANCO HOLDING maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets (cash and deposits on demand, securities purchased under agreements to resell - funded position and government securities – available, detailed in the table Undiscounted future flows – Financial assets) totaled R$ 171.6 billion and accounted for 80.1% of the short term redeemable obligations, 27.9% of total funding, and 18.7% of total assets.

The table below shows the indicators used by ITAÚ UNIBANCO HOLDING in the management of liquidity risk:

Liquidity indicators	09/30/2016	12/31/2015
	%	%
Net assets (1) / funds within 30 days (2)	80.1	77.5
Net assets (1) / total funds (3)	27.9	26.7
Net assets (1) / total assets (4)	18.7	18.1

(1) Net assets: Cash and deposits on demand, Securities purchased under agreements to resell – Funded position and Government securities - available. Detailed in the table Undiscounted future flows – Financial assets.

(2) Table Funding from clients (Total Funding from clients 0-30 days).

(3) Table funding from clients (Total funding from clients).

(4) Detailed in the table Undiscounted future flows – Financial assets, total present value regards R$ 898,625 (R$ 863,180 at 12/31/2015).

The following table presents assets and liabilities according to their remaining contractual maturities, considering their undiscounted flows.

Undiscounted future flows except for derivatives	09/30/2016					12/31/2015				
Financial assets [1]	**0 - 30 days**	**31 - 365 days**	**366 - 720 days**	**Over 720 days**	**Total**	**0 - 30 days**	**31 - 365 days**	**366 - 720 days**	**Over 720 days**	**Total**
Cash and deposits on demand	**20,176**	-	-	-	**20,176**	**18,544**	**-**	**-**	**-**	**18,544**
Interbank investments	**218,958**	**51,595**	**1,007**	**501**	**272,061**	**229,295**	**40,016**	**696**	**239**	**270,246**
Securities purchased under agreements to resell – Funded position [2]	83,593	-	-	-	83,593	72,091	-	-	-	72,091
Securities purchased under agreements to resell – Financed position	121,041	43,626	-	-	164,667	133,315	33,742	-	-	167,057
Interbank deposits	14,324	7,969	1,007	501	23,801	23,889	6,274	696	239	31,098
Securities	**66,793**	**18,498**	**10,819**	**77,121**	**173,231**	**71,124**	**15,485**	**11,017**	**78,774**	**176,400**
Government securities - available	61,047	61	60	6,624	67,792	65,965	-	-	-	65,965
Government securities – subject to repurchase commitments	166	4,268	3,515	10,826	18,775	68	2,675	712	6,866	10,321
Private securities - available	5,580	13,846	6,918	55,812	82,156	5,091	12,681	10,305	71,908	99,985
Private securities – subject to repurchase commitments	-	323	326	3,859	4,508	-	129	-	-	129
Derivative financial instruments	**4,346**	**10,120**	**4,039**	**7,682**	**26,187**	**5,955**	**7,685**	**3,430**	**6,289**	**23,359**
Gross position	-	-	-	**-**	**-**	**-**	**1**	**-**	**20**	**21**
Cross Currency Swap Deliverable - Asset position	-	-	-	-	-	-	852	-	975	1,827
Cross Currency Swap Deliverable - Liability position	-	-	-	-	-	-	(851)	-	(955)	(1,806)
Net position	**4,346**	**10,120**	**4,039**	**7,682**	**26,187**	**5,955**	**7,684**	**3,430**	**6,269**	**23,338**
Swaps	549	3,153	1,895	6,970	12,567	666	2,140	1,935	4,406	9,147
Option	442	3,306	1,736	166	5,650	2,413	2,000	692	478	5,583
Forward (onshore)	2,442	837	-	-	3,279	1,204	1,961	1	-	3,166
Other derivative financial instruments	913	2,824	408	546	4,691	1,672	1,583	802	1,385	5,442
Loan and lease operations portfolio [3]	**60,510**	**172,626**	**86,357**	**212,803**	**532,296**	**63,263**	**171,813**	**86,118**	**187,619**	**508,813**
Total financial assets	**370,783**	**252,839**	**102,222**	**298,107**	**1,023,951**	**388,181**	**234,999**	**101,261**	**272,921**	**997,362**

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in Central Bank, amounting to R$ 76,388 (R$ 66,556 at 12/31/2015), which release of funds is linked to the maturity of the liability portfolios. The amounts of PGBL and VGBL are not considered in the assets portfolio because they are covered in Note 30.

(2) Net of R$ 6,197 (R$ 9,461 at 12/31/2015) which securities are restricted to guarantee transactions at BM&FBOVESPA S.A. and the Central Bank of Brazil.

(3) Net of payment to merchants of R$ 41,088 (R$ 38,978 at 12/31/2015) and the amount of liabilities from transactions related to credit assignments R$ 5,395 (R$ 5,495 at 12/31/2015) .

Undiscounted future flows except for derivatives	09/30/2016					12/31/2015				
Financial liabilities	**0 – 30 days**	**31 – 365 days**	**366 – 720 days**	**Over 720 days**	**Total**	**0 – 30 days**	**31 – 365 days**	**366 – 720 days**	**Over 720 days**	**Total**
Deposits	**194,886**	**54,449**	**12,554**	**65,157**	**327,046**	**190,890**	**45,133**	**8,331**	**64,843**	**309,197**
Demand deposits	60,286	-	-	-	60,286	61,092	-	-	-	61,092
Savings deposits	104,850	-	-	-	104,850	111,319	-	-	-	111,319
Time deposit	28,680	51,789	12,537	65,135	158,141	13,873	34,660	8,326	64,819	121,678
Interbank deposits	1,070	2,660	17	22	3,769	4,606	10,473	5	24	15,108
Compulsory deposits	**(41,833)**	**(15,556)**	**(3,460)**	**(15,539)**	**(76,388)**	**(40,807)**	**(9,021)**	**(2,043)**	**(14,685)**	**(66,556)**
Demand deposits	(8,564)	-	-	-	(8,564)	(10,224)	-	-	-	(10,224)
Savings deposits	(24,355)	-	-	-	(24,355)	(26,838)	-	-	-	(26,838)
Time deposit	(8,914)	(15,556)	(3,460)	(15,539)	(43,469)	(3,745)	(9,021)	(2,043)	(14,685)	(29,494)
Securities sold under repurchase agreements [(1)]	**184,809**	**41,788**	**54,892**	**106,914**	**388,403**	**167,363**	**39,464**	**63,773**	**111,189**	**381,789**
Government securities	150,026	6,370	6,450	30,137	192,983	139,530	5,315	2,588	29,937	177,370
Private securities	7,234	34,101	48,442	76,777	166,554	8,043	30,146	61,185	81,252	180,626
Foreign	27,549	1,317	-	-	28,866	19,790	4,003	-	-	23,793
Funds from acceptances and issuance of securities [(2)]	**3,767**	**26,032**	**33,358**	**45,227**	**108,384**	**4,188**	**24,186**	**19,178**	**40,612**	**88,164**
Borrowing and onlending [(3)]	**6,934**	**45,509**	**13,954**	**21,186**	**87,583**	**5,902**	**58,159**	**24,116**	**25,672**	**113,849**
Subordinated debt [(4)]	**519**	**13,780**	**13,933**	**48,098**	**76,330**	**4,775**	**10,115**	**13,764**	**56,006**	**84,660**
Derivative financial instruments	**3,724**	**7,388**	**3,580**	**11,452**	**26,144**	**3,765**	**8,537**	**4,104**	**11,269**	**27,675**
Gross position	**-**	**-**	**-**	**-**	**-**	1	**11**	-	**4**	**16**
Cross Currency Swap Deliverable - Asset position	**-**	**-**	**-**	**-**	**-**	(85)	(1,269)	-	(236)	(1,590)
Cross Currency Swap Deliverable - Liability position	**-**	**-**	**-**	**-**	**-**	86	1,280	-	240	1,606
Net position	**3,724**	**7,388**	**3,580**	**11,452**	**26,144**	**3,764**	**8,526**	**4,104**	**11,265**	**27,659**
Swaps	51	2,018	2,172	9,946	14,187	783	3,368	2,618	9,562	16,331
Option	462	3,271	1,116	839	5,688	1,460	3,025	805	493	5,783
Forward (onshore)	2,695	1	-	-	2,696	828	5	-	-	833
Other derivative financial instruments	516	2,098	292	667	3,573	693	2,128	681	1,210	4,712
Total financial liabilities	**352,806**	**173,390**	**128,811**	**282,495**	**937,502**	**336,076**	**176,573**	**131,223**	**294,906**	**938,778**

(1) Includes own and third parties' portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness, financial bills and structured operations certificates recorded in interbank market funds and liabilities for issuance of debentures and foreign securities recorded in funds from institutional markets.

(3) Recorded in funds from interbank markets.

(4) Recorded in funds from institutional markets.

Off balance sheet	09/30/2016					12/31/2015				
	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total
Endorsements and sureties	4,919	14,819	4,573	48,106	72,417	2,018	13,819	5,477	52,930	74,244
Commitments to be released	86,045	42,393	18,257	77,675	224,370	84,641	28,808	28,404	79,487	221,340
Letters of credit to be released	7,312	-	-	-	7,312	6,936	-	-	-	6,936
Contractual commitments - Fixed assets and Intangible (Notes 15 and 16)	-	121	262	-	383	-	340	-	-	340
Total	**98,276**	**57,333**	**23,092**	**125,781**	**304,482**	**93,595**	**42,967**	**33,881**	**132,417**	**302,860**

Note 37 – Supplementary Information

Banco Itaú BMG Consignado S.A.

On September 29, 2016, ITAÚ UNIBANCO HOLDING, by means of its subsidiary Itaú Unibanco S.A., entered into a share purchase and sale agreement with Banco BMG S.A. (BMG) for the acquisition of 40% of the equity investment held in Banco Itaú BMG Consignado S.A. (Itaú BMG Consignado), corresponding to the totality of the investment held by BMG in Itaú BMG Consignado, and became the holder of a 100% interest in Itaú BMG Consignado's capital.

Itaú Unibanco shall pay approximately R$ 1.28 billion to BMG, adjusted by the CDI variation since December 31, 2015 until the effective date of the transfer of shares, after certain conditions set forth in the Agreement are met, including the obtainment of the applicable regulatory authorizations.

Itaú Unibanco and BMG will maintain an association by means of the execution of a new commercial agreement for the distribution of payroll loans of Itaú BMG Consignado and its affiliates, on an exclusive basis, through certain distribution channels linked to BMG and its affiliates.

Currently, Itaú BMG Consignado is controlled by ITAÚ UNIBANCO HOLDING and, therefore, this acquisition will not affect its results.

Note 38 - Subsequent events

Citibank's Retail Operations

On October 08, 2016, ITAÚ UNIBANCO HOLDING S.A. entered, by means of its subsidiaries, into a share purchase and sale agreement with Banco Citibank S.A. and with other companies of its conglomerate (Citibank) for the acquisition of the retail activities carried out by Citibank in Brazil, including loans, deposits, credit cards, branches, assets under management and insurance brokerage, as well as the equity investments held by Citibank in TECBAN – Tecnologia Bancária S.A. (representing 5,64% of its capital) and in Cibrasec – Companhia Brasileira de Securitização (representing 3.60% of its capital), for R$ 710 million.

This operation will involve the corporate restructuring of some companies of the Citibank conglomerate so that the retail business in Brazil is spun off and transferred to the companies that will be the subject matter of the acquisition.

The effective acquisitions and financial settlements will take place after compliance with some contractual conditions and the obtainments of the necessary regulatory authorizations.

This acquisition will not have accounting impacts on ITAÚ UNIBANCO HOLDING's results.

Itaú CorpBanca

On October 26, 2016, ITAÚ UNIBANCO HOLDING, by means of its controlled subsidiary, ITB Holding Brasil Participações Ltda., it has indirectly acquired 10,908,002,836 shares of Itaú CorpBanca, for equivalent to approximately R$ 288.1 million.

The possibility of implementing the acquisition of such Shares was already set forth in the shareholders' agreement entered into on April 1st, 2016 between ITAÚ UNIBANCO HOLDING and Corp Group and certain of its affiliates. As a consequence, ITAÚ UNIBANCO HOLDING's ownership in Itaú CorpBanca increased from approximately 33.58% to approximately 35.71%, without altering its current governance.

This transaction was implemented by means of the acquisition of 100% of the capital stock of a company named CGB II SpA, which is the current holder of the Shares. All the required regulatory approvals have been obtained on October of 2016.

The acquisition has not had accounting effects on the Financial Statements of ITAÚ UNIBANCO HOLDING, since the related conditions arose after the accounting period to which the financial statements referred to, in accordance with the Technical Pronouncement IAS 10 –Subsequent Event.