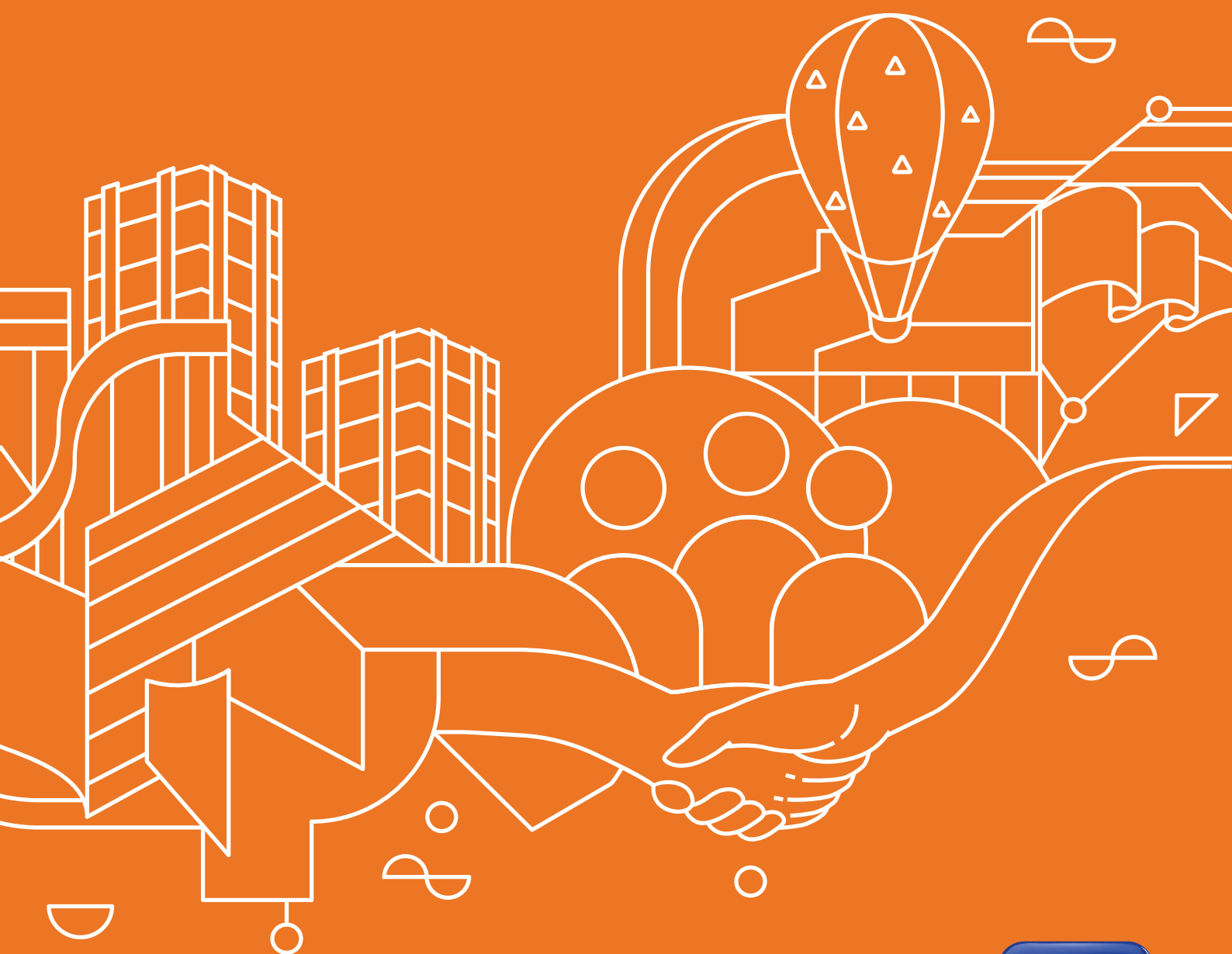


Consolidated Annual Report

2017



Itaú Unibanco Holding S.A.



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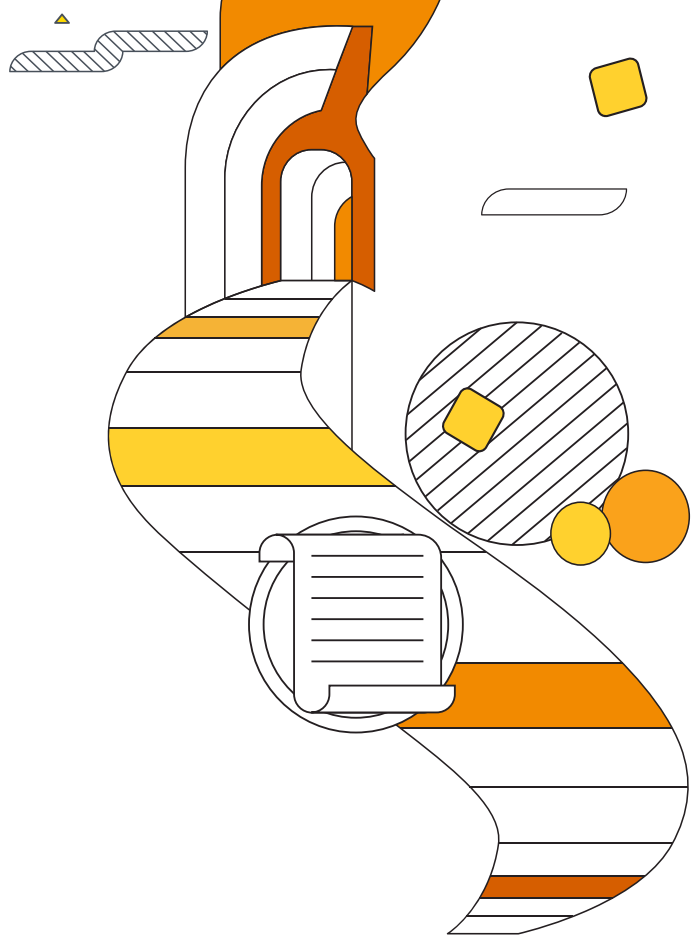
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1 Context

Read about the macroeconomic scenario and our strategies that influenced our business in 2017.



Macroeconomic context

GRI 103-2 | 103-3 Forecast of scenarios

Global context

Global economic activity continues to perform well, and business surveys indicate that growth could further improve. As noted below, U.S. real GDP grew by 2.3% in 2017, after expanding at a rate of 1.5% in 2016. The Eurozone and Japan have been recovering at moderate economic growth rates. Meanwhile, growth in China remains stable for now, and growth in other emerging markets has been increasing.

The economy has been recovering at a moderate pace in the Eurozone, as fiscal reforms and accommodative monetary policy by the European Central Bank (ECB) have improved confidence and financial conditions. Real GDP grew by 1.8% in the region in 2016, and expanded at a rate of 2.5% in 2017. Political risks in the region appear to be relatively low. EU-UK Brexit negotiations already show some progress this year. Italy election results indicate that populist parties are likely to participate in the new government coalition, reducing the odds of structural reforms, but it is unlikely to lead the country to exit the Eurozone. Meanwhile, the pro-European grand coalition in Germany and French Prime Minister Emmanuel Macron provide stability to the region.

Given the unprecedented monetary policy measures implemented by developed countries since 2008, liquidity has been available for investment in emerging markets, supporting asset prices in those markets. As the U.S. economy has continued its recovery and its outlook remains positive, the U.S. Federal Reserve has raised the target range for the Federal Funds Rates six times since the December 2015 Federal Open Market Committee meeting. In addition, the Federal Open Market Committee announced that it will commence the reduction of its balance sheet by allowing its portfolio of U.S. Treasury Securities and U.S. Government Agency Debt Securities to mature without replacing them. It also indicated that further gradual increases in the target range of the Federal Funds rates are likely to be warranted.

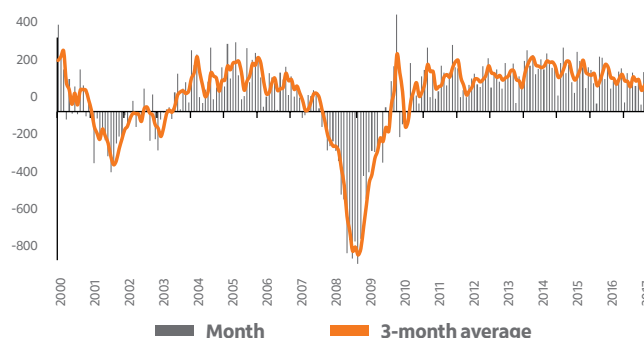
Between 2013 and 2016, significant amounts of financial resources were withdrawn from investments in the emerging markets in response to weak growth in these economies and in anticipation of the gradual monetary tightening in the U.S. However, since mid-2016, financial flows have been gradually returning to emerging markets as commodity prices stabilized and economic fundamentals improved in some emerging markets economies. Risks to the economic outlook are better balanced and synchronized, with modest political risks in the US and Europe and China's economy is moderating only modestly.

U.S. real GDP grew by 2.3% in 2017, compared to 1.5% in 2016 and 2.9% in 2015. The economic expansion is expected to continue at a moderate pace (according to the Survey of Professional Forecasters issued by the Federal Reserve Bank of Philadelphia), sustained by solid domestic demand. Domestic demand should be supported by (i) accommodative

monetary and fiscal policies; (ii) consumer and business optimism, according to the December 2017 surveys data published by The Conference Board and the Institute for Supply Management, respectively; and (iii) a healthy labor market, with net job increases averaging 182,330 per month in the twelve months ended December 2017 and the U.S. unemployment rate of 4.1% in December 2017.

United States Job Creation – Nonfarm Payroll

(seasonally adjusted, thousands)



Source: Itaú Unibanco Holding and U.S. Bureau of Labor Statistics.

China's real GDP grew by 6.9% in 2017, 0.2 percentage points higher than the previous year. Economic activity is likely to moderate in 2018.

Latin America context

External financial conditions remain supportive for growth in Latin America, in a context of global economic recovery, higher commodity prices and low interest rates in developed markets. Exchange rates have contributed to maintain inflation low (or lower) almost everywhere (except for Argentina), which, combined with negative output gaps, provide an environment for monetary easing.

Economic growth is gradually gaining traction and we expect momentum to improve in 2018. However, in Mexico uncertainty over the future of NAFTA is having a negative impact on investment.

The table below shows the real GDP growth rates in seven Latin American countries as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, except as otherwise indicated.



As of and for the Year Ended December 31,

Real GDP Growth (%)	2017	2016	2015	2014	2013
Argentina ⁽¹⁾	2.9	(1.8)	2.7	(2.5)	2.4
Chile ⁽²⁾	1.5	1.3	2.3	1.8	4.0
Colombia ⁽³⁾	1.8	2.0	3.1	4.4	4.9
Mexico ⁽⁴⁾	2.0	2.9	3.3	2.8	1.4
Paraguay ⁽⁵⁾	3.7	4.1	3.0	4.7	14.0
Peru ⁽⁶⁾	2.5	4.0	3.3	2.4	5.8
Uruguay ⁽⁷⁾	2.7	1.7	0.4	3.2	4.6

(1) Source: Instituto Nacional de Estadística y Censos.

(2) Source: Banco Central de Chile.

(3) Source: Banco de la República.

(4) Source: Instituto Nacional de Estadística y Geografía.

(5) Source: Banco Central del Paraguay. GDP growth rate in 2017 as of and for the twelve-month period ended September 30.

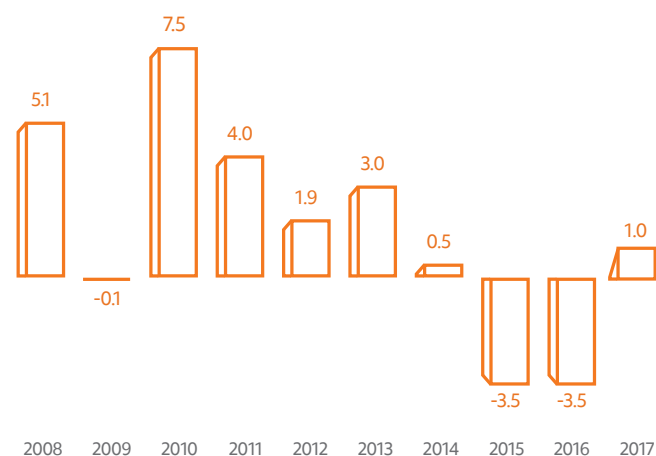
(6) Source: Banco Central de Reserva del Perú.

(7) Source: Banco Central de Uruguay.

Brazilian context

As a Brazilian bank with most of our operations in Brazil, we are significantly affected by the economic, political and social conditions in the country. From 2004 to 2013, we benefited from Brazil's generally stable economic environment, with average annual GDP growth of approximately 4.0% during that period, which led to increased bank lending and deposits. The following years were less favorable, as GDP growth slowed to 0.5% in 2014 then decreased by 3.5% in both 2015 and 2016. The Brazilian economy showed signs of a recovery in 2017, as GDP rose 1.0%.

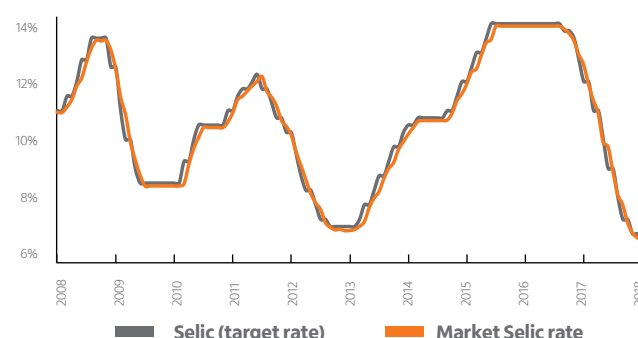
GDP growth (%)



Source: IBGE.

Selic

(nominal interest rate)



Source: Itaú Unibanco Holding and Central Bank.

Bank lending

(as % of GDP)



Source: Itaú Unibanco Holding and Central Bank.

The widespread decline in inflation, due to the high level of idle capacity in the Brazilian economy and anchored inflation expectations, created an opportunity for the Central Bank to start a monetary easing cycle. After reaching 14.25% per annum at the end of 2015, the Central Bank began to cut interest rates in October 2016. In March 2018, the SELIC rate reached 6.5%. Bank lending as a proportion of GDP decreased to 47.1% in December 2017 from 49.6% in December 2016.

Inflation reached 2.9% over the twelve months ending in December 2017, down from 6.3% in the calendar year 2016. Government-regulated prices (such as gasoline, health insurance, medicines, electricity, urban bus and others) increased by 8.0% over the twelve months ending in December 2017 (from 5.5% in the calendar year 2016), while market-set prices increased by 1.3% in the same period (from 6.6% in the calendar year 2016).



12-month IPCA inflation rate



Source: Itaú Unibanco Holding and IBGE.

The Brazilian primary public budget result has been in deficit since 2014. Cuts in discretionary spending and tax hikes proved insufficient to offset the drop in tax revenues and growth in mandatory expenditures. The twelve-month Brazilian primary public budget balance deficit was at 1.7% of GDP in 2017, after closing with deficits of 2.5% of GDP in 2016, 1.9% of GDP in 2015 and 0.6% of GDP in 2014. To tackle the structural fiscal imbalance, the Brazilian Congress approved a ceiling on government spending that will limit primary public expenditure growth to the prior year's inflation for a period of at least 10 years, representing a structural reform for the Brazilian economy. Social security reform and other reforms are essential to ensure that the spending ceiling remains feasible in the years ahead, but their approval by the Brazilian Congress is uncertain. These reforms are important steps towards returning to primary surpluses and stabilizing public debt in the medium-term.

In addition, Brazil has implemented a large number of regulatory changes, such as changes in reserve and capital requirements for financial institutions, as well as other macro-prudential policies. Please refer to the section "Our risk management, item Regulatory environment, Implementation of Basel III in Brazil" and to the section "Performance, item Required Reserve Deposits with the Central Bank", for further information.

Total outstanding loans provided by Brazilian financial institutions continued to decrease in year-over-year real terms in December 2017, by 3.3%, albeit to a lesser degree than in December 2016 (-9.2%). Total new loans remained

almost stable in 2017, when compared to 2016, on an annualized basis. The same comparison in the previous year showed a decrease of 15.7%. The rate of non-performing household loans decreased by 0.5 percentage points to 3.5% as of December 2017 when compared with the same month in 2016. The rate of non-performing loans to non-financial corporations reached 2.9% in December 2017, below the level observed in December 2016 (3.5%).

The Brazilian *real* slightly depreciated against the U.S. dollar, with the exchange rate reaching R\$3.31 per US\$1.00 as of December 29, 2017, compared to R\$3.26 per US\$1.00 as of December 30, 2016. Despite uncertainties surrounding adjustments and reforms, the international context has been more benign for risky assets, implying lower risk premiums.

Nominal exchange rate

(*Real*/US dollar)



Source: Itaú Unibanco Holding and Central Bank.

Brazil's current account deficit (comprised of the net balance from the trade of goods and services and international transfers) totaled 0.5% of GDP as of December 2017. Brazil has maintained its external solvency, with US\$382 billion in international reserves and US\$310 billion in external debt as of December 2017.

The table below shows real GDP growth, the inflation rate, exchange rate variation and interest rates in Brazil as of and for the twelve-month period ended December 31, 2017, 2016, 2015, 2014 and 2013, except as otherwise indicated.

	As of and for the Year Ended December 31,				
Real GDP growth	2017	2016	2015	2014	2013
Real GDP growth ⁽¹⁾	1.0	(3.5)	(3.5)	0.5	3.0
Inflation rate – IGP-DI ⁽²⁾	(0.4)	7.2	10.7	3.8	5.5
Inflation rate – IPCA ⁽³⁾	2.9	6.3	10.7	6.4	5.9
Exchange rate variation (R\$/US\$) ⁽⁴⁾	1.8	(17.8)	48.9	12.5	15.1
TR (reference interest rate) ⁽⁵⁾	0.00	1.98	2.07	1.01	0.53
CDI (interbank interest rate) ⁽⁶⁾	6.99	13.63	14.14	11.51	9.78
Selic (overnight interest rate) ⁽⁶⁾	7.00	13.65	14.15	11.58	9.90
Sovereign 5-year CDS ⁽⁷⁾	162.0	280.8	494.9	200.8	193.8

(1) Source: Instituto Brasileiro de Geografia e Estatística, or IBGE.

(2) Source: General Price Index – Internal Supply (Índice Geral de Preços – Disponibilidade Interna, or IGP-DI) published by the Fundação Getúlio Vargas.

(3) Source: Extended National Consumer Price Index (Índice de Preços ao Consumidor Amplo, or IPCA) published by IBGE.

(4) Source: Bloomberg (cumulative rates for the period); positive numbers mean depreciation of the Brazilian *real*.

(5) Source: Mortgage reference rate (*Taxa Referencial*, or TR) published by the Central Bank. Data presented in percentage per year.

(6) Source: Central Bank. Data presented in percentage per year.

(7) Source: Bloomberg (period-end). Sovereign credit default swaps or CDS is a measure of country risk (and is measured using basis points).

Context A-6



Our profile



Our governance



Our risk management



Performance



Sustainability



Attachments





Message from the Co-chairmen of the Board of Directors

Dear Reader,

The year of 2017 was defined by significant changes in Brazil and Itaú Unibanco.

We have detected signs pointing out the commencement of the recovery from the greatest economic crisis in Brazil in the last 100 years, with GDP growing 1% after three years of recession in a low inflation and lower interest rates scenario. We believe that Brazil is ready to overcome these economic and political crises, and to create jobs and grow at sustainable levels again.

This change in the economic scenario was evidenced in our operations, with the last quarter of 2017 defined by the growth of our loans portfolio to individuals and very small, small and middle-market companies. Customer default rates have declined and, in this lower risk scenario, our cost of credit⁽¹⁾ was down by 29.6% compared to 2016. Together with other significant achievements, such as the control of operating costs, this fact has enabled us to post recurring net income of R\$23.9 billion⁽²⁾, up 2.6% from the previous year. We kept the recurring return on equity going at a high level, recording 20.1% in 2017.

These results were achieved in the first year we had Mr. Candido Bracher acting as our CEO. The beginning of his term of office also stood out by the advancements in our strategic agenda, based on six fronts of action widely disclosed to the market, as follows: (i) Customer Centricity, (ii) Digital Transformation, (iii) People Management, (iv) Risk Management, (v) Internationalization, and (vi) Sustainable Profitability. We believe the first three fronts of action are in need of deep changes in the organization over the coming years, whereas the last three are in the ongoing improvement side. Worth mentioning is the fact that Corporate Governance and Sustainability have permeated all these efforts.

We strongly believe that our goals will not be reached unless we address people management, since it is the foundation for a great power of transformation, as people are what makes us advance, ensure sustainable results and make our capacity to create value to society and Brazil come into being. Therefore, we face the challenge of becoming increasingly attractive

to all generations and engaging, developing and retaining talents. That is why we have consistently invested in the disclosure of our goals and of what we call Our Way, that is, a strong culture based on cooperation, ethics and the utmost and unrelenting respect.

In 2017, the Board of Directors has made important decisions, as it defined strategic guidelines for Itaú Unibanco, of which we highlight the ones concerning risk appetite. We also defined a new payout practice, according to which the target is to keep our CET1⁽³⁾ ratio at 13.5%, and distribute the entire remaining amount. Accordingly, based on the growth of our risk-weighted assets and return on equity, we paid out the equivalent to 83% of our recurring net income⁽⁴⁾ in 2017, including own shares buybacks carried out, a record-breaking amount in our history. This payout was made possible because we issued for the first time perpetual securities that will make up our Common Equity Tier 1, thus reducing our cost of capital and favoring the creation of value to stockholders.

We continue to make headway in our corporate governance practices by adjusting them to a new business scenario. On that account, in 2017 we set up the Digital Advisory Board, which has now a major role in proposing technology development, assessing client experience, and allowing us to keep up with the world trends. Ms. Ana Lúcia de Mattos Barretto Villela will become a member of the Board of Directors, bringing about a new viewpoint into our management, and also evidencing our commitment to ensure diversity in the organization even more.

We would like to extend our invitation to read this Consolidated Annual Report. We highlight sections Our governance and Our risk management, which were redesigned from the last editions and now introduce information organized in a more objectively and easier to understand way.

Best regards,

Roberto Setubal
Pedro Moreira Salles
 Co-chairmen of the Board of Directors

(1) In accordance with the rules established by the Central Bank of Brazil – BRGAAP.

(2) Net income attributable to Owners of the parent company under IFRS.

(3) Common Equity Tier I.

(4) Payout considers recurring net income calculated in accordance with the rules established by the Central Bank of Brazil – BRGAAP.





Message from the Executive President & CEO GRI 102-14

Dear Reader,

2017 was defined by the start of Brazil's economic recovery. We witnessed the fall of inflation and interest rates, in addition to GDP resuming growth, even though at a modest pace. These developments have broken off a long-lasting period of recession, which had significant effects on our loan portfolio over 2015 and 2016.

On the other hand, local markets were also subject to accentuated volatility levels, driven by the political instability and uncertainties in connection with the approval of the reforms so needed in Brazil.

Under this scenario, our revenues were impacted by falling interest rates and a somewhat slight recovery of demand. This fact was more than made up for by a welcomed reduction in default levels and our maintaining strict control over the volume of expenses. The resulting bottom line was a net income of R\$23.9 billion⁽¹⁾, up 2.6% compared to 2016.

I would like to draw your attention to the impact created by the bank through the value added⁽²⁾ to the economy, which totaled R\$67.2 billion in 2017. This amount was shared out among the many segments of society, by way of the compensation granted to our employees, the payment of taxes and rents, the reinvestment of profits in our activities, and the return on investment to our over 120,000 stockholders. The impact created by this value added makes our purpose, which is encouraging the power of transformation of people, come into being.

It is worth mentioning that our performance in 2017 is the result of strategic decisions we had made in 2012. We decided then to focus on three major fronts of action – services and insurance, credit, and treasury – to reduce the volatility of our results by increasingly diversifying our revenues.

Like in 2012, last year we made decisions that helped the good performance in 2017, although these are expected to bring about more significant effects in the medium term. After deeply and collectively reflecting on our key strategic challenges, we set off a process to structure our priority fronts of action, which is aimed at providing more consistency and quality to our results in the coming years. These new fronts of action were divided into two major groups: Transformation and Ongoing Improvement.

Fronts of action Customer Centricity, Digital Transformation, and People Management are part of the first group. We want to devise a service culture focused on what clients need and have them indeed at the center of our decisions. We believe we should do that under our digital transformation scenario, which will enable us to offer clients better experiences and continuously improve our processes. All of this will fit within a highly cooperative work dynamics, which will change dramatically our employees' experience in their day-to-day.

We find the other three strategic fronts of action in the Ongoing Improvement group. With front of action Risk Management, we will be able to identify threats and work to prevent them or change course expeditiously whenever needed. The major challenge of front of action Sustainable Profitability is to provide the bank with more sustainable results. At last, we have our Internationalization agenda, through which we will pursue profitability levels close to those of Brazil's and will also work towards synergies and learning experiences made possible by cultural and operational exchanges.

These priority fronts of action will enable Itaú Unibanco to continue growing at a sustainable level in this and the coming years, and over time build up a bank increasingly better to our clients, employees and stockholders and, as a result, to society itself. You will find further details on our priority fronts of action in section "Business Strategy".

I thank you for your trust and support we had over 2017 and wish you all a memorable 2018.

I wish you all a pleasant reading!

Best regards,

Candido Bracher
Executive President & CEO

(1) Net income attributable to owners of the parent company under IFRS.

(2) Includes recurring net income and the reclassification of tax effects of hedging foreign investments to the financial margin under BRGAAP.



Context of Itaú

Unibanco Holding

A bank with a purpose

In 2017, we unveiled Itaú Unibanco's purpose to our employees and highlighted the values that are part of our essence and have brought us here.

In our 93 years of history, we have become the largest bank in Brazil⁽¹⁾, and are deemed Brazil's most valued brand by publications such as Interbrand, among other relevant recognitions. These achievements are the result of the way we conduct business, by always placing ethics ahead of results and consistently seeking innovation and excellence.

We have grown by helping people and our country to grow, by encouraging the progress of those who are by our side. We work to make dreams come true, to boost development, and to awaken the will to do increasingly more and to do it better. This is what our journey means and this is our purpose: empowering people to change.

There are people behind everything we do. People who have ideas, who become the solutions, and who change the lives of other people. Unveiling Itaú Unibanco's purpose is part of the reaffirmation of our reason to exist, by increasing the power every person has to invent and reinvent themselves. For this end, we need to have the engagement of all employees towards the same pathway.

In line with this purpose, the arrival of Itaú Unibanco's new Executive President was marked by this purpose being integrated into the organization, which led to the development of the six strategic priorities that will guide our actions in the coming years: Client Centricity, Digital Transformation, People Management, Risk Management, Sustainable Profitability, and Internationalization.

These priorities were developed based on the perception shared by the Executive Committee of market trends and the challenges faced by the institution, as they organize initiatives that have been in progress throughout the bank already, reinforcing our commitment to employees, clients, stockholders and society.

Itaú Unibanco's purpose was not born in 2017, but rather has always existed within all people who were part of this organization and within those who now keep this legacy alive. We are people who move people.

Context of this report

This consolidated annual report unifies the content of our major annually released reports, such as Form 20-F, the annual report, and the Offering Memorandum for the Medium-Term Note Program (MTN Program). The consolidated annual report on Form 20-F, filed with the U.S. Securities and Exchange Commission (SEC), has served as the basis for the content of this report.

The consolidated annual report describes our strategy, structure, activities and operations, using plain and straightforward language to be clear to all audiences who may consult this consolidated annual report.

The information presented is aligned with Pronouncement 13 of the Market Information Disclosure Steering Committee (*Comitê de Orientação para Divulgação de Informações ao Mercado – CODIM*), a Brazilian joint initiative of entities representing the capital markets, and focused on improving transparency and information reporting in the Brazilian capital markets.

This consolidated annual report contains data from January 1, 2017 to December 31, 2017, except when otherwise indicated presenting our corporate and business structure, governance and financial performance, among other matters. It also includes information on all entities subject to the significant influence or control of Itaú Unibanco Holding. Any potential changes or impacts on the data collected as a result of certain transactions, the acquisition or sale of assets, or any important change for the business are indicated throughout this report. The consolidated annual report is divided into the following sections: (i) Context; (ii) Our profile; (iii) Our governance; (iv) Our risk management; (v) Performance; (vi) Sustainability; and (vi) Attachments. [GRI 102-1](#) | [GRI 102-49](#) | [GRI 102-50](#) | [GRI 102-52](#)

The audit of our financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), has been conducted by PricewaterhouseCoopers Auditores Independentes (PwC).

(1) In terms of total assets, according to Central Bank.



Documents on display

We are subject to informational requirements under the U.S. Securities Exchange Act of 1934, as amended, for foreign private issuers. Accordingly, we are required to file reports and other information with SEC, including consolidated annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with SEC at the public reference facilities maintained by SEC at 100 F Street, N.W., Washington D.C. 20549. Copies of the materials may be obtained by mail from the Public Reference Room of SEC at 100 F Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an internet website at www.sec.gov, from which you can electronically access those materials, including this consolidated annual report and the accompanying exhibits. We also file financial statements and other periodic reports with CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, Rio de Janeiro 20050-901, Brazil. The CVM maintains an internet website at www.cvm.gov.br.

Copies of our consolidated annual report on Form 20-F will be available for inspection upon request to the Investor Relations department at our office at Praça Alfredo Egydio de Souza Aranha 100, Torre Conceição, 9º andar – São Paulo – SP – 04344-902 – Brazil.

Investors may receive a hard copy of this consolidated annual report, including our complete audited financial statements for the last fiscal year, free of charge, by requesting a copy from our Investor Relations department, by email, at investor.relations@itau-unibanco.com.br, indicating their contact information and their complete mailing address. Comments and suggestions regarding this report may be sent to the same email. **GRI 102-53**

Business strategy

Medium and long-term strategic agenda

With medium to long-term prospects, our six strategic priorities have guided our management. Our activity was organized into various fronts, with responsibilities separated by working groups involving various organizational levels, with clear purposes to be achieved and indicators selected for monitoring this process. We have already achieved some results and expect to add even more value to society and our stockholders in the coming years.

We segregated our six strategic priorities into two groups: Transformation and Continuous Improvement.

In the first group, we included the priorities that we believe we need to truly transform within the organization: Client Centricity, Digital Transformation and People Management.

In the Continuous Improvement group, we included Risk Management, Internationalization and Sustainable Profitability. They are priorities already broadly embraced by the organization, but which require further effort for their continuous improvement.

Permeating all those challenges are our corporate governance and sustainability.

Corporate governance plays a vital role in ensuring stakeholders' interests and is a key to achieving long-term sustainable growth. It is embedded not only in the challenges described here, but also in each part of our daily business activities, from remuneration practices to risk management.

Sustainability needs to be fully integrated within our business, from the operational to the commercial aspects, making environmental and social issues part of our everyday activities. Its variables need to be incorporated and measured into each of our diverse processes, such as granting credit, investments, insurance activities, contracting with suppliers and wealth management.

Our priority topics are detailed below.

Transformation **GRI 103-2** | **GRI 103-3 Efficiency** Client centricity

Our vision is to be the leading bank in sustainable performance and customer satisfaction. Today, clients play a leading role and are therefore at the core of our organizational culture. In the current market environment, businesses have stood out when they offer new and differentiated experiences to clients. Therefore, our actions, including digital transformation and efforts aimed at people management, are directed towards client satisfaction, a key measure for the entire organization. We have established indicators to monitor client satisfaction on a timely and ongoing basis, which are directly related to incentives provided to our employees.

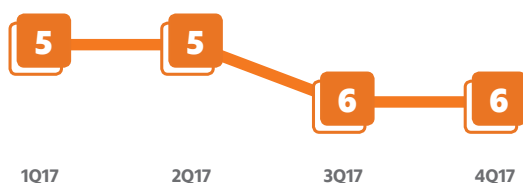
We will build a culture focused on client satisfaction and long-term relationships. Thus, our efforts will be directed to communicate, encourage and capacitate our employees around the pillars of this culture.

Client satisfaction opinion surveys and our monitoring of data with respect to complaints evidence that we stand above the market average. We believe however that we can do more and, to this end, we are adopting the Net Promoter Score (NPS), which will be used in every stage of our processes.





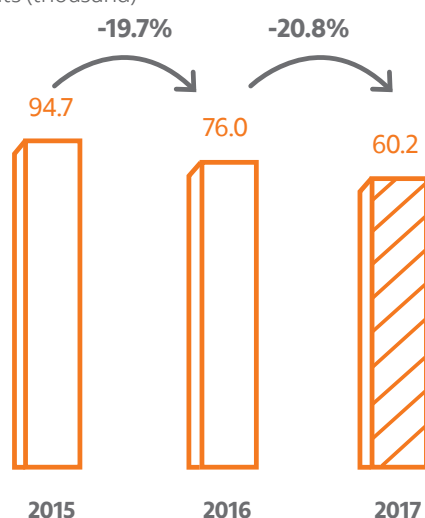
Accepted Complaints | Historical ranking



Source: Central Bank.

Procon |

Complaints (thousand)



Source: Consumer Protection Bureau (Procon).

Our goal is to build a bank with the client and for the client. We are even more dedicated to listening to what clients have to say so that we may identify the attributes they value the most in their relationships and develop products and services that exceed their expectations. Accordingly, we work to improve the client's experience, by evolving and eliminating red tape in our processes.

Some of the initiatives to improve client satisfaction are as follows:

- App Light, winner of the Financial World Innovation Awards. Launched in 2017, this app was developed jointly with our clients. It takes up less memory on smartphones and is easier to navigate than the traditional app. App Light has reached over 500,000 users, with 90% of user loyalty.
- In March 2017, we launched the Personalidade Investimento 360 platform, increasing convenience for our clients, since it provides a comprehensive range of investment products offered by Itaú and other financial institutions through Itaú Corretora. This initiative also provides a specialized advisory service, which takes into account our clients' needs in the short, medium and long term, offering more agility to investors by monitoring their financial transactions and returns as a whole on a single place.

• Seeking to ensure the balance of multiple channels journey in the internet, we have modernized the technology platform and reviewed the browsing and purchasing experiences, making it more user-friendly. We have also improved the payment and receipt services of the Companies segment, making Itaú the best internet banking experience for companies in Brazil for the third consecutive year.

• Readers of Euromoney magazine, voted us the Best Bank in Cash Management in Brazil for the 10th consecutive year.

Digital transformation

Our challenge is to speed up our digital transformation process continually increasing the productivity of the IT department and to foster a digital mindset throughout the bank, so as to gain efficiency and improve user experience and client satisfaction.

Technology today epitomizes the backbone of Itaú Unibanco's evolution.

Some of the rewards of this digital transformation include: (i) developing over 1,000 APIs (application programming interfaces) that allow the creation of reusable apps; (ii) being involved in 100% of blockchain applications in progress in Brazil to advance the financial market; (iii) consolidating a private cloud, which already runs dozens of the bank's applications (internal systems); and (iv) using artificial intelligence and machine learning to gain operational efficiency. The rewards of this digital transformation come into being through a seamless integration of three essential elements.

The first element is people with digital expertise. These are experts in design, user experience, data sciences, digital media, Web analytics and cyber security, who add to our professionals coming from traditional backgrounds (engineering, administration, economics and accounting). This evolution has taken place at an exponential rate within the organization. In the last two years, the presence of professionals with digital profiles in Itaú Unibanco increased 13 fold.

The second element is a technology-business symbiosis, since we recognize that the technology department is essential for the creation of transformational solutions. It is therefore possible to take advantage of the exponential evolution of technologies, accelerating the frequency of innovations and disruptions, and promoting shorter cycles of value deliveries (weeks, even days).

This integration of efforts is already a reality at our bank. At the end of 2017 we completed the second phase of strengthening technical expertise (technology architecture, distribution engineering, banking and data systems, system development, among others) and integrating teams (over 5,000 employees engaged in the process) by creating delivery communities and multidisciplinary teams that work collaboratively based on Lean⁽¹⁾ and Agile⁽²⁾ principles to rise to business challenges. Notable for providing quick

(1) Lean: Process structure in which an attempt is made to minimize risks and waste while maximizing value to the client.

(2) Agile: A philosophy focused on the time it takes to build a product step by step, delivering it through smaller parts.



decisions share among people with different expertise and autonomy, this new working model is responsible for generating increasingly sustainable results, as follows:

- Time to Market (shorter delivery cycles): 22% faster in average project delivery time; and
- Quality (quicker, streamlined and automatized testing and approval): unavailability ratio down 31%⁽¹⁾ and 25% fewer incidents.

The last element is client centricity, also construed as a new bank concept. Today we live in an era of experiences, where companies and clients create solutions together. Therefore, our bank performance has been driven by placing the customer at the heart of our strategy. To this end, we seek to understand everything the client says, analyzing, for instance, hundreds of thousands of pieces of feedback received in social networks or provided by our beta testers (technologically engaged clients who test new versions of the bank apps). We also make use of technology (such as big data, machine learning and cloud computing) for operational efficiency, such as an application of artificial intelligence in our credit models, and to understand the client's behavior in all points of contact with the bank. This is because these interactions are important inputs for creating products and services more connected to the clients' actual needs.

The following are some of our 2017 highlights:

- Itaú Light app: lighter and with low data consumption, this app offers intuitive and easy browsing;
- Itaú Abreconta app (opening accounts): over 190,000 accounts opened through the app, allowing a 100% online opening account experience via mobile devices, without the need to go to a branch;
- Mobile evolution: apps with new design and easy browsing for Itaú and Itaú Empresas. In May 2017, Itaú App was named the best app by the newspaper Folha de São Paulo and was the "must have" app at the Apple Store; and
- Digital branches: we offer differentiated business hours service for Personalité and Uniclass clients. At the end of 2017, we had 160 digital branches, of which 25 opened in 2017.

People management

At Itaú Unibanco we have always had a strong belief that people have the greatest transformative power. People foster our progress, ensure sustainable results and drive our capacity of generating value to society and the country.

We are challenged to become even more attractive to all generations and engage and develop our talents. For this end, we consistently invest in spreading our purpose and the so called "Our Way" – a strong culture, based on collaboration, meritocracy, ethics and total and unrestricted respect to individuals.

Considering that the bank is comprised of human capital, providing the best experience to our employees so as to promote their development is essential. With this in mind, the priority people frontline is reviewing incentive models and encouraging people's autonomy and mobility in order to make them increasingly feel as if they are owners of the business and their own careers.

Accordingly, in line with all the transformations happening in the world, the priority of people frontline also seeks inspiration in the most innovative practices currently used and is focused on constructing an organization that increasingly promotes diversity and inclusion.

Continuous improvement

Risk management

Managing risks is the essence of our activity and a responsibility of all of our employees. Our management activities include proactively taking actions to be in compliance the Risk Appetite guidelines set out by our Board of Directors. Additionally, we will focus on addressing our priorities for 2018 – Business, Technology, People and Regulatory risks.

With respect to Risk Appetite, our challenge is to monitor the progress of traditional risk areas (market risk, credit risk and operational risk), and seek, through risk culture tools, to engage all employees in the risk management day-to-day and, consequently, to comply with our Risk Appetite.

Regarding Business Risk, client centricity focus is a principle of ours, prioritizing the sustainability of our relationships. We monitor the evolving profile of our clients and competition and create new products and services focused on client satisfaction.

To address the challenges with respect to Technology Risk, we are committed to managing our the digital transformation process, preventing platforms or systems from becoming obsolete and failing to meet the business needs, in addition to increasing the productivity of our IT department.

Concerning People Risk, we are committed to improving mechanisms to attract, motivate and retain the best professionals, in addition to preventing teams with knowledge concentrated on key personnel. We seek to continuously improve our evaluation models to be increasingly perceived as fair and meritocratic.

Concerning the Regulatory Risk, we understand that we should always be attentive to specific changes in laws and regulations that may affect our business and the products or services that we offer. Therefore, we are committed to having a proactive attitude and monitoring regulatory changes.

(1) Refers to the second half of 2017 over the same period of the previous year.



Sustainable profitability

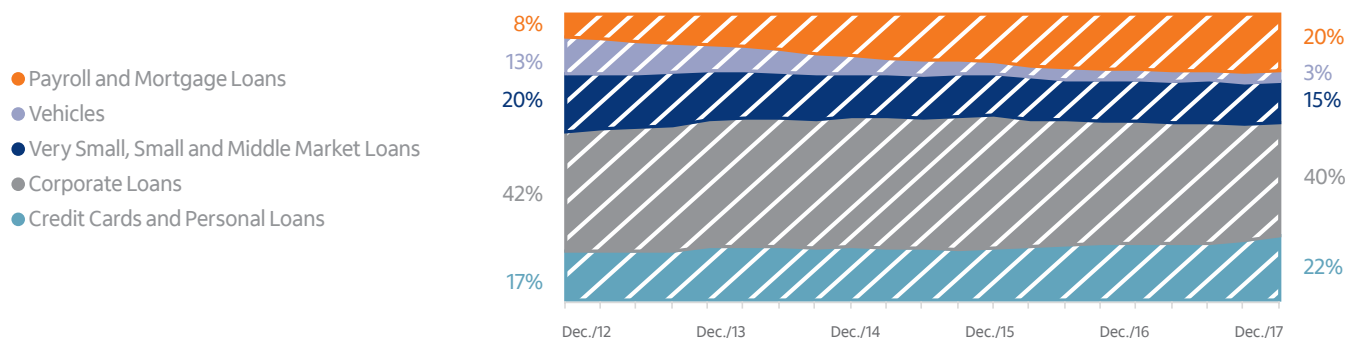
Our challenge is to continuously improve the efficiency of our operations, maintain our capacity of identifying opportunities to reduce costs and manage investments to gain agility, as well as to efficiently manage capital allocation and our cost of capital.

Adopted since 2012, our business model is based on the fundamental concept of value creation, which includes not only our operating or financial expenses, but also the cost of capital allocated to each activity, in order to obtain fair returns.

This vision with respect to results guides our operations towards business that effectively creates value for stockholders, establishing a minimum return required for our operations.

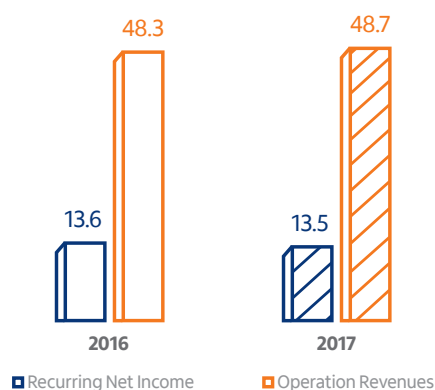
Under this model, we have reviewed the mix of our loan portfolio, which, in a context of economic crisis, has increased the share of our portfolio made up of lower-risk products, such as mortgage loans, which involve the pledge of collateral, and payroll loans where installments are deducted from payroll and concentrated on clients with stable incomes, such as retirees and federal public officers.

We detail below the change in the composition of our loan portfolio by segment⁽¹⁾ in Brazil:



We also give priority to our Services and Insurance, Pension Plan and Premium Bonds, which require less capital allocation and results and value creation of which are less volatile in relation to economic cycles. In addition, our business strategy for this operation is to focus on mass-market products, traditionally sold through our network of branches and digital channels. Accordingly, operations such as life group, large risks and extended warranty insurance lines were either sold or discontinued over last years. Even in this context, we have increased the operating revenues⁽²⁾ from insurance, pension plan and premium bonds and services.

Services and Insurance, Pension Plan and Premium Bonds Recurring Net Income and Operating Revenues (R\$ billion)



In view of the growth, even if moderate, of Brazil's GDP during 2017, and together with the tools developed by our efforts towards risk management, our business model will enable us to identify granular opportunities to diversify and expand operations to meet the need to create value for our stockholders within the limits established by our risk appetite.

Focus on efficiency is a very significant topic in our Sustainable Profitability strategy and has been addressed as a top priority by the bank for some years. We have developed some initiatives, from reducing the waste of resources and energy and reviewing department structures to designing projects to increasing productivity and the digital transformation, and therefore we expect to increase gains of scale and ensure business synergy.

The digital transformation process we are going through has given rise to a numbers of gains, since we are able to redesign processes and offer quality products at a lower cost.

Internationalization

We have operated in Brazil for over 90 years and, throughout this period, have achieved a high level of maturity in management, have made our culture known and have consistently recorded profitability levels that create value for our stockholders.

Our strategy in other Latin America countries foresees that we will achieve, in this region, the same management standards Itaú Unibanco enjoys in Brazil, homogenizing practices and setting up conditions to take on even more leading positions. These objectives apply to our operations in the Southern Cone, and are particularly relevant in the Itaú CorpBanca integration process a result from the merger between Itaú Chile and CorpBanca (a significant competitor in the banking markets in Chile and Colombia).

(1) Includes financial guarantees provided.

(2) Operating Revenues are the sum of Managerial Financial Margin, Commissions and Fees, Other Operating Income and Result from Insurance, Pension Plan and Premium Bonds Operations before Retained Claims and Selling Expenses.

We also seek to strengthen our operations in the Northern hemisphere, where we have the primary objective of simplifying and optimizing our operations. In Latin America, we always seek to improve client satisfaction, as well as develop products and services with digital solutions and bases. The main challenge is to accelerate the digital transformation in all our external units.

Finally, Itaú Unibanco continuously monitors the international scenario, seeking to understand different markets, businesses, products and services, identifying opportunities to expand operations and to integrate our units.

Reading this report

In this report, the terms:

- **“Itaú Unibanco Holding”, “Itaú Unibanco Group”, “we”, “us” or “our”** refer to Itaú Unibanco Holding S.A. and all its consolidated subsidiaries and affiliates, except where specified or differently required by the context;
- **“Itaú Unibanco”** refers to Itaú Unibanco S.A., together with its consolidated subsidiaries, except where specified or differently required by the context; **GRI 102-45**
- **“Itaú BBA”** refers to Banco Itaú BBA S.A., with its consolidated subsidiaries, except where specified or differently required by the context;
- **“Brazil”** refers to the Federative Republic of Brazil;
- **“Brazilian government”** refers to the federal government of the Federative Republic of Brazil;
- **“Central Bank”** means the Central Bank of Brazil;
- **“CMN”** means the National Monetary Council;
- **“CVM”** means the Securities and Exchange Commission of Brazil;
- **“Preferred shares”** and **“common shares”** refer to authorized and outstanding preferred and common shares with no par value;
- **“ADSs”** refer to our American Depositary Shares (1 [one] ADS represents 1 [one] preferred share);
- **“R\$”, “reais” or “Brazilian real”** mean *real*, the Brazilian official currency; and
- **“US\$”, “dollars” or “U.S. dollars”** mean United States dollars.

Additionally, acronyms used repeatedly, technical terms and specific market expressions in this consolidated annual report are explained or detailed in section Attachments, item Glossary, as are the full names of our main subsidiaries and other entities referenced in this consolidated annual report.

The reference date for the quantitative information for balances found in this consolidated annual report is as of December 31, 2017 and the reference date for results is the year ended December 31, 2017, except where otherwise indicated.

Our fiscal year ends on December 31 and, in this consolidated annual report, any reference to any specific fiscal year is to the 12-month period ended on December 31 of that year.

The information found in this consolidated annual report is accurate only as of the date of such information or as of the date of this consolidated annual report, as applicable. Our activities, the situation of our finances and assets, the results of transactions and our prospects may have changed since that date.

This document contains information, including statistical data, about certain markets and our competitive position. Except as otherwise indicated, this information is taken or derived from external sources. We indicate the name of the external source in each case where industry data is presented in this consolidated annual report. We cannot guarantee the accuracy of information taken from external sources, or that, in respect of internal estimates, a third party using different methods would obtain the same estimates as the estimates we present in this report.

Information contained in or accessible through the websites mentioned in this consolidated annual report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.

Forward-looking information

This consolidated annual report contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other risks:

- General economic, political, and business conditions in Brazil and variations in inflation indexes, interest rates, foreign exchange rates, and the performance of financial markets;
- General economic and political conditions, in particular in the countries where we operate;
- Government regulations and tax laws and amendments to such regulations and laws;
- Developments in high-profile investigations currently in progress and their impact on customers or on our tax exposures;



- Disruptions and volatility in the global financial markets;
- Increases in compulsory deposits and reserve requirements;
- Regulation and liquidation of our business on a consolidated basis;
- Obstacles for holders of our shares and ADSs to receive dividends;
- Failure or hacking of our security and operational infrastructure or systems;
- Strengthening of competition and industry consolidation;
- Changes in our loan portfolio and changes in the value of our securities and derivatives;
- Losses associated with counterparty exposure;
- Our exposure to the Brazilian public debt;
- Incorrect pricing methodologies for insurance, pension plan and premium bond products and inadequate reserves;
- The effectiveness of our risk management policy;
- Damage to our reputation;
- The capacity of our controlling stockholder to conduct our business;
- Difficulties during the integration of acquired or merged businesses;
- Effects from socio-environmental issues; and
- Other risk factors listed in section Our risk management, item Risk factors.

The words “believe”, “may”, “will”, “estimate”, “continue”, “anticipate”, “intend”, “expect” and similar words are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this consolidated annual report might not occur. Our actual results and performance could differ substantially from those anticipated in such forward-looking statements.

About our financial information

Our complete financial statements, included elsewhere in this consolidated annual report, are prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the IASB. Unless otherwise stated all consolidated financial information related to the years 2017, 2016, 2015, 2014, and 2013 included in this report was prepared in accordance with IFRS.

We use accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (“Brazilian GAAP”) for our reports to Brazilian stockholders, filings with the CVM, and calculation of payments of dividends and tax liabilities.

The CMN establishes that financial institutions meeting certain criteria, such as Itaú Unibanco Holding, are required to present complete financial statements in accordance with IFRS as issued by IASB, in addition to financial statements under Brazilian GAAP.

Please refer to section Performance, item Complete Financial Statements in IFRS, Note 34 – Segment Information for further details about the main differences between our management reporting systems and the complete financial statements prepared according to IFRS.

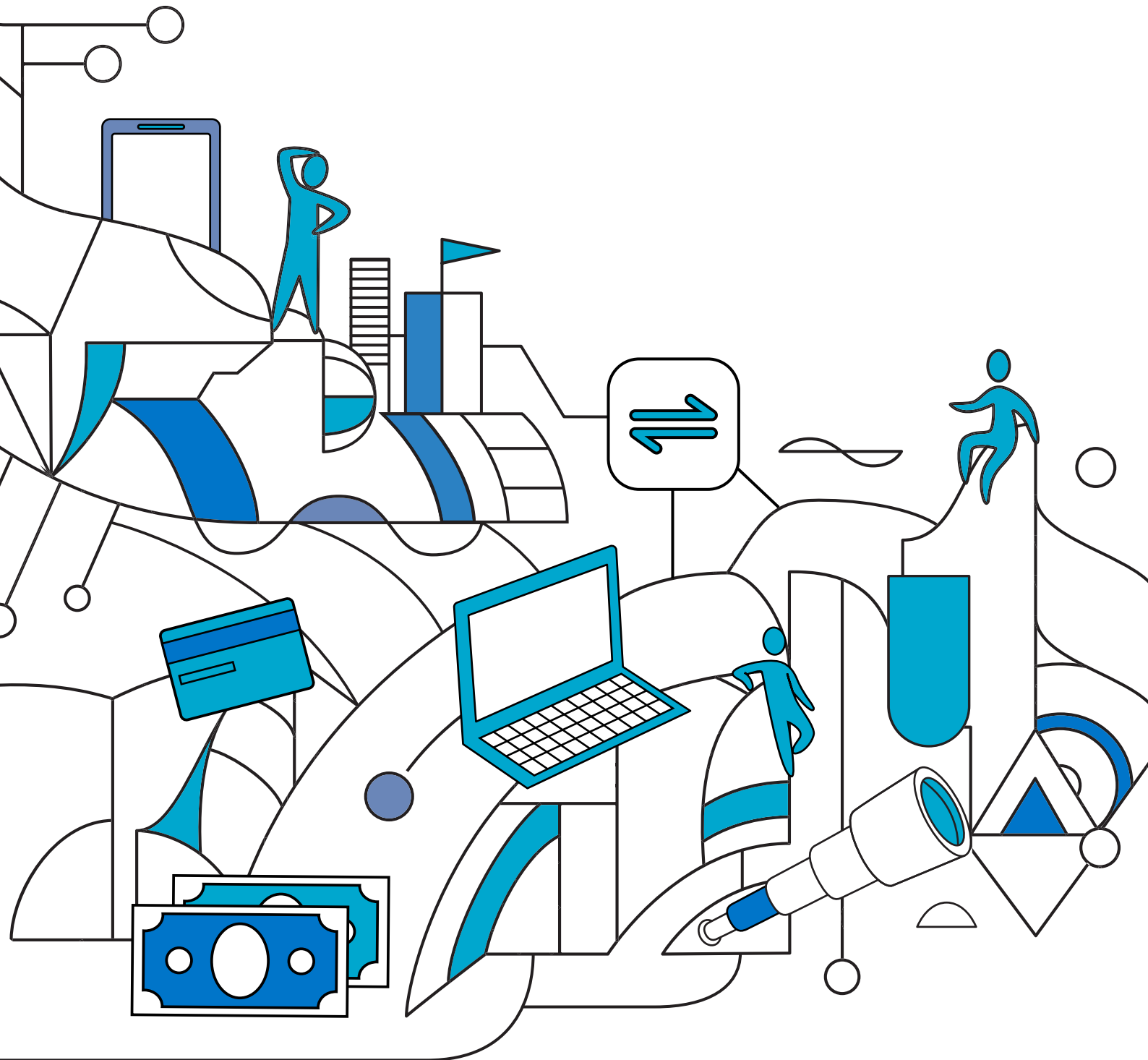
Our complete financial statements as of December 31, 2017, 2016 and 2015 were audited by PricewaterhouseCoopers Auditores Independentes, an independent auditors, as stated in its report in section Performance, item Financial Performance in this report.

Please refer to section Performance, item Complete Financial Statements in IFRS, Note 2 – Significant Accounting Policies for further details about the significant accounting policies applied in the preparation of our complete financial statements according to IFRS.



2 Our profile

Our culture and values direct us to adopt ethical, meritocratic and transparent attitudes through our operation. Read about our history, business and competitive advantages. [GRI 102-7](#)





In numbers

Selected financial data – IFRS

The following selected financial data must be read in conjunction with section Performance item Results and Complete Financial Statements in IFRS included in this consolidated annual report.

The data presented in the tables below have been derived from our complete financial statements for the years presented, which have been prepared in accordance with IFRS as issued by IASB, unless otherwise indicated.

(In millions of R\$, except percentages)

Assets	As of December 31,						Variation						
	2017	2016	2015	2014	2013	2017-2016	%	2016-2015	%	2015-2014	%	2014-2013	%
Cash and deposits on demand	18,749	18,542	18,544	17,527	16,576	207	1.1	(2)	(0.0)	1,017	5.8	951	5.7
Central Bank compulsory deposits	98,837	85,700	66,556	63,106	77,010	13,137	15.3	19,144	28.8	3,450	5.5	(13,904)	(18.1)
Interbank deposits	29,053	22,692	30,525	23,081	25,660	6,361	28.0	(7,833)	(25.7)	7,444	32.3	(2,579)	(10.1)
Securities purchased under agreements to resell	244,707	265,051	254,404	208,918	138,455	(20,344)	(7.7)	10,647	4.2	45,486	21.8	70,463	50.9
Financial assets held for trading	270,121	204,648	164,311	132,944	148,860	65,473	32.0	40,337	24.5	31,367	23.6	(15,916)	(10.7)
Financial assets designated at fair value through profit or loss	1,746	1,191	642	733	371	555	46.6	549	85.5	(91)	(12.4)	362	97.6
Derivatives	22,843	24,231	26,755	14,156	11,366	(1,388)	(5.7)	(2,524)	(9.4)	12,599	89.0	2,790	24.5
Available-for-sale financial assets	102,284	88,277	86,045	78,360	96,626	14,007	15.9	2,232	2.6	7,685	9.8	(18,266)	(18.9)
Held-to-maturity financial assets	36,560	40,495	42,185	34,434	10,116	(3,935)	(9.7)	(1,690)	(4.0)	7,751	22.5	24,318	240.4
Loan operations and lease operations portfolio, net	465,472	463,394	447,404	430,039	389,467	2,078	0.4	15,990	3.6	17,365	4.0	40,572	10.4
Loan operations and lease operations portfolio	493,367	490,366	474,248	452,431	411,702	3,001	0.6	16,118	3.4	21,817	4.8	40,729	9.9
(-) Allowance for loan and lease losses	(27,895)	(26,972)	(26,844)	(22,392)	(22,235)	(923)	3.4	(128)	0.5	(4,452)	19.9	(157)	0.7
Other financial assets	59,568	53,917	53,506	53,649	47,592	5,651	10.5	411	0.8	(143)	(0.3)	6,057	12.7
Investments in associates and joint ventures	5,171	5,073	4,399	4,090	3,931	98	1.9	674	15.3	309	7.6	159	4.0
Goodwill	10,716	9,675	2,057	1,961	1,905	1,041	10.8	7,618	370.3	96	4.9	56	2.9
Fixed assets, net	7,359	8,042	8,541	8,711	6,564	(683)	(8.5)	(499)	(5.8)	(170)	(2.0)	2,147	32.7
Intangible assets, net	8,667	7,381	6,295	6,134	5,797	1,286	17.4	1,086	17.3	161	2.6	337	5.8
Tax assets	41,927	44,274	52,149	35,243	34,742	(2,347)	(5.3)	(7,875)	(15.1)	16,906	48.0	501	1.4
Assets held for sale	736	631	486	196	117	105	16.6	145	29.8	290	148.0	79	67.5
Other assets	10,453	10,027	11,611	13,921	12,142	426	4.2	(1,584)	(13.6)	(2,310)	(16.6)	1,779	14.7
Total assets	1,434,969	1,353,241	1,276,415	1,127,203	1,027,297	81,728	6.0	76,826	6.0	149,212	13.2	99,906	9.7
Average interest-earning assets⁽¹⁾	1,226,148	1,151,430	1,070,450	955,416	882,472	74,718	6.5	80,980	7.6	115,034	12.0	72,944	8.3
Average non-interest-earning assets⁽¹⁾	143,022	159,779	115,596	97,526	83,025	(16,757)	(10.5)	44,183	38.2	18,070	18.5	14,501	17.5
Average total assets⁽¹⁾	1,369,170	1,311,209	1,186,046	1,052,942	965,497	57,961	4.4	125,163	10.6	133,104	12.6	87,445	9.1

(1) The average balances are calculated on a monthly basis. Please refer to section Attachments – Selected Statistical Information, item Average Balance Sheet for further details.

Context

Our profile **A-17**

Our governance



Our risk management



Performance



Sustainability



Attachments





(In millions of R\$, except percentages)

Liabilities	As of December 31,											Variation	
	2017	2016	2015	2014	2013	2017-2016	%	2016-2015	%	2015-2014	%	2014-2013	%
Deposits	402,938	329,414	292,610	294,773	274,383	73,524	22.3	36,804	12.6	(2,163)	(0.7)	20,390	7.4
Securities sold under repurchase agreements	312,634	349,164	336,643	288,683	266,682	(36,530)	(10.5)	12,521	3.7	47,960	16.6	22,001	8.2
Financial liabilities held for trading	465	519	412	520	371	(54)	(10.4)	107	26.0	(108)	(20.8)	149	40.2
Derivatives	26,746	24,698	31,071	17,350	11,405	2,048	8.3	(6,373)	(20.5)	13,721	79.1	5,945	52.1
Interbank market debt	129,616	135,483	156,886	122,586	111,376	(5,867)	(4.3)	(21,403)	(13.6)	34,300	28.0	11,210	10.1
Institutional market debt	98,482	96,239	93,918	73,242	72,055	2,243	2.3	2,321	2.5	20,676	28.2	1,187	1.6
Other financial liabilities	77,613	71,832	68,715	71,492	61,274	5,781	8.0	3,117	4.5	(2,777)	(3.9)	10,218	16.7
Reserves for insurance and private pension	181,232	154,076	129,305	109,778	99,023	27,156	17.6	24,771	19.2	19,527	17.8	10,755	10.9
Liabilities for capitalization plans	3,301	3,147	3,044	3,010	3,032	154	4.9	103	3.4	34	1.1	(22)	(0.7)
Provisions	19,736	20,909	18,994	17,027	18,862	(1,173)	(5.6)	1,915	10.1	1,967	11.6	(1,835)	(9.7)
Tax liabilities	7,839	5,836	4,971	4,465	3,794	2,003	34.3	865	17.4	506	11.3	671	17.7
Other liabilities	26,361	27,110	25,787	23,660	20,848	(749)	(2.8)	1,323	5.1	2,127	9.0	2,812	13.5
Total liabilities	1,286,963	1,218,427	1,162,356	1,026,586	943,105	68,536	5.6	56,071	4.8	135,770	13.2	83,481	8.9
Capital	97,148	97,148	85,148	75,000	60,000	-	0.0	12,000	14.1	10,148	13.5	15,000	25.0
Treasury shares	(2,743)	(1,882)	(4,353)	(1,328)	(1,854)	(861)	45.7	2,471	(56.8)	(3,025)	227.8	526	(28.4)
Additional paid-in capital	1,930	1,785	1,733	1,508	984	145	8.1	52	3.0	225	14.9	524	53.3
Appropriated reserves	12,499	3,443	10,067	8,210	13,468	9,056	263.0	(6,624)	(65.8)	1,857	22.6	(5,258)	(39.0)
Unappropriated reserves	28,365	25,362	20,947	16,301	12,138	3,003	11.8	4,415	21.1	4,646	28.5	4,163	34.3
Cumulative other comprehensive income	(2,359)	(3,274)	(1,290)	(431)	(1,513)	915	(27.9)	(1,984)	153.8	(859)	199.3	1,082	(71.5)
Total stockholders' equity attributed to the owners of the parent company	134,840	122,582	112,252	99,260	83,223	12,258	10.0	10,330	9.2	12,992	13.1	16,037	19.3
Non-controlling interests	13,166	12,232	1,807	1,357	969	934	7.6	10,425	576.9	450	33.2	388	40.0
Total stockholders' equity	148,006	134,814	114,059	100,617	84,192	13,192	9.8	20,755	18.2	13,442	13.4	16,425	19.5
Total liabilities and stockholders' equity	1,434,969	1,353,241	1,276,415	1,127,203	1,027,297	81,728	6.0	76,826	6.0	149,212	13.2	99,906	9.7
Average interest-bearing liabilities ⁽¹⁾	1,016,569	969,461	875,904	793,069	738,535	47,108	4.9	93,557	10.7	82,835	10.4	54,534	7.4
Average non-interest-bearing liabilities ⁽¹⁾	212,633	214,024	203,376	169,247	148,215	(1,391)	(0.6)	10,648	5.2	34,129	20.2	21,032	14.2
Total average stockholders' equity ⁽¹⁾	127,590	117,844	105,034	90,626	78,747	9,746	8.3	12,810	12.2	14,408	15.9	11,879	15.1
Total average liabilities and stockholders' equity ⁽¹⁾	1,369,170	1,311,210	1,186,046	1,052,942	965,497	57,960	4.4	125,164	10.6	133,104	12.6	87,445	9.1

(1) The average balances are calculated on a monthly basis. Please refer to section Attachments – Selected Statistical Information, item Average Balance Sheet for further details.

Context



Our profile A-18



Our governance



Our risk management



Performance



Sustainability



Attachments





(In millions of R\$, except percentages)

Statement of income	For the Ended December 31,											Variation	
	2017	2016	2015	2014	2013	2017-2016	%	2016-2015	%	2015-2014	%	2014-2013	%
Banking product	111,050	118,661	92,011	91,657	79,387	(7,611)	(6.4)	26,650	29.0	354	0.4	12,270	15.5
Losses on loans and claims	(18,240)	(22,122)	(21,335)	(15,801)	(14,870)	3,882	(17.5)	(787)	3.7	(5,534)	35.0	(931)	6.3
Banking product net of losses on loans and claims	92,810	96,539	70,676	75,856	64,517	(3,729)	(3.9)	25,863	36.6	(5,180)	(6.8)	11,339	17.6
General and administrative expenses	(54,118)	(50,904)	(47,626)	(42,550)	(39,914)	(3,214)	6.3	(3,278)	6.9	(5,076)	11.9	(2,636)	6.6
Tax expenses	(7,029)	(7,971)	(5,405)	(5,063)	(4,341)	942	(11.8)	(2,566)	47.5	(342)	6.8	(722)	16.6
Share of profit or (loss) in associates and joint ventures	548	528	620	565	603	20	3.8	(92)	(14.8)	55	9.7	(38)	(6.3)
Current income tax and social contribution	(4,539)	(3,898)	(8,965)	(7,209)	(7,503)	(641)	16.4	5,067	(56.5)	(1,756)	24.4	294	(3.9)
Deferred income tax and social contribution	(3,404)	(10,712)	16,856	262	3,160	7,308	(68.2)	(27,568)	(163.6)	16,594	6,333.6	(2,898)	(91.7)
Net income	24,268	23,582	26,156	21,861	16,522	686	2.9	(2,574)	(9.8)	4,295	19.6	5,339	32.3
Net income attributable to owners of the parent company	23,903	23,263	25,740	21,555	16,424	640	2.8	(2,477)	(9.6)	4,185	19.4	5,131	31.2
Net income attributable to non-controlling interests	365	319	416	306	98	46	14.4	(97)	(23.3)	110	35.9	208	212.2



(In R\$, except number of shares)

Earnings and dividends per share	For the Year Ended December 31,				
	2017	2016	2015	2014	2013
Basic earnings per share ⁽¹⁾⁽²⁾					
Common	3.68	3.57	3.91	3.26	2.48
Preferred	3.68	3.57	3.91	3.26	2.48
Diluted earnings per share ⁽¹⁾⁽²⁾					
Common	3.65	3.54	3.89	3.24	2.47
Preferred	3.65	3.54	3.89	3.24	2.47
Dividends and interest on stockholders' equity per share ⁽³⁾					
Common	2.71	1.58	1.24	1.22	1.03
Preferred	2.71	1.58	1.24	1.22	1.03
Weighted average number of shares outstanding – basic ⁽¹⁾					
Common	3,347,889,957	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred	3,156,020,074	3,171,215,661	3,228,881,081	3,266,347,063	3,257,578,674
Weighted average number of shares outstanding – diluted ⁽¹⁾					
Common	3,347,889,957	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred	3,197,763,868	3,216,235,372	3,270,734,307	3,305,545,129	3,289,183,380

(1) Per share information relating to 2015, 2014, 2013 and 2012 have been retrospectively adjusted for the share bonus distribution which occurred in 2016, 2015, 2014 and 2013 as appropriate.

(2) Earnings per share have been computed following the "two class method" set forth by IAS 33 Earnings Per Share. Please refer to section Our Profile, item Our shares, Information for the Investor, Stockholders' Payment for further details of our two classes of stock. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 28 – Earnings per Share for further details of calculation of earnings per share.

(In US\$)

Earnings and dividends per share	For the Year Ended December 31,				
	2017	2016	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾
Dividends and interest on stockholders' equity per share ⁽²⁾⁽³⁾					
Common	0.82	0.48	0.32	0.46	0.44
Preferred	0.82	0.48	0.32	0.46	0.44

(1) Per share information relating to 2015, 2014, 2013 and 2012 have been retrospectively adjusted for the share bonus distribution which occurred in 2016, 2015, 2014 and 2013 as appropriate.

(2) Under Brazilian Corporate Law, we are allowed to pay interest on stockholders' equity as an alternative to paying dividends to our stockholders. Please refer to section Our Profile, item Our shares, Information for the Investor, Stockholders' Payment and section Our Risk Management, item Regulatory Environment for further details of interest on stockholders' equity.

(3) Converted into US\$ from reais at the selling rate established by the Central Bank at the end of the year in which dividends or interest on stockholders' equity were paid or declared, as the case may be.

Selected consolidated ratios

(%)

Liquidity and capital	As of the Year Ended December 31,				
	2017	2016	2015	2014	2013
Loans and leases as a percentage of total deposits ⁽¹⁾	122.4	148.9	162.1	153.5	150.0
Total stockholders' equity as a percentage of total assets ⁽²⁾	10.3	10.0	8.9	8.9	8.2

(1) Loans and leases operations as of year-end divided by total deposits as of year-end.

(2) Total stockholders' equity as of year-end divided by total assets as of year-end.

2017 highlights GRI 102-10 | GRI 102-49

Corporate events

New Executive President

In April 2017, Candido Botelho Bracher took over as the new Executive President of Itaú Unibanco, succeeding Roberto Egydio Setubal. After 23 years leading the Company, Mr. Setubal has reached the age limit and is now a co-chairman of the Board of Directors. We thank Mr. Setubal for all his dedication and contributions made to this organization, which experienced a period of significant growth, increasing, for instance, its annual recurring net income 69 fold.

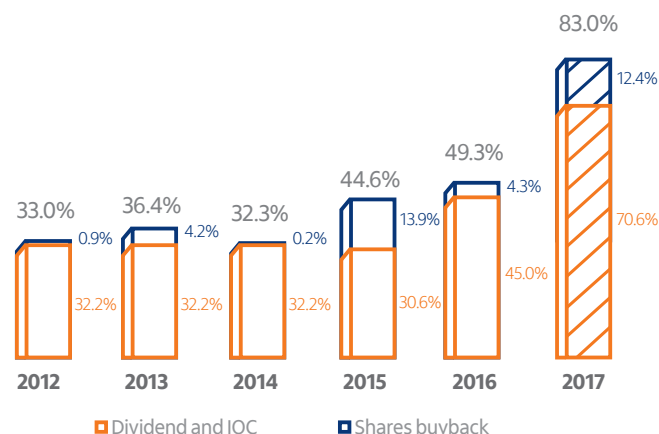
Dividends and interest on capital

In 2017, we paid, recognized in a provision or identified in Stockholders' Equity the amount of R\$17.6 billion in dividends and net interest on capital, the highest in our history, corresponding to 70.6% of 2017 consolidated recurring net income, which represents an increase of 75.6% from 2016 fiscal year.

In March 7, 2018 we will pay dividends and interest on capital of R\$2.0707 per share (shareholding position on February 15, 2018) and R\$0.122825 per share (shareholding position on December 14, 2017).

Therefore, for the fiscal year of 2017 (competence) the Company's stockholders will receive R\$2.7127 net per share.

Additionally, considering the shares buyback in 2017, the payout accounts for 83.0% of the 2017 consolidated recurring net income.



Note: the payout considers the recurring net income calculated in accordance with the rules of the Central Bank of Brazil – BRGAAP.

In 2017, we adopted a new practice to pay dividends and interest on capital at least 35% of annual recurring net income. The total amount to be paid each year will be set forth by the Board of Directors, taking into account, among others:

1. The Company's capitalization level, in accordance with the rules defined by the Central Bank.
2. The minimum level, established by the Board of Directors, of 13.5% for tier 1 capital.

3. Profitability for the year.

4. The prospective use of capital in view of the expected business growth, share buyback program, mergers and acquisitions, and market and regulatory changes that might modify capital requirements.

5. Tax changes.

Therefore, the percentage to be distributed may change every year based on the company's profitability and capital demands, but always considering the minimum distribution set forth in the Bylaws.

Capital management

We adopt a prospective approach to capital management, which comprises the following phases: (i) identifying material risks and determining the need of additional capital for these risks; (ii) preparing a capital plan, both in normal and stress scenarios; (iii) structuring a capital contingency plan; (iv) carrying out an internal capital adequacy assessment; and (v) preparing managerial and regulatory reports.

The result of the last ICAAP – dated as of December 2016 – showed that, in addition to having enough capital to face all material risks, we have a significant capital surplus, thus ensuring the soundness of our equity position.

To ensure our strength and capital availability to support business growth, regulatory capital levels were kept above the requirements of the Central Bank, as evidenced by the Common Equity Tier I, Tier I, and BIS ratios. For further information, see the "Risk and Capital Management Report – Pillar 3" report on our website www.itaubank.com.br/investor-relations/corporate-governance.

At the end of 2017, the BIS ratio was 18.8%, of which: (i) 16.2% related to Tier I Capital, which is composed of the sum of Core Capital and Additional Capital; and (ii) 2.6% related to Tier II Capital. These indicators provide evidence of our effective capacity of absorbing unexpected losses. The amount of our subordinated debt, which is part of Tier II regulatory capital, reached R\$19.8 billion at December 31, 2017.

Capital management highlights during 2017 are as follows:

- **Share Buyback Program** – from January to December 2017, we acquired shares of own issue:
 - Preferred shares: 37,982,900, in the total amount of R\$1.4 billion at the average price of R\$36.19 per share;
 - Common shares: 46,214,237, in the total amount of R\$1.7 billion at the price of R\$37.00 per share; and
 - The total of 84.2 million shares bought back equals to 1.3% of the bank's capital stock as of December 31, 2016.

Approved by the Board of Directors in December 2017, our current buyback program authorizes the acquisition of up to 28,616,649 common shares and up to 50 million preferred shares of own issue, and it allows that operations are carried out from December 20, 2017 to June 19, 2019.

- **Cancellation of Treasury Shares** – of the shares bought back and held in treasury, 31,793,105 common shares were cancelled, as decided by the Board of Directors, with no capital decrease. Cancellation is pending regulatory approvals.

The main objectives of the acquisition of own issued shares with subsequent cancellation are as follows: (i) maximizing capital allocation through the efficient application of available funds; (ii) arranging for the delivery of shares to employees and management members of the Company and its subsidiaries under the scope of remuneration models and long-term incentive plans; and/or (iii) using the shares acquired if business opportunities arise in the future.

- **Perpetual Subordinated Notes** – in December 2017, we issued for the first time perpetual subordinated notes/ AT1, in the amount of US\$1.25 billion. These notes were issued at a fixed rate of 6.125%, which will be applicable until the fifth anniversary of the date of issue. Thereafter, the coupon will be reset every five years, based on the prevailing rate for U.S. Treasury bonds for the same period. We may repurchase these notes on the fifth anniversary of the date of issue or on any subsequent interest payment date, subject to prior approval from Brazilian authorities, including the Central Bank.

These notes were offered in the international market to qualified institutional buyers only, as defined by Rule 144A of the Securities Act, and to non-U.S. persons outside the United States under Regulation S of the Securities Act.

We have requested the approval from the Central Bank, so that these perpetual subordinated notes be included in its Reference Equity as Additional Tier 1 Capital, adding 60 bps to the Company's Tier 1 capital ratio.

Decision issued by the Administrative Board of Tax Appeals (CARF)

In 2013, the Brazilian Internal Revenue Service (IRS) issued a tax assessment notice regarding the collection of income tax and social contribution on net income (CSLL) arising from the corporate operation related to the merger between the Itaú and Unibanco financial conglomerates.

On April 10, 2017 CARF, by Ordinary Instance, issued a favorable decision for us, recognizing that the intended collections of income tax and social contribution on net income were inapplicable and ratifying the regularity and legality of the Itaú and Unibanco merger as it had been fully approved by the Central Bank, CVM, and the Administrative Council for Economic Defense (CADE), which reaffirms our understanding that these operations complied with all legal requirements. At this stage, considering the outputs received so far, we continue to believe the risk of loss in the above mentioned tax proceeding remains remote.

Economic plans

Itaú Unibanco is a party to specific lawsuits in connection with the alleged collection of understated inflation adjustments to savings accounts resulting from economic plans implemented in the 1980's and 1990's as a measure to combat inflation. Although we had 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 and, therefore, we have recognized provisions when we are served and when individuals file for the enforcement of rulings rendered by the Judicial Branch, by using the same criteria adopted to calculate provisions for individual lawsuits.

In December 2017, as mediated by the Federal Attorney's Office (AGU) and supervised by the Central Bank of Brazil, savings account holders (represented by two civil entities, FEBRAPO and IDEC) and the Brazilian Federation of Banks (FEBRABAN) jointly executed an agreement to settle litigations in connection with the economic plans, and Itaú has already adhered to its terms accordingly. This agreement was ratified on a plenary session of the Federal Supreme Court (03/01/2018) and, in 90 days, the holders of saving accounts may adhere to its terms for a period of 24 months to conclude the legal proceedings.

Cancellation of the CEDEAR Program

In June 2017, we cancelled our CEDEAR Program (Argentine Certificates of Deposits), backed by the Company's book-entry preferred shares. The cancellation was approved by the Argentine *Comisión Nacional de Valores* (CNV) and by CVM, and does not affect the trading of our shares on the São Paulo and New York stock exchanges. There have been no CEDEARS of the bank outstanding on the Argentine stock exchange since December 2016. In view of this cancellation, the contents of the Investor Relations website in Spanish are no longer available. We should emphasize that we continue to update the Investor Relations websites in Portuguese (www.itaubr.com.br/relacoes-com-investidores) and in English (www.itaubr.com.br/investor-relations).

Dow Jones Sustainability Index

For the 18th consecutive year, we were selected to be included on the Dow Jones Sustainability World Index (DJSI), the world's leading sustainability index, in its 2017/2018 edition. We are the only Latin American bank to be part of the index since its creation in 1999. In this new edition, we achieved the best rate in the banking sector in the "Anti-Crime Policies/Actions", "Financial Stability and Systemic Risk", "Materiality, Philanthropy and Corporate Citizenship", "Business Risks and Opportunities", "Climate Strategy" and "Social Reporting" categories.



Mergers, acquisitions and partnerships

Credit intelligence bureau

In January 2016, we announced that our subsidiary Itaú Unibanco S.A. entered into a non-binding memorandum of understanding (MoU) with Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A. and Caixa Econômica Federal in order to create a credit intelligence bureau, or Gestora de Inteligência de Crédito S.A. ("GIC").

In November 2016, the Brazilian antitrust agency (CADE) approved the transaction with certain restrictions and, on June 14, 2017, GIC was incorporated by Itaú Unibanco S.A., Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A., and Caixa Econômica Federal (through its subsidiary Caixa Participações S.A.).

GIC is structured as a Brazilian corporation (*sociedade por ações*) and the shareholders share its control, with each of them holding a 20% equity ownership. Its board of directors is comprised of members appointed by the shareholders and its executives will be exclusively dedicated to GIC's businesses, preserving the independent nature of GIC's management. GIC's technical and analytical platform will be developed and implemented through a services agreement with LexisNexis® Risk Solutions FL Inc.

Itaú CorpBanca

In April 26, 2016, we closed the merger of Banco Itaú Chile with and into CorpBanca and, as a result, acquired control of the resulting entity – Itaú CorpBanca. On that same date, we entered into the Shareholders' Agreement of Itaú CorpBanca ("Itaú CorpBanca's Shareholders' Agreement"), which entitles us to appoint, together with Corp Group, former controlling shareholder of CorpBanca, the majority of the members of Itaú CorpBanca's Board of Directors. Such members are appointed according to the ownership interest of each of such parties, and we have the right to elect the majority of the members elected by this block. Also on that same date, Itaú Unibanco consolidated Itaú CorpBanca in its financial statements, adding R\$114.7 billion of assets to its balance sheet.

Pursuant to the put option set forth in Itaú CorpBanca's Shareholders' Agreement, we acquired (i) in October 2016, 10.9 billion shares of Itaú CorpBanca for approximately R\$288.1 million, increasing our equity stake from 33.58% to 35.71%, and (ii) in September 2017, 1.8 billion shares of Itaú CorpBanca for approximately R\$55.6 million increasing our equity stake from 35.71% to 36.06%, in both cases without changing the governance of Itaú CorpBanca.

In January 2017, we executed an amendment to the transaction agreement, which provided for (i) the postponement of the date of acquisition of the shares held by Corp Group in Banco CorpBanca Colombia S.A. ("CorpBanca Colombia") from January 29, 2017 to January 28, 2022, subject to receipt of applicable regulatory approvals; (ii) the modification of the previously defined structure for the combination of the operations of Itaú Unibanco and Itaú CorpBanca in Colombia to a sale and purchase of assets and liabilities, which was concluded in April, 2017; and (iii) the replacement of the obligation to consummate an initial public offering (IPO) of CorpBanca Colombia for the obligation to register CorpBanca Colombia as a public company and list its shares on the Colombian stock exchange.

Sale of group life insurance business

In September 2016, we entered into an agreement for the sale of our group life insurance operations to Prudential do Brasil Seguros de Vida S.A. The transfer of shares and the financial settlement of this transaction took place after compliance with certain conditions provided for in the agreement on April 1, 2017. This transaction reinforces our strategy, which has already been disclosed, to focus on mass-market insurance products that are typically related to retail banking.

Acquisition of Citibank retail business in Brazil

In October 2016, we entered into an Equity Interest Purchase Agreement with Citibank for the acquisition of its retail business in Brazil, including loans, deposits, credit cards, branches, on-shore wealth management and insurance brokerage, as well as the equity investments held by Citibank in TECBAN – *Tecnologia Bancária S.A.* and in CIBRASEC – *Companhia Brasileira de Securitização*.

Citibank's retail business in Brazil (which includes 71 branches) had, as of the date of execution of the Equity Interest Purchase Agreement, approximately 315,000 retail bank clients, approximately 1.1 million credit cards and a credit portfolio of approximately R\$6 billion and, as of December 31, 2015, approximately R\$35 billion in deposits and assets under management.

In August, 2017, CADE approved the transaction and, in October 2017, all approvals from the Central Bank of Brazil were obtained. As a result, financial settlement of the acquisition and the transfer of operational control of the retail operations of Citibank took place on October 31, 2017, when Itaú Unibanco became responsible for these operations.

Meanwhile, the financial settlement of the acquisition of the retail operations of Citibank Corretora and the corresponding transfer of these operations took place on December 1, 2017. Finally, the acquisitions of the equity investments held by Citibank in TECBAN and CIBRASEC and the respective financial settlements took place on December 26, 2017, in compliance with the provisions of the respective stockholders' agreements of these companies.



XP Investimentos

On May 11, 2017, we entered into a Share Purchase Agreement with XP Controle Participações S.A. ("XP Controle"), G.A. Brasil IV Fundo de Investimento em Participações and Dyna III Fundo de Investimento em Participações, among others ("Sellers"), for the acquisition of 49.9% of the total share capital (representing 30.1% of the voting shares) of XP Investimentos S.A. ("XP Holding"), the holding company that consolidates all of the investments of XP Group ("XP Group"), including XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP Investimentos"), by means of a capital increase of R\$600 million and the acquisition of XP Holding's shares from the Sellers for R\$5.7 billion, provided that such amounts are subject to contractual adjustments ("First Acquisition"). XP Holding's total share capital (before the capital increase) was valued at approximately R\$12 billion, which is equal to 20 times the estimated price earnings for 2018.

In addition to the First Acquisition, through which Itaú Unibanco will become a minority shareholder of XP Holding, Itaú Unibanco has committed to acquire (i) in 2020, an additional percentage of 12.5% which shall result in a participation of 62.4% of the total share capital of XP Holding (representing 40.0% of the voting shares) based on a multiple (19 times) applied to XP Holding's earnings, and (ii) in 2022, another additional percentage of 12.5% which shall result in a participation of 74.9% of the total share capital of XP Holding (representing 49.9% of the voting shares) based on the fair market value of XP Holding at that time, provided that XP Controle's shareholders will maintain the control of XP Group, including XP Investimentos, and such shareholders will hold the majority of the voting shares.

Furthermore, Itaú Unibanco and certain Sellers shall execute a shareholders' agreement on the date of the closing of the First Acquisition, which shall include, among others, provisions regarding (a) certain rights of Itaú Unibanco as a minority shareholder of XP Holding; (b) Itaú Unibanco's right to appoint two out of seven members of the Board of Directors of XP Holding, in order to guarantee such rights; and (c) the right of (i) XP Controle to exercise, as of 2024, a put option to sell 100% of its shares in XP Holding to Itaú Unibanco; and (ii) Itaú Unibanco to exercise, as of 2033, a call option to purchase 100% of XP Controle's shares in XP Holding. In case of the exercise of either the put option or the call option, Itaú Unibanco shall acquire the control and the total equity interests in XP Holding.

It is important to highlight that the operation and management of the businesses of the XP Group's companies, including XP Investimentos, shall continue to be independent, segregated and autonomous, preserving its current principles and values. XP Group's control shall continue to be held by XP Controle's shareholders and the current

officers and executives of XP Holding, XP Investimentos and other subsidiaries shall remain in charge of their respective businesses, in order to ensure that XP Investimentos continues to operate as an open and independent platform, offering a diverse range of its own and third party products to its clients, competing freely with other brokers and capital market distributors, including those controlled by Itaú Unibanco Conglomerate, without any restrictions or barriers. Itaú Unibanco shall act as a minority shareholder and shall not have influence over the commercial and operational policies of XP Investimentos or any other company in the XP Group. Moreover, Itaú Unibanco shall not have preference or exclusivity rights regarding the distribution of such products.

The consummation of the transaction is subject to the fulfillment of certain conditions precedent, including applicable regulatory approvals. Considering that, on March 14, 2018, CADE approved the transaction, the only regulatory approval still pending is that of the Central Bank of Brazil.

We estimate that the First Acquisition shall impact Itaú Unibanco's Basel index by 0.8%.

Initial public offering of IRB

In July 2017, IRB-Brasil Resseguros S.A. (IRB) made an initial public offering of its common shares, which consisted of a public offering at a price of R\$27.24 per share, and a secondary offering by its controlling shareholders of 63,960,000 registered book-entry common shares with no par value to (i) the public in Brazil, (ii) certain qualified institutional buyers in the United States (as defined in Rule 144A, or Rule 144A, under the U.S. Securities Act of 1933, as amended, or the Securities Act), and (iii) institutional and other investors elsewhere outside the United States and Brazil that are not U.S. persons (as defined in Regulation S under the Securities Act, or Regulation S). As a result of the initial public offering, Itaú Vida e Previdência S.A. sold 677,400 common shares, representing the total interest held by Itaú Vida e Previdência S.A. in IRB's capital stock, and Itaú Seguros S.A. sold 9,618,600 common shares, representing 3.1% of IRB's capital stock, reducing its interest in IRB to 11.64% of IRB's capital stock, remaining among the controlling block shareholders pursuant to the company's shareholders agreement. The proceeds received by Itaú Seguros S.A. and Itaú Vida e Previdência S.A. in the initial public offering totaled R\$280,463,040.00.

In accordance with Article 24 of CVM Normative Rule No. 400, the number of common shares initially offered could be increased by up to 9,594,000 common shares, representing up to 15% of the common shares initially offered, if the stabilizing agent (or any person acting on behalf of the stabilizing agent) exercises the over-allotment option. As a result of the full exercise of the over-allotment option by the stabilizing agent on August 28, 2017, Itaú Seguros S.A. became the owner of 11.14% of IRB's capital stock.



Subsequent events

Cancellation of Treasury Shares: In February 2018 we announced that it was approved the cancellation of the 14,424,206 book-entry common shares held in treasury that were acquired by us by means of the buyback program authorized by this Board of Directors at the meeting held on December 15, 2017.

As a result of this cancellation, the capital amounting to R\$97,148,000,000.00 now comprises 6,536,090,232 book-entry shares with no par value, 3,305,526,906 of which are common shares and 3,230,563,326 are preferred shares, and the resulting changes in the Bylaws will be resolved upon in the next General Stockholders' Meeting.

The main objectives of the acquisition of own issued shares with subsequent cancellation are as follows: (i) maximizing capital allocation through the efficient application of available funds; (ii) arranging for the delivery of shares to employees and management members of the Company and its subsidiaries under the scope of remuneration models and long-term incentive plans; and/or (iii) using the shares acquired if business opportunities arise in the future.

Awards and recognitions

In 2017, we received a series of awards and acknowledgements which helped to strengthen our reputation. A few of our most significant awards and acknowledgements are listed below:

AWARD/RECOGNITION	DESCRIPTION
Bloomberg Financial Services Gender-Equality Index (Bloomberg – January 2017)	Itaú Unibanco was one of the 52 companies chosen to make up this Index.
IF Design Award (International Forum Design GmbH – January 2017)	Itaú Unibanco had "Miami Open" as the case awarded in the Communication category.
World's Best Trade Finance Providers (Global Finance – January 2017)	Itaú BBA was recognized as the "Best Trade Finance Provider 2017 in Brazil".
<i>Empresas Legais</i> (Legally Cool Companies) (Centro de Inteligência Padrão – April 2017)	Itaú Unibanco was recognized as a Legally Cool Company in the Banks category, that is, as a company engaged in settling conflicts through dialogue.
Annual ranking of the 50 largest banks of Latin America and the Caribbean (S&P Global Market – April 2017)	Itaú Unibanco was number one in the 2017 edition of the annual ranking of the 50 largest banks of Latin America and the Caribbean.
<i>Melhores Empresas para a Mulher Trabalhar</i> (Best Places for Women to Work) (Great Place to Work – May 2017)	Itaú Unibanco ranked 4 th among the Great Companies in the first edition of the "Best Companies for Women to Work" ranking.
<i>XVIII Prêmio Consumidor Moderno de Excelência em Serviços ao Cliente</i> (XVIII Modern Consumer Award in Excellence in Client Service) (Padrão Group – May 2017)	Itaú Unibanco was the winner in the Banks category.
Top 1000 World Banks 2017 (The Banker – July 2017)	Itaú Unibanco was number one in the "Top 25 – Latin America and Caribbean" ranking.
<i>Anuário Época Negócios 360º</i> (Época Negócios 360º Directory) (Época Negócios magazine – August 2017)	Itaú Unibanco was the winner in the banking sector and in the Environmental and Social Responsibility dimension.
<i>As Melhores da Dinheiro 2017</i> (The Best of Dinheiro 2017) (IstoÉ Dinheiro magazine – September 2017)	Itaú Unibanco was number one in the banking sector.
<i>Prêmio Conarec</i> (Comarec Award) (Padrão Group – September 2017)	Itaucard was top in the "Hirers" category in the "Cards" segment.
<i>Prêmio MarCo Marcas Corporativas de Maior Prestígio do Brasil</i> (MarCo Award – The Most Prestigious Corporate Brands in Brazil) (MarCo, Época Negócios magazine and Troiano Branding – October 2017)	Itaú Unibanco was number one in the Banks category.
<i>Guia Você S/A – As Melhores Empresas para Trabalhar</i> (Você S/A Directory – The Best Companies to Work for) (Você S/A magazine – Abril publisher – October 2017)	Itaú Unibanco was the winner in the Banks category.
<i>Valor CARREIRA</i> (Valor CAREER) (Valor Econômico magazine and AON – October 2017)	Itaú Unibanco was named Company of the Year and was first in the "Companies with over 17,000 employees" category.
<i>Prêmio ÉPOCA Reclame Aqui</i> (ÉPOCA Make a complaint here Award) (Época magazine – Globo publisher – October 2017)	Itaú Unibanco was top in the Bank and Consortium categories. Itaucard was the winner in the "Card Operators" category.

Perpetual Subordinated Notes: In March 2018, we issued perpetual subordinated notes/AT1, in the amount of US\$750 million. These notes were issued at a fixed rate of 6.5%, which will be applicable until the fifth anniversary of the date of issue. Thereafter, the coupon will be reset every five years, based on the prevailing rate for U.S. Treasury bonds for the same period. We may repurchase these notes on the fifth anniversary of the date of issue or on any subsequent interest payment date, subject to prior approval from Brazilian authorities, including the Central Bank.

The Notes were offered only to qualified institutional buyers as defined by Rule 144A under the Securities Act, and to non-U.S. persons outside the United States under Regulation S under the Securities Act.

We will request the approval from the Central Bank, so that these perpetual subordinated notes be included in its Reference Equity as Additional Tier 1 Capital, adding 30 bps to our Tier 1 capital ratio.

AWARD/RECOGNITION	DESCRIPTION
World's Best Investment Banks 2017 (GLOBAL FINANCE – October 2017)	Itaú Unibanco won in the "Best Investment Bank in Latin America", "Best Equity Bank in Latin America" and "Best M&A Bank in Latin America" categories, and one of our executives was recognized as the "Best Leader in Private Bank".
Global Private Banking Awards (PWM/The Banker, Financial Times – October 2017)	Itaú Unibanco was named as "Best Private Bank in Latin America for Customer Service" and "Best Private Bank in Brazil".
Startup Awards (Brazilian Startup Association – October 2017)	Cubo won in the co-working category and Itaú Unibanco was first in the corporate category.
As Marcas Brasileiras Mais Valiosas – Interbrand (Most Valuable Brazilian Brands – Interbrand) (Interbrand – November 2017)	Itaú Unibanco was number one for the 14 th time.
Valor Grandes Grupos (Valor Large Groups) (Valor Econômico newspaper – December 2017)	Itaú Unibanco ranked first among the "10 Largest Net Income", "20 Largest Stockholders' Equity" and "20 Largest Net Income".
Bank of the Year (The Banker – December 2017)	Itaú Uruguay was announced as "Bank of the Year – Uruguay".
Época Empresa Verde (Época Green Company) (Época magazine – December 2017)	Itaú Unibanco was awarded as Highlight of the Year and was the winner in the Green Finance category.
Empresa Pró-Ética 2017 (2017 Companies promoting ethics) (Brazilian Ministry of Transparency, Inspection and General Controllershship of the Federal Government – December 2017)	Itaú Unibanco was one of the 23 companies winning the 2017 Pro-Ethics Company Award.
Financial Innovation Awards 2017 (IFS University College and BBA Association – December 2017)	Itaú Unibanco was number one in the Innovation in Product or Service Design category with the App Light case.
Guia de Previdência Valor/FGV (Social Security Guide – Valor/ FGV) (Valor Econômico newspaper and Center of Finance Studies of the School of Business Administration of São Paulo of Fundação Getulio Vargas – December 2017)	Itaú Unibanco was awarded as the best manager in diversity of social security funds.
The World's Best Foreign Exchange Providers 2018 (Global Finance magazine – December 2017)	Itaú Unibanco was recognized as the best foreign exchange bank in Brazil.
Melhor Empresa para Trabalhar (Great Place to Work – December 2017)	Itaú Paraguay was named the best company to work for for the second consecutive year.



Our history

Timeline



Operating Authorization of Casa Moreira Salles – 1924

1940s to 1960s

1944 – Establishment of Banco Central de Crédito S.A.
1945 – Banco Central de Crédito S.A. started its operations

Change of corporate name to Banco Federal de Crédito S.A., later Banco Federal Itaú and, subsequently, Federal Itaú Sul Americano S.A., after mergers with other Brazilian Banks
Merger with Banco da América, creating Banco Itaú América

Mergers of Casa Bancária Moreira Salles, Banco Machadense and Casa Bancária de Botelhos originating Banco Moreira Salles, subsequently União de Bancos Brasileiros S.A.
Organization of BIB – Banco de Investimentos do Brasil

1970s to 1990s

Takeover of Banco Aliança, a milestone for expansion in the Northeast region
Takeovers of domestic banks, such as Banco União Comercial, making Itaú the second largest private bank in Brazil
Acquisition of Banco Francês e Brasileiro S.A., predecessor to Itaú Personnalité
Acquisition of state banks Banerj and Bemge

Acquisitions of other financial institutions, such as Banco Nacional, making Unibanco one of the three largest financial institutions in Brazil

2000s to 2010s

Acquisition of the state banks Banestado and Beg, of Banco Fiat and of the Brazilian operations of Bank Boston, which increased Itaú's presence in the high-income segment, and of BBA Creditanstalt, predecessor to Itaú BBA, the largest wholesale bank in Brazil

Takeover of Banco Bandeirantes and Credibanco, when the Unibanco was ranked among the five largest banks in Latin America and the third largest private bank in Brazil

Itaú Unibanco

2008 Itaú and Unibanco merger

2009 Association with Porto Seguro

2012 Association with Banco BMG for payroll loan transactions and acquisition of total outstanding shares of Redecard

2013 Acquisition of 100% of the shares of Banco Citicard S.A. and Citifinancial Promotora de Negócios S.A., including the brand "Credicard"

2015 Opening of the Technological Center, Latin America's largest green data center
Alliance with MasterCard Brazil Soluções de Pagamento Ltda. in the market of payment solutions in Brazil
Redecard S.A. acquired 50% of the capital stock of ConectCar Soluções de Mobilidade Eletrônica S.A.
Sale and Purchase Agreement for the acquisition of 81.94% of the capital stock of Recovery do Brasil Consultoria S.A.

2016 Approval of the merger between Banco Itaú Chile and CorpBanca resulting on our new subsidiary Itaú CorpBanca
Itaú Unibanco S.A. acquired the totality of participations at Banco Itaú BMG Consignado S.A.
Itaú Unibanco S.A. acquired Citibank retail business in Brazil

2017

Acquisition of Citibank's retail operations in Brazil
Acquisition of minority interest in XP Investimentos S.A.⁽¹⁾

⁽¹⁾ This operation is pending of approval from the Central Bank of Brazil.

Context

Our profile A-27

Our governance

Our risk management

Performance

Sustainability

Attachments



The origin of Itaú Unibanco dates back to 1924, when Casa Moreira Salles, created by João Moreira Salles in the South of the state of Minas Gerais, received the letter patent that allowed it to operate as a correspondent of the state mainstream banks. This entity eventually became Unibanco. On the other hand, Itaú was created two decades later, in 1945, when Alfredo Egydio de Souza Aranha, an industrial businessman, and his partner Aloysio Ramalho Foz founded the Banco Central de Crédito S.A. in the city of São Paulo.

In 1933, the operations of Unibanco passed on to Walther Moreira Salles, who carried on developing the institution. Olavo Setubal, in turn, took over the top management position of Itaú in 1959 and, with the support of Eudoro Villela, the founder's son-in-law, promoted the exponential growth of the company.

Both were also pioneers in the use of technology for processing banking transactions and rendering services to clients. They both invested heavily in automation and support from modern operating centers. The concepts of "*Banco Eletrônico*" created in 1981 by Itaú and "30 Horas" created in 1991 by Unibanco are both milestones, showing the leadership of these two companies in the industry.

When the two organizations partnered in 2008, they gave birth to the largest Brazilian bank and one of the 20 largest banks in the world. In fact, the partnership meant the fusion of two mindsets that complement each other and share many points in common, such as growth based on a number of mergers, acquisitions and incorporations, ethics and transparency in doing business, respect for the law, appreciation of employees, close relationships with clients and adequately-funded business expansion.

With the purpose of contributing to society, Itaú Unibanco has always invested in other industries that differ from its core business, such as in cultural initiatives. This resulted in the creation of Instituto Itaú Cultural in 1987. Additionally, Instituto Unibanco, founded in 1982, and Fundação Itaú Social, set up in 1993, were created to channel the bank's efforts to the social domain for better public education in Brazil.

All these achievements have helped build up the foundation paving the way of Itaú Unibanco today. After more than nine decades since our inception, the experience acquired in Brazil encourages us to invest and work for great causes, such as culture, education, sports and urban mobility.

Our work in the realm of culture translates, among other initiatives, into Espaço Itaú de Cinema, which is present in six Brazilian cities. Support of sport is also in our DNA by sponsoring a number of disciplines. Since 2008, we have sponsored all categories of the Brazilian national soccer team. The partnership between Itaú and tennis has also been longstanding. It has provided a comprehensive platform ranging from basic to high-performance categories with investments in national and international tournaments.

With regard to urban mobility, for six years the bank has been investing in the popular "*laranjinhas*" (sharing program of colored bikes). The program is effective in six Brazilian state capitals and also in Santiago, Chile, as a way to promote cycling as a means of transportation.

Our purpose is to promote positive changes in society and to be a relevant part of people's lives. Based on this viewpoint, we created the #issomudaomundo platform in 2013.

By always keeping our eyes open to the changes that have taken place in the society in recent years, we have strengthened our digital positioning with the opening of virtual bank branches and the development of applications for smartphones and tablets, in addition to reinforcing our presence in the social networks.

In 2017, under the management of Candido Bracher, our new CEO, as well as the alignment with sustainability, a concept that permeates all of the organization's businesses, we continue to follow the lessons learned throughout our history. We are agents transforming society and we contribute to the development of the country, making a difference in every action that we take and every community where we work.

Our Vision, our culture GRI 102-16

We believe that a strong culture supports us in attracting and retaining talents, directs our path, promotes a competitive advantage and also tells us a lot about who we are.

Our culture translates into seven attitudes that keep us up-to-date with the context, demands and transformations of our business and the organization. Our Way, as we call these seven attitudes, directs the way we intend to achieve our vision, which is to be leader in sustainable performance and in client satisfaction.

Our Way:

1. It's only good for us if it's good for the client_
2. We're passionate about performance_
3. People mean everything to us_
4. The best argument is the only one that matters_
5. Simple. Always_
6. We think and act like owners_
7. Ethics are non-negotiable_



Meeting among leaders

Held annually since 2010 as one of the initiatives to strengthen our culture, the objective of this event is to align the organization's leadership with our strategy, guaranteeing the commitment and continuous engagement of our employees. In 2017, the event had an audience of more than ten thousand leaders attending the event in person and by telepresence (all Brazil and external units).

The main aim of the event was to reveal our current purpose: empowering people to change. Purpose underlies the reason for our existence. It is linked to our history and to our founders, which is what makes Itaú Unibanco different from other companies. With integrity, excellence and thought always coming ahead and above everything else, together with a focus on people, the purpose brings inspiration and meaning to what we do.

In furtherance of this purpose, our way and our vision, the six strategic themes that have elevated our status as a financial institution have been reinforced and will be priorities in the coming years: to accentuate the centrality of the client, to accelerate our digital transformation process, to increase profitability, to evolve risk management and to differentiate ourselves when caring for people, because of our fundamental belief that our bank is centred on people!

Employees GRI 401-1

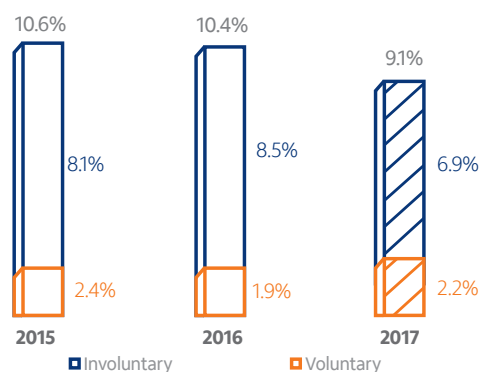
Our number of employees increased from 94,779 in December 31, 2016 to 99,332 in December 31, 2017, mainly due to the acquisition of Citibank. GRI 102-7

The tables below show the total number of employees for the years ended December 31, 2017, 2016 and 2015, segmented by region (Brazil and abroad) and operating unit:

Employees (Brazil and abroad)	As of December 31,					Variation	
	2017	2016	2015	2017-2016		2016-2015	
In Brazil	85,537	80,871	83,481	4,666	5.8%	(2,610)	(3.1)%
Abroad	13,795	13,908	6,839	(113)	(0.8)%	7,069	103.4%
Argentina	1,700	1,647	1,607	53	3.2%	40	2.5%
Chile	5,922	5,919	2,539	3	0.1%	3,380	133.1%
Colombia	3,650	3,754	39	(104)	(2.8)%	3,715	-
Uruguay	1,122	1,134	1,170	(12)	(1.1)%	(36)	(3.1)%
Paraguay	829	806	799	23	2.9%	7	0.9%
Europe	203	200	216	3	1.5%	(16)	(7.4)%
Other	369	448	469	(79)	(17.6)%	(21)	(4.5)%
Total	99,332	94,779	90,320	4,553	4.8%	4,459	4.9%

Employees (by operating unit)	As of December 31,					Variation	
	2017	2016	2015	2017-2016		2016-2015	
Retail banking	75,768	71,159	72,815	4,609	6.5%	(1,656)	(2.3)%
Wholesale banking	22,630	22,909	16,468	(279)	(1.2)%	6,441	39.1%
Activities with the market and corporation	934	711	1,037	223	31.4%	(326)	(31.4)%
Total	99,332	94,779	90,320	4,553	4.8%	4,459	4.9%

Turnover rate⁽¹⁾



(1) Turnover Rate = Total terminations / (Total employees at the beginning of the period + Total employees at the end of the period) / 2.
The total employees at the end of the period considers employees at the beginning of the period plus the hiring of employees minus the employee terminations.

The Turnover Rate is the ratio of employees hired to employees terminated (either voluntarily or involuntarily) in a given period. We monitor this rate on a monthly basis and submit it to the Executive Committee (the criteria used do not include employees outside Brazil, apprentices, expatriates, disability retirees, officers and interns).

The Connecting Opportunities Program

The Connecting Opportunities Program has evolved from the revamping of the Reallocation Center. The program's objectives are: (i) to better use our internal resources; and (ii) to support and guide employees aligned with the organization's culture (Our Way) but for whom there is temporarily no room to grow in their current posts. The initial approach to such situations is based on an employee's acceptance of taking part in the program and preparation of the employee's profile for purposes of future appointments to positions in Itaú Unibanco. Following discussions, the employee will participate in a career initiative process covering such aspects as preparing a résumé, learning interview techniques and

activating networking. In this way, the employee is given the support to ensure the best performance during the process. In addition, the employee receives a guide with information, roles and responsibilities during the Connecting Opportunities Program. The selection team works jointly with the managers responsible for the vacancy in which the employee is interested. In 2017, this project produced positive results, with 30% of the nominated employees finding new positions in which to grow within the organization. **GRI 404-2**

Labor relations **GRI 102-41**

Itaú Unibanco has a permanent channel for dialog throughout the year with the labor unions representing the employees in their various professional categories. Meetings between the company and the labor unions are constantly held to discuss themes for furthering a good organizational climate and to discuss matters relating to the organization and workplace safety. We meet to discuss specific collective bargaining agreements, such as Profits or Results Sharing, Time Clock Registration and Working Day Compensation (time bank) schemes, among others.

From the point of view of labor relations, we recognize the labor unions as legitimate representatives of our employees. We guarantee our employees' rights to freedom of association as well as the absolute freedom for employees to take part in labor union activities, always recognizing the rights and prerogatives of those elected to executive positions in the unions pursuant to the current Brazilian legislation and the collective agreements for each professional category to which we are a party. The company has 1,386 active employees with roles in the various boards of directories of the representative labor unions. As enshrined in the collective labor agreement for bank employees, 849 work full time for these union entities. In addition, we allow the unions to hold membership campaigns and, when requested, to hold meetings between the union entities, our managers and employees, with a view to seeking negotiated solutions in a respectful manner and in line with ethical principles.

We note that all activities within the scope of relations with union entities are conducted with a focus on innovation and negotiated solutions with a view to minimizing possible differences and conflicts involving our employees.

At Itaú Unibanco, all employees are covered by collective labor agreements which guarantee rights, not only those granted under the labor legislation but also other benefits which may be granted to our employees on a one-off basis in accordance with our internal human resources policies. Collective labor agreement rules, as well as other alterations and adjustments to internal norms that impact the routine of employees or modify their rights are widely disclosed by the company's various means of communication. Among such means are email, videos, electronic media, advertising totems, the house magazine and Corporate Portal, where human resources policies are detailed in our regulations for personnel "(RP's)". In addition, employees have a call center at their disposal, to which they may have recourse in the event of questions.

The company is a party to annual collective round table negotiations involving the labor unions representing bank, insurance and finance house employees for the joint preparation with employers' and professional associations the collective labor agreements which spell out employee rights and benefits. The banking sector has historically experienced annual strikes. Below is a brief record of labor stoppages:

Year	Stoppage (working days) ⁽¹⁾	Branches closed (%)
2015	14 working days	37.7
2016 ⁽²⁾	22 working days	37.7

(1) These stoppages did not result in losses for Itaú Unibanco since the movement took place across the entire Brazilian financial system.

(2) The collective labor agreements process in 2016 established agreements valid for a period of two years, valid from September 1, 2016 to August 31, 2018. On September 1, 2017, as stated in the current collective labor agreements, we readjusted salaries and benefits of all employees in the banking category. Thus, we did not have any kind of strike or significant interruptions in banking operations in 2017.

All these movements and strike action at our branches had a partial impact only. Some branches were able to open during the course of the day and the operations of the branch network were never brought to a complete halt. However, in the past few years we have noticed a growing volume of transactions executed through our digital channels. This has made a significant contribution to offsetting the effects of strike action on our operations.

Notwithstanding the foregoing, Itaú Unibanco believes that the way to solve labor disputes is through direct negotiation, avoiding litigating issues which can be resolved through an exhaustive process of dialogue and transparency in relations to labor union entities.

Brand **GRI 103-2 | 103-3 Brand and reputation**

Our brand aims to promote positive changes in the lives of people and in society. We deliver products and services – focused on our clients' needs – that reflect our continuous efforts to provide the best experience for everyone who interacts with us, every day.

Our efforts to foster financial education permeate our entire organization and encourage people to have a more balanced relationship with their money by choosing the best type of credit and by planning their investments more efficiently. Our responsibility for the development of the nation is at the very heart of our brand, which is why, in addition to the transformation that is inherent in our core business, we also invest in projects related to education, culture, sports and urban mobility.

The *#issomudaomundo* (*#thischangestheworld*) platform, which guides our causes and our investments in various projects, continues to illustrate our institutional campaigns. This year, with the *Leia para uma criança* (Read to a child) campaign, we reached an impressive milestone: over three million books were offered, including braille books.

The book distribution usually lasts, on average, one month. In 2017, all books were distributed in the record time of nine days. All of this shows that we continue to mobilize clients and non-clients to make a difference in children's lives.



Our capacity to inspire and engage people can also be seen on social media. We publish a series of articles and videos that express our point of view and tell stories that encourage people to implement positive changes in their lives. In 2017, we reached over 469 million views, which means that we have the second largest Brazilian brand channel on YouTube and the largest from the financial sector in Brazil.

Social media is increasingly important to our strategy. This year, we achieved over eight million fans on Facebook. We have the second largest Facebook community of any bank in the world and one of the largest fan bases of any Brazilian brand, according to Socialbakers. Our Twitter profile has over 617 thousand followers, making us number one in the country's financial sector. We also have 201.235 followers on Instagram.

We continue to monitor all of our social media profiles 24 hours a day, seven days a week. We have a specific structure to interact with the public on all matters related to Itaú: questions, suggestions, comments and complaints. We have received more than 495 thousand mentions on social media from January 2017 to December 2017, 66% of which were positive and neutral comments, according to Gauge, a consulting agency that assists us in the analysis of social media data.

As a result, in 2017 we were once again ranked at the top of the Interbrand ranking of most valuable Brazilian brands with an estimated value of R\$28.19 billion. This is the 14th consecutive year in which we have been at the top of this ranking. The analysis is based on our brand's ability to generate financial results, influence the client selection process and ensure long-term demand. **GRI 102-7**

Patents

We are the owners of patents and patent applications in Brazil and abroad for a method for generating a virtual keyboard for entry of a security code or user PIN number. Applications related to this patent are still pending analysis in Brazil, Uruguay and Venezuela. We are the owners of a patent for this method in Germany, Argentina, Austria, Belgium, Chile, Denmark, Spain, Finland, France, Greece, the Netherlands, Ireland, Italy, Luxembourg, Peru, Portugal, the United Kingdom, Sweden and Switzerland. Additionally, in Brazil we are the owners of a patent for a method for identifying a financial institution's access PIN and a patent application for a method, user device and system to submit financial transaction information.

In Brazil, the effective term for protection of invention patents is 20 years from the date when the patent application is made. The effective terms and requirements for extension of patents outside Brazil depend on the laws of each country or region where a patent is registered.

Distribution channels **GRI G4-FS13**

We provide integrated financial services and products to our clients through a variety of distribution channels. In addition to our traditional portfolio of banking products, we offer products such as insurance, investments, foreign exchange and brokerage. Our portfolio of corporate products suitable for large companies is managed by our wholesale banking segment.

Our distribution network is divided into (i) standard channels: branches, Customer Site Branches – CSB (banking service centers located at certain corporate clients), Automatic Teller Machines – ATMs, and telephones; and (ii) digital channels: internet, mobile and SMS banking. The volume of banking transactions carried out through internet and mobile channels has grown significantly in recent years.

Standard channels (branches, CSBs and ATMs)

GRI G4-FS13

Our branch network serves as a distribution network for all of the products and services we offer to our clients. As of December 31, 2017 our standard branch network reached 3,790 branches. We have 46 branches in Brazil, especially refurbished for shopping malls, with a new visual identity and service proposal. The spaces present a new concept of client service, with a differentiated layout inspired by the design of a retail store. Focusing on the relationship with the client as a way to strengthen contact with the public, these branches are open from 12 p.m. to 8 p.m. Furthermore, we have reached 160 digital branches as of December 2017, which aligns with our Digital Transformation strategy.

Similarly, we also implemented changes in service hours for certain branches located in commercial hubs, which now open at 8 a.m. or 9 a.m. and close at 6 p.m. or 8 p.m. This initiative was designed to adapt our services to the routines of our clients.

The range of services provided at CSBs may be the same as those provided at a full service branch, or more limited according to the size of a particular corporate client and its needs. CSBs represent a low-cost alternative to opening full service branches. In addition, we believe CSBs provide us with an opportunity to target new retail clients while servicing corporate clients and personnel.

ATMs are low-cost alternatives to employee-based services and give us points of service at significantly lower costs than branches. Our clients may conduct almost all account-related transactions through ATMs.

In addition to all our channels for serving clients (branches, CSBs and ATMs), we also have a partnership with "TecBan" ATM network, composed with more than 21,195 ATMs, which provide clients limited services – primarily cash withdrawal services.



Since 2012, we have made differentiated services available to certain registered clients. In addition to services available to our clients in general, these registered clients are able to withdraw funds and check current account balances and statements just by using biometric technology. Biometrics enables these registered clients to carry out transactions with fingerprint identification, without typing a password or using a card, providing more security and convenience for our clients. To be able to use biometrics, clients simply register with any Itaú Unibanco branch.

Digital channels (internet and mobile banking)

GRI G4-FS13 | GRI 103-2 | 103-3 Information technology

In a world permeated by ongoing digital transformation, our challenge is to keep up with changes and meet the needs of our clients. An essential part of this transformation is the increasing usage of mobile devices with access to the Internet, which directly reflects on the exponential growth in the use of mobile banking, as evidenced by the 29% increase of use for individuals and 43% growth for companies, when compared to 2016.

With that in mind, in 2017, we improved significantly our mobile platforms, redesigning them so as to deliver an even more intuitive client experience, with an increasingly wide range of products and services offered. Itaú App was elected the best app by *Folha de São Paulo* newspaper and was singled out as a “must have” app at Apple’s App Store. We also launched the first app for low-income users, Itaú Light, an app that occupies less storage space on mobile phones and that allows for reduced data packet usage. In recognition of its innovation, Itaú Light App was awarded honorable mention at the Financial World Innovation Awards. The increasing relevance of digital banking is also evidenced by the ever growing demand for the online opening of accounts, by both individuals and companies.

In order to ensure a seamless experience in all channels, guaranteeing that clients have the same navigation experience both in mobile and internet channels, we renewed the technological platform of the internet and reviewed the navigation and purchase experience, making it more intuitive for the user. For companies, we also improved payment and receipt services, making Itaú the best internet banking for companies in Brazil for the third consecutive year, according to Estadão PME.

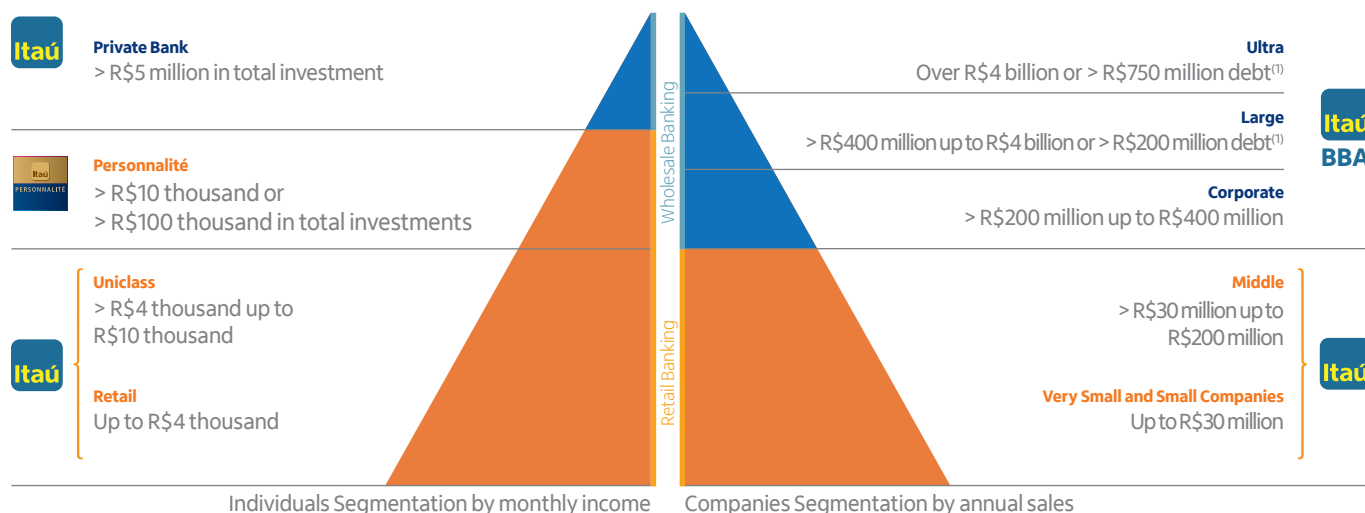
Standard channels	Branches			CSBs			ATMs		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Brazil ⁽¹⁾	3,743	3,780	3,910	703	766	824	24,745	25,079	25,802
Abroad	497	531	228	38	26	23	1,196	1,228	610
Argentina	72	72	72	15	15	17	178	178	178
Chile	201	223	96	-	2	-	469	502	70
Colombia	161	174	-	13	-	-	176	178	-
Paraguay	31	31	32	8	8	5	312	311	307
Uruguay	24	23	23	2	1	1	61	59	55
Other	8	8	5	-	-	-	-	-	-
Total in Brazil and abroad	4,240	4,311	4,138	741	792	847	25,941	26,307	26,412

(1) In 2017, includes 71 branches and 171 ATMs from Citibank.

Our business

Overview GRI 102-2

We report the following segments: (i) Retail Banking, (ii) Wholesale Banking, and (iii) Activities with the Market and Corporation. Through these operational segments, we provide a broad range of banking services to a diverse client base that includes individuals and corporate clients, on an integrated basis as follows:



(1) Total exposure, includes financial guarantees provided and corporate securities.

The Retail Banking segment offers services to a diversified base of account holders and non-account holders, individuals and companies. The segment includes retail customers, high-net worth clients (Itaú Uniclass and Personalité) and the very small and small companies. Revenues from Retail Banking come from the offer of banking products and services to retail and high-net worth clients and very small and small companies, in addition to financial products and services offered to our non-account holder clients, including vehicle financing and credit cards offered outside the branch network and Itaú Consignado operations. The Retail Banking segment represents an important funding source for our operations and generates significant financial income and banking fees.

The Wholesale Banking segment is responsible for our private banking clients, the activities of Latin America units, our middle-market banking business, and the activities of Itaú BBA, which is the unit in charge of corporate and investment banking activities. Our wholesale banking management model is based on building close relationships with our clients by obtaining an in-depth understanding of clients' needs and offering customized solutions. Corporate activities include providing banking services to large corporations and investment banking activities include offering funding resources to the corporate sector, including fixed and variable income instruments.

The Activities with the Market and Corporation segment manages interest income associated with our capital surplus, subordinated debt surplus and the net balance of tax credits and

debits, as well as net interest income from the trading of financial instruments through proprietary positions, management of currency interest rate gaps and other risk factors, arbitrage opportunities in the foreign and Brazilian domestic markets, and mark-to-market of financial instruments. This segment also includes our interest in Porto Seguro.

We carry out a wide range of operations outside Brazil with units strategically located in the Americas, Europe and Asia. Our international presence creates significant synergies in foreign trade finance, in the placement of Eurobonds and in the offering of more sophisticated financial transactions to our clients.

Please refer to section Performance, item Financial performance, Results, and section Performance, item Complete Financial Statements (IFRS), Note 34 – Segment Information, for further information about our segments.

The diversification of our business is reflected in the changing composition of our loan portfolio over the last few years, focusing on origination on lower risk segments with increased guarantees. We are constantly seeking to implement and focus on the offer of new products and services that add value to our clients and diversify our sources of income, allowing for growth of our non-financial income arising mainly from banking service fees, income from bank charges and from insurance, pension plan and capitalization operations. Some details of our loan portfolio and services are presented as follows:

Retail Banking

We have a large and diverse portfolio of products, such as credit and investments, and services to address our clients' needs. Our retail banking business is segmented according to customer profiles, which allows us to be closer and understand our customers' needs, better enabling us to offer the most suitable products to meet their demands.

Itaú Retail Banking (individuals)

Our core business is retail banking and through our retail operation we offer a dedicated service structure to consumer clients throughout Brazil. Our customer service structure is targeted to offering the best solutions for each client profile. We classify our retail clients as individuals with a monthly income up to R\$4,000.

Our Itaú Uniclass services are available at every branch for clients who earn more than R\$4,000 and less than R\$10,000 per month. We offer exclusive services to our Itaú Uniclass clients, including investment advisory services, exclusive cashiers, a special telephone service and higher credit limits and a large team of dedicated relationship managers. For clients who prefer remote services, our Itaú Uniclass provides a "digital bank platform" where relationship managers service clients through telephone, email, SMS, videoconference and online chat from 8 a.m. to 10 p.m. on business days, at no additional cost.

Focusing on our clients' needs, in 2017 we launched our application Light, which is a smaller version of our full banking app made for our clients that do not have enough capacity on their smartphones to support the full app. We were the first large retail bank in Brazil to offer an online account opening process via mobile app.

Our retail network is focused on building long term relationships with our clients.

Itaú Personnalité (banking for high-income individuals)

We began providing customized services to high-income individuals in 1996 with the creation of Itaú Personnalité, which currently serves individuals who earn more than R\$10,000 per month or have investments in excess of R\$100,000.

Itaú Personnalité is focused on providing (i) financial advisory services by managers who understand the specific needs of our higher-income clients, (ii) a large portfolio of exclusive products and services and (iii) special benefits based on the type and length of relationship with the client, including discounts on various products and services. Itaú Personnalité services its clients through a dedicated network comprised of 264 branches, located in the main Brazilian cities. Itaú Personnalité clients also have access to our retail banking network of branches and ATMs throughout the country, as well as through services by internet, telephone and mobile banking.

For clients who prefer remote services, Itaú Personnalité provides a "digital bank platform" where relationship managers service clients through telephone, email, SMS and videoconference from 7 a.m. to midnight on business days. We also developed apps for smartphones and tablets that enable our clients to make investments, buy products such as credit and insurance, make check deposits, transfers and payments, check account balances, in addition to finding closer branches and ATMs by using GPS features.

The following table shows our market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Retail Banking (Including Itaú Personnalité)	In December 2017, we reached a market share of 11.2% based on total outstanding loan balance in <i>reais</i> , positioning us as the third largest bank in this segment in Brazil.	Itaú Unibanco Holding has a leading position in many sectors of the Brazilian domestic financial market. Based on Central Bank data and publicly available financial information, our main competitors are Caixa Econômica Federal, Banco do Brasil S.A., Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Itaú Empresas (very small and small companies)

To meet and fulfill the needs of our corporate customers, we are specialized in offering customized solutions and detailed advice on all products and services for:

- Microenterprises: customer base consisting of companies with annual revenues of up to R\$1.2 million, served by 3,422 bank branches and 2,166 relationship managers as of December 31, 2017; and
- Small businesses: customer base consisting of companies with annual revenues between R\$1.2 million and R\$30 million, served by 359 bank branches and 1,603 relationship managers as of December 31, 2017.

The Brazilian Financial and Capital Markets Association (ANBIMA) certifies each one of all our relationship managers, who are trained and skilled to offer the best banking solutions to each client, guided by all the variables that can affect the companies we serve and their owners.

Our customers rely on our main strategy of capturing market opportunities and meeting their needs, particularly regarding cash flow management, credit facilities, investments and banking.

Improving our credit portfolio and reducing the volume of non-performing loans remained our goals in 2017, as they were in 2016, continuing the efforts to maintain and enhance sustainable performance. During this period, we improved processes, credit policies and tools and intensified our collection and credit recovery efforts.



To service our customers' needs, we launched "Rede no Conta Certa", a solution that provides progressive discounts on credit card machine fees and on account maintenance fees, based on the aggregate amounts involved in a client's credit card transactions - the more it sells, the larger the discount.

Finally, we have continued our efforts to digitalize products and services, as well as develop the tools used by our sales and relationship teams. In 2018, we expect to capture and expand the benefits of such investments, as measured by increased business productivity and greater proximity to our customers.

Credit cards and commercial agreements

We are the market leader in Brazilian credit cards. Through proprietary and partnership operations with major retailers, telephone carriers, automakers and airline companies established in Brazil, we offer a wide range of credit and debit cards to more than 55.46 million account holders and non-account holders (in number of accounts in December 2017).

We focus our efforts to continually grow our credit cards portfolio, improve its profitability, manage our asset quality, provide the best digital customer experience and pursue the satisfaction of our clients. Accordingly, our credit card division focuses on the development of new products, new digital services, the assessment of our partnerships, and the control of the credit quality of our portfolio and on a more efficient cost management.

In May 2016, we signed a partnership with Netshoes to develop the NCARD Itaucard, which is offered 100% digitally through the partner website. The sale process of the card was developed in partnership with Netshoes with instant customer evaluation technology and segmented product offering. In addition to a 100% digital experience with instant evaluation of card proposals, the process allows approved customers to immediately make their purchases on the site without having to wait for the plastic card, enabling them to take advantage of the benefits and discounts provided to cardholders.

By December 2017 we had reached more than 80,000 accounts in the portfolio.

In July 2016, we entered into an agreement with Multiplus, one of the first and most relevant companies in the rewards and loyalty programs, to launch a co-branded credit card. The product was launched in January 2017 with exclusive conditions for purchases of LATAM tickets, extra bonus on the acquisition and a discount of 30% on the purchase of Multiplus points. In addition to the benefits offered by Multiplus and LATAM, the cards can also be used to enjoy the traditional advantages of the Itaucard platform, such as the payment of half the value of theater and movie tickets, as well as discounts at partner establishments. The card also offers a full range of benefits attributed to Mastercard.

In June 2017, we launched the Passaí credit card in partnership with Assai. The retailer holds a cash and carry type of store and is part of the Pão de Açúcar group, one of the largest

retailers in the country and owner of other important brands with which we also hold partnerships, such as Pão de Açúcar, Ponto Frio and Extra. Assai has been showing double-digit growth in revenues for the past two years.

We expect to have a Passaí point of sale in all Assai's physical stores by the end of the first half of 2018.

In December 2017, we relaunched our credit card brand Credicard, which was acquired by Itaú Unibanco in 2013. The occasion was marked with the launch of the new Credicard ZERO. The product has no annual fee and comes with a number of benefits, such as discounts with partners like Uber, Decolar.com, and Netshoes, among others. Customer experience is 100% digital through the Credicard mobile application. We received more than 427,000 applications for Credicard ZERO in the first month after its launch.

With regard to customer service, we provide an application that can be used by our customers 24 hours per day. The Itaucard application has been constantly bringing new functionalities, such as the Virtual Card, that simplifies and offers more security for online shopping. Timeline is another feature of this application in which purchases and transactions can be viewed in real time. The application also features spending control by category, enables card activation and deactivation, virtual assistance and travel notifications. As of December 2017 we had more than 3.26 million active users of this application and increased our mobile clients by almost 61% since 2016.

In 2017, we grew our portfolio while maintaining stricter credit criteria. The indicators of default and risk of our credit card business continued well below the average of the credit card market. We managed to evolve the default indicator above 90 days from 6.95% in December 2016 to 5.70% in December 2017.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Credit Cards	We are the leaders in terms of transaction purchase volume of cards in Brazil, with 38.2% market share in the period from January to December 2017.	<p>The Brazilian credit card market is highly competitive, growing on average 9.3% from January to December over the last five years, according to the Brazilian Association of Credit Card Companies and Service (<i>Associação Brasileira das Empresas de Cartões de Crédito e Serviços</i>, or ABECS).</p> <p>Our main competitors in this business are Banco do Brasil S.A., Banco Bradesco S.A., Banco Santander Brasil S.A. and Caixa Econômica Federal.</p>

Source: Itaú Unibanco Holding and ABECS.

Payroll loans

A payroll loan is a loan with fixed installments that is directly deducted from the borrower's payroll to the bank's account without being recorded in the debtor's account. Our strategy is to expand our activities in businesses with historically lower risk.

To expand this business and complement our strategy, on July 9, 2012 we entered into an association agreement with Banco BMG S.A. to offer, distribute and market payroll loans through correspondent channels in addition to our network of branches.

In December 2016, we completed the acquisition of the total equity investment held by Banco BMG in Banco Itaú BMG Consignado, meaning that we are now the holders of 100% of this institution's total capital. This acquisition assured we kept seeking the leadership in terms of offering, distribution and commercializing payroll loans in Brazil.

The table below shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Payroll Loans	In December 2017, we obtained a market share of 14.2% in terms of payroll loans, positioning us as the third largest bank in this segment in Brazil.	Our main competitors in this business are Banco do Brasil S.A., Caixa Econômica Federal, Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Mortgage

Our mortgage loans enable us to help our clients' dreams come true. We help our clients' social and financial development, as we take part in the building up of their personal assets. Therefore, we get closer to the clients and create long-lasting relationships, since our operations are of a long-term nature.

We have been among the market leaders in mortgage loans to individuals since 2008, a result of our business focus, which is in line with our strategy to migrate to lower-risk portfolios.

In 2016, with the *Crédito Imobiliário Digital: Agilidade na realização do sonho da casa própria* (digital mortgage loans: agility to make the dream of owning a home come true) case, Itaú was the winner of the Efinance Award in the Real Estate Financing category. Currently, over 35% of house financing use this tool.

We have a number of sales channels, such as branch network, development companies, real estate agencies, and partnerships with REMAX and CrediPronto.

Our process is expeditious and efficient, as it takes us less than one hour to go back to our clients with a credit analysis for operations worth up to R\$800 thousand. This financing process can be fully digital. Additionally, clients also count on advisors specialized in real estate financing to provide all support required during the process.

We are signing a number of partnerships to capture leads via Internet, thereby corroborating our strategic priority of digital fronts of action. Our simulator is in place on the websites of our partner development companies and real estate agencies, which places our brand closer to clients when they are choosing a property. Our services are customized for every moment of the clients' digital journey, from Bankline to social networks, so we are increasingly present in their lives.

The number of mortgages we provided directly to individuals in 2017 was 23 thousand, for an aggregate value of R\$6.9 billion in the period. The portfolio in 2017, had an average the Loan to Value (LTV) of 40.2%, compared to 41.8% in 2016. In commercial loans, we financed 8.4 thousand new real estate units during 2017, with an aggregate value of R\$1.6 billion.

Another positive feature of the Brazilian market is the constant amortization system pursuant to which decreasing installments provide faster amortization of a contract, reducing our loan-to-value indicator at a faster rate than other amortization systems.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Real Estate Financing and Mortgages	In the period from January to December, 2017 we were the leaders in new loans to individuals among Brazilian private banks, with 38.6% market share and, second place in terms of new loans to individuals, among all Brazilian banks, with 20.3% market share.	The main player in the Brazilian real estate market is Caixa Econômica Federal (CEF), a government owned bank. CEF is focused on real estate financing and, with its aggressive pricing strategy, is the leader in this market. Other competitors include Banco do Brasil S.A., Banco Santander Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and ABECIP.

Merchant acquirer

Rede is one of the leading companies in the electronic payment solutions industry in Brazil. It is a multi-brand merchant acquirer of credit, debit and benefit cards. Rede's activities include merchant acquiring, capturing, transmission, processing and settlement of credit and debit card transactions, prepayment of receivables to merchants (resulting from credit card transactions), rental of point of sale (POS) terminals, e-commerce solutions, e-wallet and check verification through POS terminals.

In 2017, we began restructuring our business model, which has as its priorities: (i) integration of our banking operations; (ii) strengthening of direct sales channels; and (iii) digital transformation.



We received R\$391.7 billion in transactions with respect to credit and debit cards in 2017, an increase of 1.1% compared to 2016. The following table sets forth the financial volume of transactions and the number of transactions of credit and debit cards processed by us in 2017, 2016 and 2015:

(In billions of R\$)			
Financial volume			
	2017	2016	2015
Credit cards	255.9	251.9	249.7
Debit cards	135.8	135.4	133.4
Total	391.7	387.3	383.1

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Merchant Acquirer	In the period from January to December, 2017 we reached a market share of 32.8% in terms of total transaction volume (credit and debit) generated by the acquiring services, positioning us as the second largest player in this segment in Brazil.	Our main competitors in this business are Cielo S.A., Getnet Tecnologia em Captura e Processamento de Transações H.U.A.H. S.A. (GetNet) and Banco Bankpar S.A. (American Express).

Source: Itaú Unibanco Holding and ABCEC.

Private pension plans

We offer private pension plans to our clients as an option for wealth and inheritance planning and income tax purposes (these products are tax-deferred).

We provide our clients with a solution to ensure the maintenance of their quality of life, as a supplement to government plans, through long-term investments.

Product innovation has been important for the sustainable growth of our private sector pension operations. For legal entities, we offer specialized advice and develop customized solutions for each company. We establish long-term partnerships with our corporate clients, maintaining a close relationship with their human resources departments and adopting a communication strategy focused on the financial education of our employees.

According to the National Federation of Private Pension and Life (FENAPREVI), the contributions reached R\$28.6 billion from January to December 2017, mainly due to the increase in our VGBL product.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Pension Plans	In December, 2017 our balance of provisions represented 23.2% of the market share for pension plans, positioning us as the third largest pension provider in Brazil.	Our main competitors in private retirement plan products are controlled by large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A., which, like us, take advantage of their branch network to gain access to the retail market.

Source: FENAPREVI (Balance of provisions – Pension Plans for Individuals and Companies).

Vehicle financing

We developed a series of new products and services that were launched in the market. Some of these products are:

• Automotive Accessories and Services Financing –

We offer an additional credit line available to all auto financing customers for the acquisition of automotive accessories and services. The customer pays an installment that includes the financing values of the vehicle and its accessories. With a differentiated pricing, the product generates more revenue for auto financing operations. Our goal is to achieve a 30% penetration rate in vehicle financing sales and expand the sales to the customer public of companies and corporations within five years.

- **Troca Certa** – Is an auto-financing product, launched in 2015, that offers various differentiated financing options, such as reduced installments over the contract and the vehicle buyback guarantee for a market value that ensures the discharge of the current contract and the down payment for the next car loan. The product meets a specific niche market: customers who change cars frequently and seek a differentiated experience. In 2016, we launched a version for companies that is the only auto-financing product on the market that offers these various differentiated financing options.



• **Digital retailing at iCarros** – Digital retailing through [iCarros](#) is one of the most significant channels of credit applications. This process makes auto loan transactions more transparent than more traditional channels. Clients are able to obtain a price quote as well as a credit analysis online. Furthermore, our platform has an automatic customer relationship system in order to enhance our clients' experience and facilitate the dealer selling process. This means that a client that commences a credit application at iCarros skips relevant steps in the selling process, in which a dealer would be able to continue the application beginning with the last step the client completed.

As of December 31, 2017, our portfolio of vehicle financing to individuals amounted to R\$14.1 billion, an 8.4% decrease from the same period of the previous year. The average

loan to value ratio of our vehicle portfolio (the ratio of a loan to the value of an asset purchased) was 66.5% in December 2017, following a downward trend since the previous year, when the loan to value ratio reached 68.1% as of December 31, 2016. Since 2012, we have reduced our risk exposure in this sector and focused on clients with better risk profiles, which has allowed us to improve the credit quality of our vehicle loan portfolio.

In 2017, our vehicle financing (Individuals and Corporations) new loans amounted to R\$10.5 billion, an 11.3% increase from the same period of the previous year. The average term of vehicle financing was 41 months, and 46% of the transactions were carried out with terms of up to 36 months.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Vehicles	In December 2017, we reached a market share of 9.4% in terms of loans to individuals among banks, positioning us as third in Brazil in this segment.	Our main bank competitors in this business are Banco Santander (Brasil) S.A., Banco do Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Insurance

Our insurance business provides a wide range of life and personal accident products, automobile and property insurance, credit insurance and travel insurance. Our insurance core activities, which include our 30% stake in Porto Seguro, consist of mass-market insurance products related to life, property and credit. These products are offered in synergy with retail channels – our branch network, partnership with retailers, credit card clients, real estate and vehicle financing, personal and payroll loans – and the wholesale channel. These products have characteristics such as a low combined ratio, low volatility in results and less use of capital, making them strategic and increasingly relevant in the diversification of the

Conglomerate's revenues. Other insurance activities encompass extended warranty, health insurance, our stake in IRB – Brasil Resseguros S.A. and other operations.

Our insurance products have been receiving updates on coverage and assistance, bringing more value to the customers in life. In order to expand the insurance products portfolio, we are concentrating on our own existing distribution channels as well as expanding the offer of insurance policies through an open platform, through which we provide to Itaú's client products from partner insurers.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Insurance	Giving effect to our 30% ownership interest in Porto Seguro S.A., we reached 8.4% of market share based on earned premiums, excluding VGBL (Redeemable Life Insurance), from January to December, 2017, positioning us as the third largest insurance provider in this segment in Brazil. Considering only our insurance core activities, our market share reached 11.2% in the same period.	The Brazilian insurance market is highly competitive. Our main competitors in this sector, excluding health insurance providers, are affiliated with large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A. Although there is a great concentration of Brazilian banks, in this market, it is still has opportunities for players acting in specific niches. As of December 2017 this industry consisted of approximately 152 insurance companies of various sizes, including 39 conglomerates and 44 independent companies. We believe that our alliance with Porto Seguro S.A. resulted in gains in scale and efficiency for us.

Source: SUSEP. Insurance core activities include: Personal Insurance (Life, Personal Accidents, Credit Insurance, Educational, Travel, Unemployment, Funeral Allowance, Serious Diseases, Random Events), Housing, Multiple Peril and Domestic Credit – Individuals. Health Insurance and VGBL – Redeemable Life Insurance products are not included.



Premium bonds (*títulos de capitalização, or capitalization plans*)

Premium bonds are fixed deposits products pursuant to which a client makes a one-time deposit or monthly deposits of a fixed sum that will be returned at the end of a designated term. Ownership of premium bonds automatically qualifies a customer to participate in periodic raffles, each time with the opportunity to win a significant cash prize. In 2017, we distributed R\$47.5 million in raffle prizes for 1,810 clients.

We currently market our premium bonds portfolio of products through our branch network, electronic channels and ATMs, and we are currently developing new technologies for channel diversification. The net revenues, taking into account the deduction of redemptions, from capitalization plans increased 3.2% in 2017 when compared to 2016.

Focusing on corporate responsibility principles, since August 2014 we have maintained a partnership with *Instituto Ayrton Senna*, a non-profit organization which focuses on promoting quality of public education in Brazil. A portion of the revenues upon purchase of PIC, our bank's premium bonds, is provided to the *Instituto Ayrton Senna's* education projects.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Premium Bonds	In the period from January to December, 2017 we had a market share of 13.8% in terms of revenues from sales of premium bonds, positioning us as the third largest provider of such products in this segment in Brazil.	Our main competitors in premium bonds are controlled by large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A., which, like us, take advantage of their branch network to gain access to the retail market. Our profitability (measured by net profits over revenues from sales) is the highest among our main competitors.

Source: SUSEP.

Consortia

Consortium is a pool of people and / or legal persons in a group with the purpose of providing for their members, on an equal manner, the acquisition of assets, such as vehicles, properties, or services, through self-financing. The payments made by the group participants are applied to a common fund, used by one or more members of the consortium at a time, to acquire the assets elected by the members when the product was contracted. In general, the participants receive the assets during the validity of the contract through the following methods of contemplation: (i) random drawing; (ii) bid offer with own resources; (iii) part of the letter of credit; and (iv) FGTS (only for properties consortium), with the exception of the random drawing, the other options may be combined.

As consortia are regarded as a provision of services under Brazilian law, the management of consortia does not give rise to default risk or regulatory capital requirements for us.

Since consortia do not charge interest rates, our revenues come mainly from the administration fee charged to clients.

Given these characteristics, this business is strategic to us, contributing to revenue diversification and to a more complete product portfolio offering to our clients.

As of December 2017, we obtained the following results:

- 392.8 thousand in active contracts, a decrease of 0.7% compared to December 2016;
- R\$11.1 billion in balance of installments receivables, an increase of 2.9% compared to December 2016; and
- R\$628.2 million in administration fees from January to December 2017, a decrease of 6.9% compared to the same period of 2016.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Consortia services fees	In the period from January to December, 2017 we had a market share of 7.5% in total consortia services fees. Considering only banks, we are the third largest provider of such services in terms of fees in Brazil.	Considering only banks, our main competitors in the Brazilian consortia market are Bradesco Adm. Consortia and BB Consortia.

Source: Central Bank.

Microcredit GRI G4-FS7

Our microcredit unit offers to low-income entrepreneurs who do not have the necessary attributes to participate in the traditional financial system the chance to expand and develop their businesses. Itaú Microcrédito's loan officers solicit new and existing clients, offering loans (coupled with free loan-protection microinsurance). Loan officers are also responsible for disseminating information regarding financial concepts related to the responsible use of money.



A major benefit arising from this initiative is that micro-entrepreneurs start to develop a relationship with the formal financial system. Our microcredit activities are split into two levels:

- 1st Tier Lending: includes working capital loans, or loans for upgrades and fixed assets provided to formal and informal business people engaged in small business activities. Any grant of loans requires the presence of a trained microcredit loan officer; and
- 2nd Tier Lending: loans to micro-entrepreneurs through partner civil society organizations registered with the National Productive Microcredit Program. We are committed to promoting microfinance best practices and trading experiences with partner organizations.

Our investment in microcredit consolidates our strategy to act as an agent of transformation in society. Microcredit is also important as it reinforces our vision of sustainability and increases our ability to spread our knowledge in financial education. The end goal is to create a virtuous cycle in which our bank stimulates the social and economic development of Brazil's low-income population.

Public sector

Our public sector business operates in all divisions of the public sector, including the federal, state and municipal governments (in the Executive, Legislative and Judicial branches).

To service public sector clients, we use platforms that are separate from our retail banking branches, with teams of specially trained managers who offer customized solutions in tax collection, foreign exchange services, administration of public assets, payments to suppliers, payroll for civil and military servants and retirement. Based on these platforms, we have a significant amount of business with public sector clients, particularly in those Brazilian states where we acquired previously state-owned financial institutions. In December 2017, we had 5,399 public sector clients and 12 offices where such services were offered in Brazil.

Wholesale Bank

Wholesale Bank is the segment responsible for banking operations of middle-market, corporate, large, ultra companies (those with annual revenues from R\$30 million) and investment banking services. It offers a wide range of products and services to the largest economic groups of Brazil. Companies segmentation is based on their annual sales as described on the table in item Overview under section Our business.

Our activities in this business range from typical operations of a commercial bank to capital markets operations and advisory services for mergers and acquisitions. These activities are fully integrated, which enables us to achieve a performance tailored to our clients' needs.

One of the most important features of our Wholesale Bank is the set of initiatives linked to improving efficiency in our operations. These ongoing actions, which are expected to continue to grow in the coming years, are designed to increase revenues, improve processes and reduce costs.

Itaú Private Bank

With a full global wealth management platform, we are one of the market leaders in Brazil and one of the main players in Latin America. Our multidisciplinary team, which is supported by a team of investment advisers and product experts, provide comprehensive financial services to clients, understanding and addressing their needs from our eight offices in Brazil and in our offices located in Zurich, Miami, New York, Santiago, Asuncion and Nassau.

Our clients have access to a complete portfolio of products and services, ranging from investment management to wealth planning, credit and banking solutions. In addition to our in-house customized products and services, we offer our clients access to an open architecture of alternatives from third-party providers.

Aligned with our vision to be the leading bank in sustainable performance and customer satisfaction, we decided to focus our strategic priorities, and we intend to continue to do so during the next year, on the following Itaú Private Bank initiatives:

- Being the leading private bank in terms of client satisfaction;
- Adding value to client and stockholders with a complete offering and long-term proactive advisory services;
- Continuing to invest in our international platforms to enhance Brazilian clients' experience and expand our operations in Latin America;
- Increased operational efficiency of our platform through continuous investments in our IT platforms; and
- Maintaining a focus on risk management and regulatory considerations.

Product/Service

Market Position

Private banking

As of December 2017, our market share was 28.1% in terms of local private banking.

Source: ANBIMA.



Investment Banking

Our investment banking business carried out through Itaú BBA assists companies raising capital through fixed income and equity instruments in public and private capital markets, and provides advisory services in mergers and acquisitions. We advise companies, private equity funds and investors in the structuring of variable income products and in mergers and acquisitions. From research to execution, we believe we offer a wide portfolio of investment banking services with respect to Brazilian and other Latin American companies.

In investment banking, the fixed income department acts as bookrunner or manager in the issuance of debentures, promissory notes and securitization transactions.

The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Investment Banking	In the period from January to December 2017, Itaú BBA ranked first in mergers and acquisitions ⁽¹⁾ . From January to December 2017, we ranked first in origination and in distribution in debt capital markets transactions ⁽²⁾ .	In investment banking, Itaú BBA's main competitors include Banco Santander, Banco de Investimentos Credit Suisse (Brasil) S.A., Banco Merrill Lynch de Investimentos S.A., Banco Morgan Stanley S.A., Banco JP Morgan S.A., Bradesco BBI and Banco BTG Pactual S.A.

Source: (1) Dealogic. (2) ANBIMA ranking in terms of volume.

Asset management

In the year which sees it complete 60 years of experience in investment management, Itaú Asset Management, according to the ANBIMA ranking, reaches R\$610.0 billion⁽¹⁾ in assets under management, representing a 14.8% share of the market. We also recorded 15.8% growth over the same period of the previous year in assets under management.

In June 2017 Fitch Ratings affirmed Itaú Asset Management's (IAM) investment management quality rating as "excellent". The rating's outlook remains stable. The "excellent" rating for IAM reflects Fitch's opinion on the extremely strong operational capacity and characteristics as to the investment strategies offered. The rating considers the well-established and disciplined investment process, the strong revenue generation, and the high quality of IAM's executive team. The evaluation also reflects rigid risk and compliance policies, strong investments in technology and controls, a broad and diversified customer base and extensive distribution channels.

In September 2017 S&P Global Rating assigned an "AMP-1" (very strong) classification – the highest level in its rating scale – to IAM for its asset management practices. The ranking is based on the company's strong business position as one of the largest private asset managers in Brazil and Latin America, its mix of products and customers, its highly experienced management team and its clear

corporate strategy. The ranking also accounts for its well-structured investment management processes, strong operating and risk management practices, strong fiduciary principles and performance consistency.

Kinea, an alternative investment management company controlled by us, held R\$29.9 billion in managed assets at the end of December 2017.

The table below shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Asset Management	In December 2017, we had a market share of 14.8% in terms of assets under management, positioning us as the third asset management in Brazil.	According to ANBIMA, the asset management industry in Brazil held assets totaling R\$4,134 billion as of December 2017, with competition concentrated among large and well-established retail banks. Our main competitors are Banco do Brasil S.A. and Banco Bradesco S.A.

Source: ANBIMA.

Securities Services

Itaú Securities Services business units provide:

- (i) Local custody and fiduciary services.
- (ii) International custody services.
- (iii) Corporate solutions that act as transfer agent and stockholder servicer for Brazilian companies issuing equity, corporate bonds, promissory and bank credit notes. We also work as guarantor in transactions for project finance, escrow accounts and loan and financing contracts.

Our focus is to be a full service provider with specialized professionals and with technology as a foundation.

Pension funds, insurance companies, asset managers, international institutional investors and equity and debt issuers are our primary clients in these businesses, representing approximately 3,242 clients in 22 countries, that reached R\$2.82 trillion of assets under service as of December 31, 2017, which includes investment funds, underwriting, pension funds, trustee and brokerage services.

In 2017, Global Finance named Itaú Securities Services as the best sub-custodian in Latin America (Brazil and Uruguay). We are currently updating our technological platform with respect to securities services. Our platform currently allows us to offer Offshore Funds to our clients. We also created a Blockchain Lab, the bank's largest initiative in order to develop business' solutions utilizing blockchain technology. In this laboratory, we have already begun to develop, in the form of an internal prototype, a specific solution for our stock bookkeeping product.

(1) Ranking de Gestão ANBIMA – December 2017 – Itaú Unibanco and Intrag.



The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Local custody	In December 2017, we had a market share of 25.5% based on total assets under local custody, positioning us as the second position Local Custodian.	According to ANBIMA, the local custody in Brazil held assets totaling R\$4,582 billion as of December 2017. Our main competitors are Banco Bradesco S.A. and Banco do Brasil S.A.
International custody	Our market share in December 2017 was 12.6% in terms of total assets under international custody, positioning us as the third largest International Custodian.	Based on ANBIMA, the international custody service in Brazil totaled R\$1,452 billion of assets as of December 2017. Our main competitors are Banco Citibank S.A., JP Morgan's Securities Services and Banco Bradesco S.A.
Corporate solutions	In December 2017, we had a leading position as agent and register provider to 211 companies listed on B3 (currently B3 S.A.), which represents 61.5% of companies listed on that exchange. Moreover, we were leader as transfer agent with 403 debentures offerings in the Brazilian market, representing 42.6% of the debentures market in Brazil.	Our main competitors in the equities market are Banco Bradesco S.A. and Banco do Brasil S.A. Our main competitor in debentures is Banco Bradesco S.A.

Source: Itaú Unibanco Holding, ANBIMA and B3.

Itaú Corretora (Brokerage)

Itaú Corretora has been providing brokerage services in B3 since 1965. We provide retail brokerage services in Brazil to over 142 thousand clients with positions in the equity and fixed income markets, accounting for approximately R\$49 billion in trading volume in 2017. The brokerage services are also provided to international clients through our broker-dealer in New York.

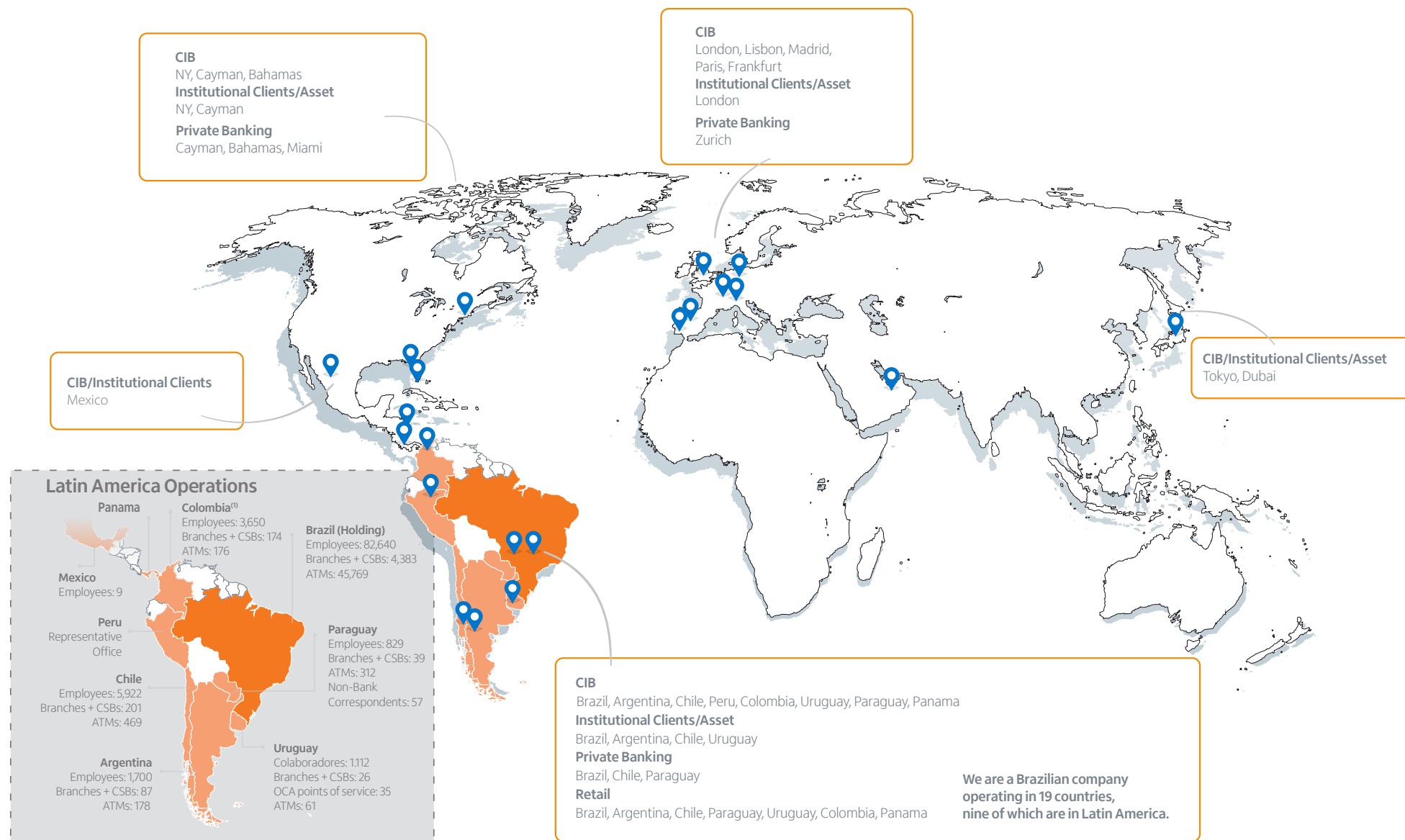
The following table shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Retail Brokerage Services ⁽¹⁾	Ranked third in Retail Brokerage Services by trading volume in December 2017.	Main competitors: XP Investimentos, Ágora Corretora de Títulos e Valores Mobiliários S.A., Rico Corretora de Títulos e Valores Mobiliários S.A. and BB Gestão de Recursos Distribuidora de Títulos e Valores Mobiliários S.A.
Cash Equities ⁽²⁾	Ranked eighth in Cash Equities by trading volume in the period between January and December 2017.	Main competitors: UBS Brasil Corretora, XP Investimentos, Morgan Stanley Corretora de Títulos e Valores Mobiliários S.A., Credit Suisse Hedging-Griffo Corretora de Valores S.A., J.P. Morgan Corretora de Câmbio e Valores Mobiliários S.A. and Merrill Lynch S.A.
Futures and Derivatives ⁽²⁾	Ranked seventh in Derivatives and Futures by number of traded contracts in the period between January and December 2017.	Main competitors: UBS Brasil Corretora, BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., XP Investimentos, Tullett Prebon Brasil S.A. Corretora de Valores e Câmbio, BGC Liquidez Distribuidora de Títulos e Valores Mobiliários Ltda.
Research ⁽³⁾	Ranked third Research House in Latin America.	Main competitors (local and global players): J.P. Morgan Corretora de Câmbio e Valores Mobiliários S.A., BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., Credit Suisse Hedging-Griffo Corretora de Valores S.A. and Bank of America Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários.

Source: (1) CBLCnet, (2) Bloomberg, (3) Institutional Investor Magazine.

International business GRI 102-4 | GRI 102-6 | GRI 103-2 | 103-3 International operations

Itaú Unibanco Holding | Global footprint



(1) Includes employees and branches from Panama.

Context

Our profile **A-43**

Our governance



Our risk management



Performance



Sustainability



Attachments



Latin America

Latin America is a priority in our international expansion due to the geographic and cultural proximity to Brazil. Our purpose is to be recognized as the “Latin American Bank”, becoming a reference in the region for all financial services provided to individuals and companies.

Over the past years, we consolidated our presence in Argentina, Chile, Paraguay and Uruguay. In these countries, we operate in retail, companies, corporate and treasury segments, with commercial banking as our main focus. With the recent merger between Banco Itaú Chile and CorpBanca, which assured our presence in Colombia and Panama, we expanded even more our operations in the region. In Peru, we operate in the corporate segment through a representative office. In Mexico, we are present through an office dedicated to equity research activities.

As of December 31, 2017 we had a network of 527 branches and client service branches (CSBs) in Latin America (excluding-Brazil). In Paraguay, we had 57 non-bank correspondent locations, which are points of service with a simplified structure, strategically located in supermarkets to provide services to our clients in that country. As of December 31, 2017, we also had 35 points of service through OCA S.A., our credit card operator in Uruguay. Please refer to section Our profile, item Distribution channels, for further details about our distribution network in Latin America.

Banco Itaú Argentina

We have operated since 1979 in Argentina, where we began with a focus on large companies with business ties to Brazil. In 1995, we initiated our retail operations in Buenos Aires. In 1998, we increased our presence through the acquisition of Buen Ayre Bank, subsequently renamed Banco Itaú Argentina.

Through Banco Itaú Argentina we offer products and services in corporate banking, small and middle-market companies and retail banking. Our corporate banking business focuses on large and institutional clients, providing lending, structured finance, investment and cash management services. Our small and middle-market operations provide credit for working capital and investments in production capacity increases. Our retail banking business focuses on middle and upper-income clients, and our service offerings include current and savings accounts, personal loans and credit cards.

The following table shows our market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In November 2017, we had a market share of 2.2% in terms of total outstanding loan balance in Argentine pesos, positioning us as the thirteenth largest private bank in Argentina.	Our main competitors are Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A., BBVA Banco Frances S.A. and Banco Macro S.A.

Source: Central Bank of Argentina.

Itaú CorpBanca

In 2015, the last pending regulatory approval required for the merger of Itaú Chile with and into CorpBanca was granted by the Superintendency of Banks and Financial Institutions (SBIF), in Chile. This completed the set of regulatory approvals we required to consummate the merger in Brazil, Chile, Colombia and Panama.

The merger was consummated on April 1, 2016 and we acquired control of the resulting bank (Itaú CorpBanca). As of the second quarter of 2016, Itaú CorpBanca's financial results are consolidated with our results.

In October 2016, we acquired from Corp Group 10.9 billion additional shares of Itaú CorpBanca for approximately R\$288.1 million, pursuant to the terms of the stockholders' agreement we entered into on the merger date. As a result, our interest in Itaú CorpBanca increased from 33.58% to 35.71%, without changing the governance of Itaú CorpBanca.

In January 2017, the agreement that sets out the terms and conditions of the merger was amended to reflect, among other things, changes to the terms of the transaction relating to operations in Colombia. Please refer to section Our profile, item 2017 highlights, Mergers, acquisitions and partnerships, Itaú CorpBanca.

In September 2017, we acquired from Corp Group 1.8 billion additional shares of Itaú CorpBanca for approximately R\$55.6 million, pursuant to the terms of the stockholders' agreement we entered into on the merger date. As a result, our interest in Itaú CorpBanca increased from 35.71% to 36.06%, without changing the governance of Itaú CorpBanca.

This transaction represents an important step in our strategy to expand our presence in Latin America, diversifying our operations in the region. We now rank fourth, from a previous seventh place, among the largest private banks in Chile in terms of loans and we have entered the financial retail market in Colombia through Banco CorpBanca Colombia S.A. Branches migration and client segmentation were completed in December, 2017 in Chile, as of May 2017, we started operating in Colombia under the “Itaú” brand, and, until June 2018, we plan to complete the systems integration. We now also operate in Panama.

The table below shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2017, our market share was 12.5% based on total outstanding loan balance in Chilean pesos, positioning us as the fourth largest private bank in Chile.	Our main competitors are Banco Santander-Chile S.A., Banco de Chile S.A., Banco de Crédito e Inversiones S.A. and Banco Bilbao Vizcaya Argentaria Chile S.A.

Source: Superintendency of Banks and Financial Institutions.



Banco Itaú Paraguay

Our operations in Paraguay began in 1978 and comprise retail and wholesale banking, through Interbanco, which was acquired in 1995 by Unibanco. In 2010, the Itaú brand was introduced and our bank's name was changed to Banco Itaú Paraguay. Banco Itaú Paraguay distributes products and services to small and middle market companies, agribusiness, large companies, institutional clients and consumer clients. Banco Itaú Paraguay's main sources of income are consumer banking products, primarily credit cards. The retail segment also focuses on payroll clients. Under corporate banking, Banco Itaú Paraguay has a well-established presence in the agribusiness sector.

Banco Itaú Paraguay won in the "Best Bank in Paraguay" category of the Euromoney Awards for Excellence 2017.

The table below shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2017, we had a market share of 14.4% in terms of total outstanding loan balance in guaraní, positioning us as the third largest private bank in Paraguay.	Our main competitors are Banco Continental S.A.E.C.A., Banco Regional S.A.E.C.A. and Banco Bilbao Viscaya Argentaria Paraguay S.A.

Source: Central Bank of Paraguay.

Banco Itaú Uruguay

Our banking operations in Uruguay include Banco Itaú Uruguay, OCA (the largest credit card issuer in Uruguay, in accordance with data from Uruguay's Central Bank) and the pension fund management company Unión Capital. Our strategy in Uruguay is to serve a broad range of clients through customized banking solutions.

Our retail banking business is focused on individuals and small business clients. Retail products and services focus on the middle and upper-income segments, and also include current and savings accounts, payroll payment, self-service areas and ATMs in all branches, and phone and internet banking. The wholesale banking division is focused on multinational companies, financial institutions, large and middle market companies and the public sector, providing lending, cash management, treasury, trade and investment services.

The table below shows the market position and information about competitors for the business listed below:

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2017, we had a market share of 21.4% based on total outstanding loan balance in Uruguayan pesos, positioning us as the second largest private bank in Uruguay.	Our main competitors are Banco Santander S.A., Banco Bilbao Vizcaya Argentaria Uruguay S.A. and Scotiabank Uruguay S.A.

Source: Central Bank of Uruguay.

Peru

In Peru, we have a representative office and we are considering increasing our activities in the corporate and investment banking segments.

Mexico

As part of a restructuring process of our activities in Latin America, the sale of our broker business in Mexico was approved by the local regulatory agency and completed on October 1, 2016. We will continue our presence in Mexico with an office dedicated to equity research with respect to Mexican issuers.

Itaú BBA International

Our banking activities carried out under the corporate structure of Itaú BBA International are mainly focused on two business lines:

- Corporate and Investment Banking: headquartered in the United Kingdom, but with business platforms in several cities in Europe, we meet the financial needs of companies with international presence and operations, focusing on transactions related to financing and investment relationships between companies in Latin America and Europe. The services offered include the origination of structured financing, hedging, trade financing and advisory to both European companies investing in Latin America and Latin American companies investing overseas; and
- Private Banking: under the corporate structure of Itaú BBA International, we manage private banking activities in Miami and Switzerland, offering specialized financial products and services to high net worth Latin American clients.

Other international operations

To support our clients in cross-border financial transactions and services, our international units are active in providing our clients with a variety of financial products, such as trade financing, loans from multilateral credit agencies, offshore loans, international cash management services, foreign exchange, letters of credit, guarantees required in international bidding processes, derivatives for hedging or proprietary trading purposes, structured transactions and international capital markets offerings. These services are offered mainly through our branches in the Bahamas, New York and the Cayman Islands, as well as through our other international operations.

We manage proprietary portfolios and raise funds through the issuance of securities in the international market. Fund raising through the issuance of securities, certificates of deposit, commercial paper and trade notes can be conducted by our branches located in the Cayman Islands, the Bahamas and New York, as well as through Itaú Bank Ltd., a banking subsidiary incorporated in the Cayman Islands. Our proprietary portfolios are mainly held by Itaú Bank and our Nassau and Cayman Islands branches. These offices also enhance our ability to manage our international liquidity.



Through our international operations, we establish and monitor trade-related lines of credit from foreign banks, maintain correspondent banking relationships with money centers and regional banks throughout the world and oversee our other foreign currency-raising activities.

Additionally, Itaú BBA participates in the international capital markets as a dealer, as it has equity and fixed income sales and trading teams in São Paulo, New York, Santiago, London. We provide extensive research coverage of over 202 listed companies in Brazil, Mexico, Chile, Colombia, Peru, Panama and Argentina. Our international fixed income and equity teams both act in offerings and trading of Brazilian and Latin American securities to institutional investors.

Competitive strengths

Based on a market perception analysis, we have selected some of the initiatives we believe provide us with significant competitive advantages and distinguish us from our competitors.

Maintenance of a solid capital base

We adopt a forward-looking approach regarding capital management, which has enabled us to reach a high capitalization ratio and therefore a greater capacity to provide returns to stockholders, while at the same time we do not intend to maintain capital in excess of the levels established without any prospective use.

Our capitalization strategy, which is based on diversified sources of revenues, an adequate credit policy and a focus on corporate governance, is reflected in our capital ratios. At the end of December 2017, our Basel Ratio was 18.8%, of which: (i) 16.2% related to Tier I Capital, which is composed of the sum of Core Capital and Supplementary Capital and (ii) 2.6% related to Tier II Capital. We believe these indicators provide evidence of our effective loss-absorbing capacity and business continuity-focused planning.

Furthermore, as of the fourth quarter of 2017, our average Liquidity Coverage Ratio⁽¹⁾ (LCR) was 190.2%, whereas the Central Bank minimum requirement for 2017 is 80%.

Focus on income from Commissions and Fees and Results from Insurance⁽²⁾ and less exposure to credit risk

In recent years, we have improved our credit risk management models, economic forecasts and scenario modeling. Through greater selectivity in credit approvals and changes in our loan portfolio mix, we believe we have achieved positive results given the economic scenario in the markets in which we operate.

We have invested in a pricing model based on risks as applied to our products, thereby providing a more accurate view of the risk-return ratio in different scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risk.

In addition, Commissions and Fees and Results from Insurance⁽²⁾ grew 5.2% from 2016 to 2017 and our operating revenues⁽³⁾ from Services and Insurance, Pension Plan and Premium Bonds increased from R\$48.3 billion in 2016 to R\$48.7 billion in 2017. We focus on both these segments, which require less capital allocation and whose results and related value creation are less volatile during adverse economic cycles. Our business strategy for these businesses is to focus on mass-market products, traditionally sold through our network of branches and digital channels. Accordingly, businesses such as life group, large risks and extended warranty insurance lines were either sold or discontinued over last years.

Large investments in technology

When we invested in our first ATMs back in 1983, we already sought to use technology to offer better services and make our clients' lives easier. As of December 2017, we reached 160 digital branches, which, together with our mobile and desktop apps, facilitates our clients' access to our products and services.

Our intensive use of technology and electronic distribution channels have significantly helped increase the volume of sales of products and services and is one of our top competitive advantages. From 2016 to 2017, we had an increase of 43% of corporate clients using mobile channels, while individual clients increased 29%. We invest in technology because we believe that we may be able to improve the environment for our employees and clients. We prioritize efforts to develop platforms and services that use the best of technology, so that we can simplify and make life easier for everybody engaged with the bank, with a focus on mobility and convenience.

With the purpose of reinventing itself and leading the digital transformation, Itaú created Cubo in partnership with Redpoint to connect itself with the technological entrepreneurship universe and, consequently, find opportunities to generate competitive advantages and evolve as a digital bank.

Cubo is a non-profit organization that promotes technological entrepreneurship through a variety of initiatives. In addition to offering a co-working space for digital startups, resident startups can count on the support of mentors specialized in a wide range of topics and on a platform of events that includes, among others, workshops and talks to entrepreneurs and others.

(1) This ratio identifies high liquidity assets to cover outflows (net) that the institution may be subject to under a strict standard stress scenario considering a 30-day period.

(2) Commissions and Fees (+) Income from Insurance, Pension Plan and Premium Bonds Operations (-) Expenses for Claims (-) Insurance, Pension Plan and Premium Bonds Selling Expenses.

(3) Operating Revenues are the sum of Managerial Financial Margin, Commissions and Fees, Other Operating Income and Result from Insurance, Pension Plan and Premium Bonds Operations before Retained Claims and Selling Expenses.



Premier banking brand in Brazil

We believe that a strong brand impacts a company's results, providing for higher profitability and market share growth, and may reduce certain risks faced by the company, thereby resulting in less volatility in results.

The Itaú brand is one of our top assets. Valued by Interbrand at R\$28.2 billion, the Itaú brand was, for the 14th consecutive year, named by Interbrand as the most valuable brand in Brazil in 2017. Our position in this ranking has provided us with local and international recognition and associates our brand to quality and reliability.

Also in 2017, we reinforced our positioning as a digital bank, combining innovative technology with our vision of making people's lives easier through increasingly simpler financial transactions.

Geographic diversification and a large branch network

Our business model has been boosted by our significant presence nationwide and an increased presence abroad, promoting the creation of stable deposits and low-cost financing, and helping us achieve a desirable level of income diversification.

Our wide retail network, composed of branches, customer site branches, and ATMs in Brazil and abroad, provides solid recurring results and a large share of fee-based income in our results.

Competition

The last several years have been characterized by increased competition and consolidation in the financial services industry in Brazil. As of December 31, 2017, there were 135 conglomerates, commercial banks and multiple-service banks, development banks and Caixa Econômica Federal, among a total of 1,396 institutions in Brazil.

We, together with Banco Bradesco S.A. and Banco Santander Brasil S.A., are the leaders in the privately-owned multiple-services banking sector. As at December 31, 2017, these banks accounted for 37.7% of the Brazilian banking sector's total assets. We also face competition from state-owned banks. As at December 31, 2017, Banco do Brasil S.A., Caixa Econômica Federal, and Banco Nacional de Desenvolvimento Econômico e Social (BNDES) accounted for 42.3% of the banking system's total assets.

The following table sets for the total assets of the 10 main banks in Brazil, classified according to their interest in the total assets of the Brazilian banking sector:

			(In billions of R\$)	
Position	Banks by total assets ⁽¹⁾	Control type	As of December 31,	
			2017	% of total
1 st	Itaú Unibanco Holding S.A.	privately-owned	1,383.6	16.8
2 nd	Banco do Brasil S.A. ⁽²⁾	state-owned	1,368.4	16.6
3 rd	Caixa Econômica Federal	state-owned	1,261.5	15.3
4 th	Banco Bradesco S.A. ⁽³⁾	privately-owned	1,054.9	12.8
5 th	Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	state-owned	861.5	10.4
6 th	Banco Santander Brasil S.A.	privately-owned	674.7	8.2
7 th	Banco BTG Pactual S.A.	privately-owned	153.4	1.9
8 th	Banco Safra S.A.	privately-owned	149.5	1.8
9 th	Banco do Estado do Rio Grande do Sul S.A. (Banrisul)	state-owned	72.6	0.9
10 th	Banco Citibank S.A.	privately-owned	61.9	0.8
n.a.	Others	n.a.	1,208.8	14.7
Total⁽⁴⁾			8,250.8	100.0

(1) Based on banking services, except insurance and pension funds.

(2) Includes the consolidation of 50.0% do Banco Votorantim S.A. based on Banco do Brasil's shareholding stake and excludes these 50.0% of National Financial System.

(3) Includes the consolidation of HSBC Bank Brasil S.A.

(4) Excludes Payments Institutions.

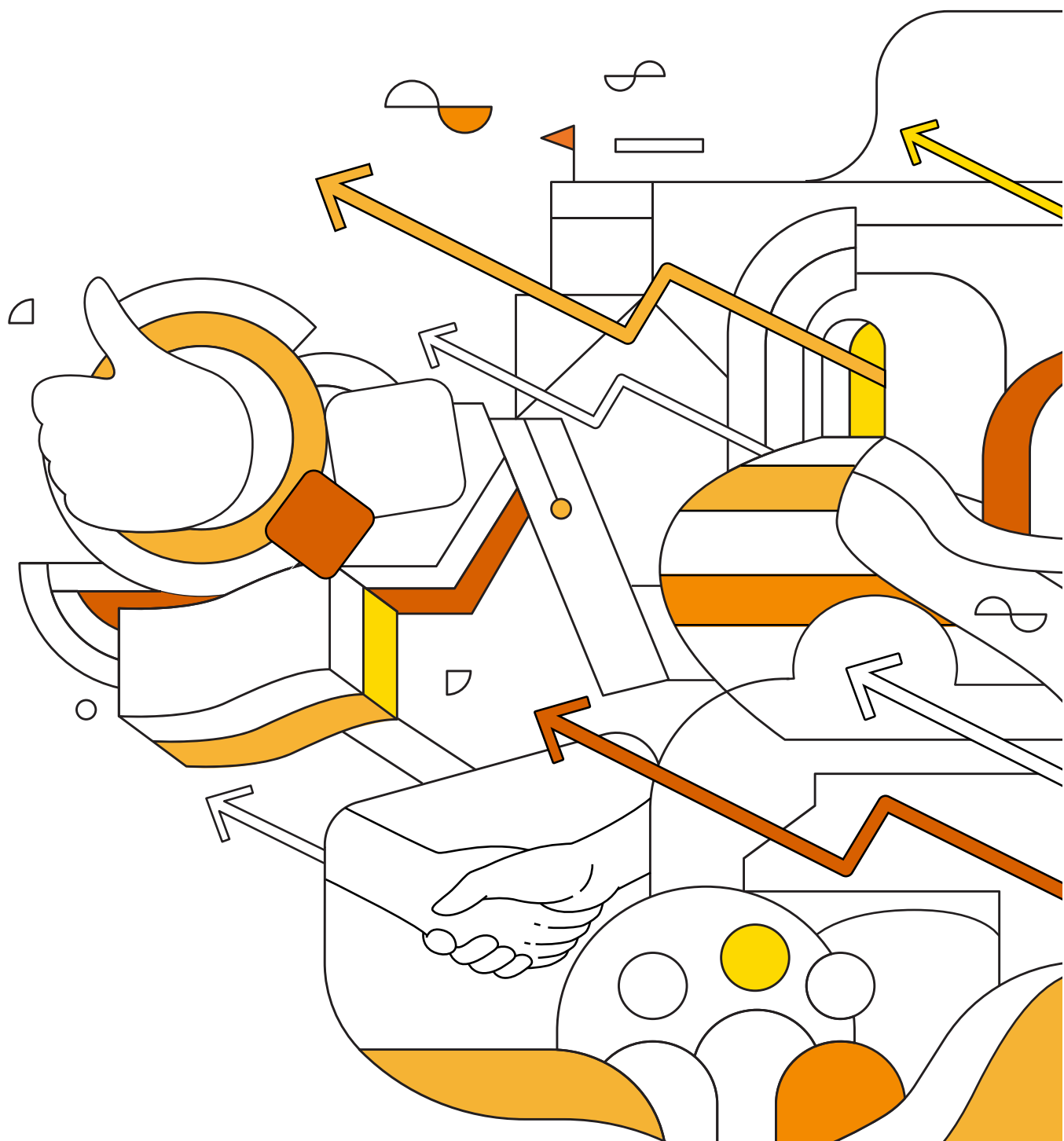
Source: Central Bank (IF.data).



3 Our governance

GRI 102-18 | GRI 103-2 | 103-3
Corporate governance

We have adopted corporate governance practices aligned with the best market practices, which also are in compliance with CVM and the Central Bank rules. Read about the details of our structure and our administrators.



Introduction

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity. Therefore, besides complying with the regulatory corporate governance rules, we have adopted corporate governance practices aligned with best practices adopted in the Brazilian and foreign markets.

We believe that solid and meritocratic governance, directed towards long term value creation, ensures a sustainable performance. Our practices are aligned with our values and objectives. Therefore, we encourage the dialogue, the meritocracy and the professional management of our business.

Governance structure

The main goal of our corporate governance is to create an efficient set of incentive and monitoring mechanisms to ensure that our executives are always aligned with our shareholders' best interests in order to create sustainable and long-term value for our shareholders.

In order to achieve our goal, we have set up decision-making bodies and institutionalized procedures to align our executive group with our meritocratic, performance-focused and value-creation culture.

Below are the three main pillars of our corporate governance structure.



Family control

With a strategic long-term vision

Professional management

Establishment of operational parameters

Value creation

Implementation of strategy and day-to-day management



Our policies

We adopt policies in order to reflect and consolidate existing structures to protect the interests of our employees, managers and shareholders, as well as promote our culture and our values, always seeking to conduct business in an ethical and transparent manner, preventing and fighting fraud and illegal acts and ensuring the sustainability of our business.

The following table lists our main policies related to Corporate Governance, which were all approved by our Board of Directors.

Our policies

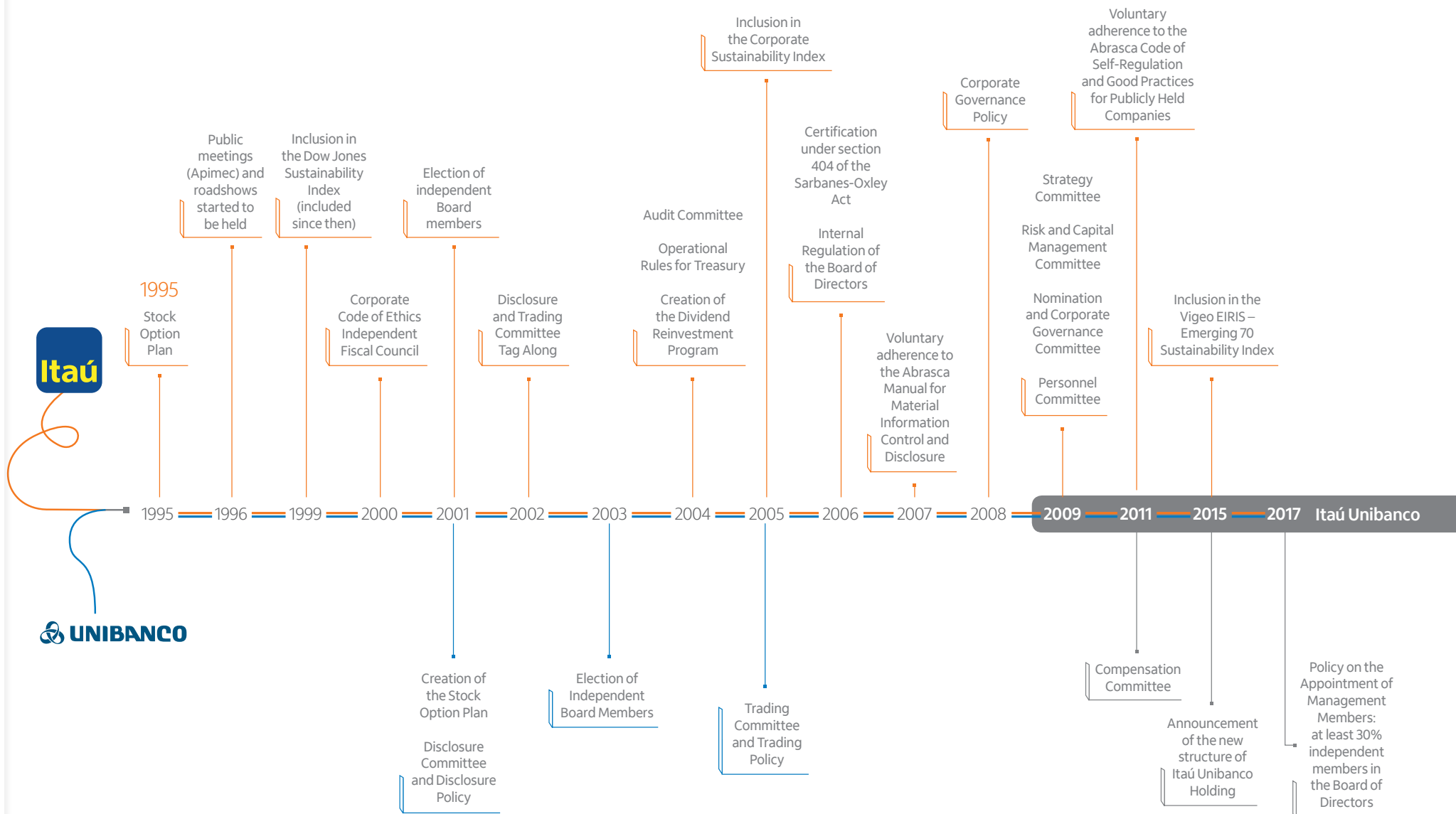
Corporate Governance Policy Updated on November, 2017	This Policy consolidates the Corporate Governance principles and practices adopted by Itaú Unibanco so that they can be disseminated throughout the organization.
Code of Ethics Updated on August, 2016	This Code of Ethics applies to all of our employees, members of the Board of Directors and officers and is based on principles that support an organizational culture focused on the enhancement of people, on strict compliance with rules and regulations and on a constant search for development.
Integrity and Ethics Corporate Policy Updated on August, 2017	This Policy establishes additional guidelines to Itaú Unibanco's Code of Ethics related to the Integrity and Ethics Corporate Program and situations of conflicts of interests and ethical dilemmas.
Relationship Policy with Public Officials and Contracts with Public Bodies and Companies owned by the government Approved on July, 2016	The purpose of this policy is to guide the relationships of the Itaú Unibanco Conglomerate, through its employees or Directors, with public officials and public entities in the field of institutional interests of the bank and of the financial system in general, in an organized manner. Furthermore, the policy also establishes rules addressing our engagement in public contracts with Public Administration and with Companies owned by the Government.
Anti-Corruption Corporate Policy Updated on March, 2017	The purpose of these policies is to establish rules for avoiding conflicts of interests in processes related to donations and sponsorships and in relationships with clients, suppliers and partners, in the public and private sectors, and also to establish guidelines and procedures to prevent and combat corruption, such as training, communication, consultation and complaint channels.
Corporate Policy and Procedure Disclosure of Material Information Updated on March, 2018	The Policy and Procedure Disclosure of Material Information addresses the public disclosure of material information and the maintenance of the confidentiality of such information prior to its disclosure in accordance with CVM regulations.
Policy for Trading Itaú Unibanco Holding S.A. Securities Updated on February, 2018	The purpose of this policy is to establish guidelines and procedures to be followed by us and bound persons, ensuring transparency in the trading of our securities for all interested parties, without privileging some to the detriment of others.
Transactions with Related Parties Policy Updated on October, 2017	The purpose of this policy is to establish rules and consolidate procedures to be followed in transactions between Related Parties, ensuring equality and transparency so as to ensure to stockholders, investors and other stakeholders that we are in compliance with the best Corporate Governance practices.

Our practices

We believe that the sustainability of our organization depends on how we interact with our employees, clients, shareholders and society. Thus, we listen to and understand investor's demands and communicate the strategies and results of our business, with clarity and transparency, seeking to continuously develop a number of initiatives that interests our different publics.

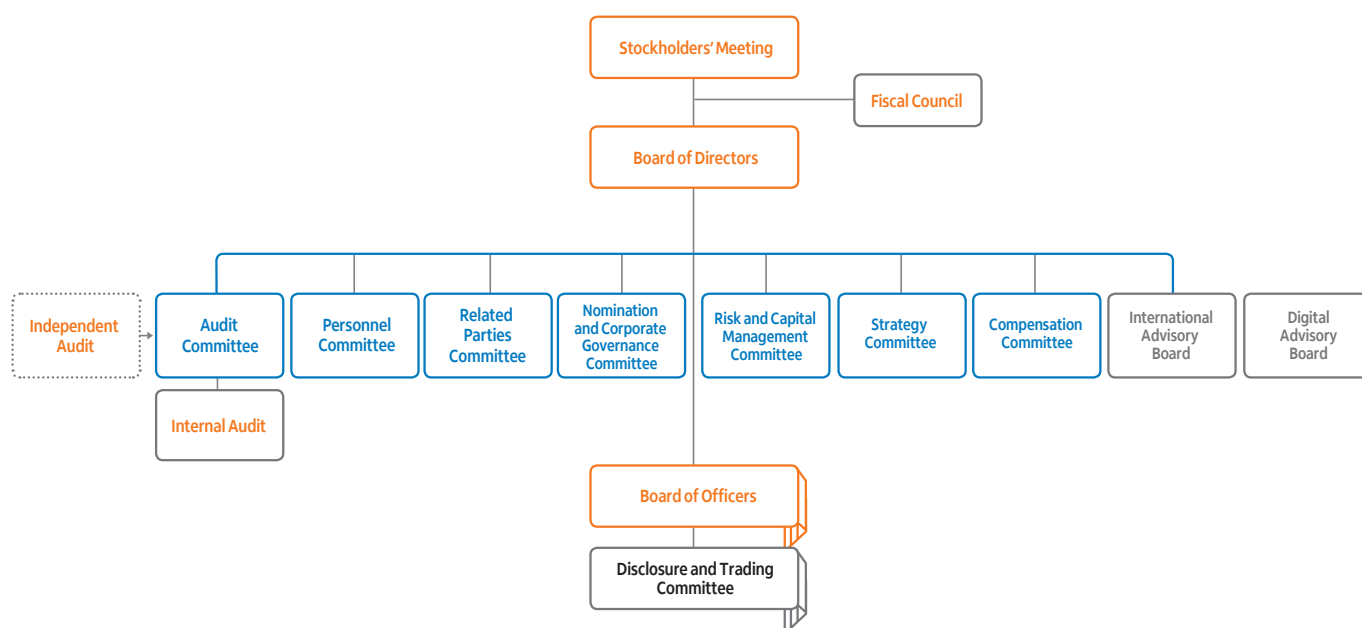
Since 2002, in line with our commitment to strengthen our position in the Brazilian capital markets, we have made a number of presentations in the regional offices of Association of Capital Markets Analysts and Investment Professionals (APIMEC). Beginning in 1996, we have also made presentations in the United States and Europe with respect to our governance practices. In these presentations, we have the opportunity to provide the financial community with details on our performance, strategies to add value, future perspectives and other important issues.

The following timeline illustrates the main Governance practices adopted over the years.



Management structure

Our management is structured so as to ensure that matters are extensively discussed and decisions are made on a collective basis. The chart and text below present our management bodies, their main functions and the management members that compose them.



General Stockholders' Meeting

Our General Stockholders' Meeting is our highest decision-making body, which gathers stockholders on a regular basis before the end of April of each year and, on a special basis, whenever corporate interests so require. At such meetings, stockholders vote on certain important items requiring their consent and approval.

It is the responsibility of our Board of Directors to call a stockholders' meeting. The first notice of the stockholders' meeting must be published no later than 15 days before the date of the meeting on the first call. Brazilian Corporate Law establishes that, under specified circumstances, the meeting may also be convened by the fiscal council or any stockholder.

The notice of a stockholders' meeting must be published three times, on different dates, in official newspapers widely circulated in São Paulo, our principal place of business, setting forth the place, date and time of the meeting, the meeting's agenda and, in the event of an amendment to our Bylaws, a description of the proposed change.

In addition to the requirements of Brazilian Corporate Law, we also publish notices in two different languages (Portuguese and English) on our Investor Relations website and email our subscribed investors and stockholders, as well as through CVM, B3, SEC and NYSE.

As a general rule, Brazilian Corporate Law provides that a quorum for a stockholders' meeting consists of stockholders representing at least 25% of a company's issued and outstanding voting share capital, on the first date the meeting is called for, and, if a quorum is not reached, any percentage of the company's voting share capital on a second date the meeting is called for. Generally, our meetings are held with a quorum representing approximately 90% of our voting share capital.

In order to attend a stockholders' meeting, stockholders must present an identification document. A stockholder may be represented at a stockholders' meeting by a proxy appointed less than a year before the meeting.

Since 2012, we made available an "Online Meeting" tool. This tool is an electronic voting platform that provides stockholders with more accessibility, allowing them to exercise their voting rights in advance, from any place. In September 2016, we voluntarily made available the Remote Voting Form, an electronic document by which stockholders can convey their voting instructions directly to the Company or through service providers. According to CVM Ruling No. 561/2015, as amended by CVM Ruling No. 594/2017, we are obligated to provide the Remote Voting Form from 2017 onwards.

Fiscal Council

The Fiscal Council is an independent body composed of three to five members elected annually by our stockholders to supervise the activities of our management, to examine our financial statements for the year ended and to issue an opinion on such financial statements, among other duties established by Brazilian law. The fiscal council must operate independently from management, our external auditors and the Audit Committee.

Although its permanent existence is not legally mandatory, we have had a Fiscal Council established and functioning continuously since 2000. Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/en/Rules_Fiscal_Council.pdf for each committee rules.

Board of Directors GRI 102-25

Our Board of Directors is the body responsible for establishing the general guidelines for our businesses, including our subsidiaries, which are elected annually by our shareholders.

Today, we have 12 members, 11 of whom are non-executive (91.66%), of which five are deemed independent (41.66%). Our Board of Directors holds ordinary meetings eight times per year and, hold extraordinary meetings, whenever necessary (in practice, an average of once per month). In order to promote turnover with respect to the members of the Board of Directors, our bylaws provide for the ineligibility of persons who have reached the age of 70 years.

The members of our Board of Directors must act in an exempt manner, in accordance with pre-established rules to avoid conflicts of interest. These rules include:

- Not taking part in resolutions related to matters in which the director's interests conflict with our interests. The director must inform the Board of Directors about the conflict of interest as soon as the matter giving rise to such conflict is included in the agenda or proposed by the Chairman of the Board, and in any event, before the beginning of any discussion on such matter;
- In the event the director or a company controlled or managed by the director carries out a transaction with any company of the Itaú Unibanco: (a) the transaction must be carried out at arm's length; (b) if it is not a customary transaction or involves the provision of services, the characteristics of the transaction must be evaluated, which prove it was carried out at arm's length; and (c) the transaction must be disclosed to and conducted under the governance of Related Party Transactions Policy and sent for the approval of the Related Parties Committee or the channels usually competent in the hierarchy of Itaú Unibanco, according to each case; and
- Serving on no more than four boards of directors of companies that do not belong to the same group.

Please refer to section Our governance, item Our Directors and Executive Officers for further information on our Board Members.

Committees of the Board of Directors

There are seven committees presented in the following management organization chart, which respond directly to the Board of Directors. Their members are elected by the Board of Directors for a term of one year, and must have proven knowledge in their respective areas of performance and technical qualification compatible with their duties.

The committees may hire outside experts but must always be careful to maintain the integrity and the confidentiality of their work.

Please refer to www.itaubr.com.br/investor-relations/corporate-governance/rules-and-policies for each committee's rules.

BOARD OF DIRECTORS

AUDIT

- Ensures the integrity of the Financial Statements
- Complies with legal and regulatory requirements
- Ensures the efficiency of internal controls
- Risk Management in general (third line of defense)

• 100% of the members are independent

• 146 meetings held over 36 days

• Since 2004

"Over 2017, we kept on our regular agenda. This year, among the topics the Committee endeavored most efforts were the reports from many departments on controls associated with information security risks, a topic that is the focus in many other sectors. We also highlight the work of the Audit Committees in the Company's subsidiaries and their relationship with the parent company's Committee. At last, we draw your attention to the fact that, over 2017, the Central Bank of Brazil issued relevant regulations, and in particular to those related to relationships with clients, compliance, internal audit and rules regarding credit card, as well as integrated risk management, which has resulted in a performance of the Audit Committee, which committed itself to monitor the management's actions for implementing the measures required for compliance with these regulations accordingly."

Diego Fresco Gutierrez – Financial expert of the Audit Committee

PERSONNEL

- Establishes policies for attracting and retaining talented professionals
- Proposes guidelines for recruiting and training employees
- Presents long-term incentive programs and monitors the culture of meritocracy

• 100% of the members are non-executive

• 3 meetings

• Since 2009

In 2017, at an event aimed at over 10,000 leaders in Brazil and abroad and later to the whole organization, we unveiled our Purpose of Encouraging People's Power of transformation and the six priority fronts of action on which we build up our efforts and ensure a more objective discussion on the results we pursue for the coming years. We also set off our efforts to improve the digital journey of our employees and the home office and flexible working hours pilot schemes experienced by 700 people. We also signed the commitment to WEPs (Women's Empowerment Principles) of the United Nations, and reviewed incentive models to teams that work in communities in the Technology area. The People agenda for 2018 gives increasing prominence to the fronts of action that will guide our work for the future: (1) improving the employees' experience in the company's day-to-day; a key factor to the organization's success; (2) respect diversity, in favor to the debate of ideas and innovation; and (3) reviewing incentive models of other departments, to support our transformation into a more digital and cooperative organizational culture."

Pedro Moreira Salles – Co-Chairman of the Board of Directors and Chairman of the Personnel Committee

RELATED PARTIES

- Manages transactions between related parties
- Ensures equality and transparency for these transactions

• 100% of the members are independent

• 15 meetings

• Since 2013

"In 2017, the Related Parties Committee reviewed the Company's Transactions with Related Parties Policy, and improved concepts, information flows and authority levels in connection with this type of operation accordingly. Over 20 cases were received and analyzed by the Committee, involving topics such as technology, donations and provision of financial services, of which two were disclosed to the market in accordance with CVM Instruction No. 480/09. Therefore, we once again met the commitment to keep a robust and transparent governance in transactions with related parties by ensuring equality among stockholders, investors and stakeholders."

Fábio Colletti Barbosa – Independent member of the Board of Directors and Chairman of the Related Parties Committee

NOMINATION AND CORPORATE GOVERNANCE

- Periodically reviews the criteria for nomination and succession
- Provides methodological support for the assessment of the Board of Directors and Chief Executive Officer
- Nominates members of the Board of Directors and General Directors
- Analyzes potential conflicts of interests

• 100% of the members are non-executive

• 2 meetings

• Since 2009

"In 2017, the Nomination and Corporate Governance Committee held significant discussions about the composition of the Board of Directors and of the committees reporting thereto, and had its agenda aimed mostly at improving our Corporate Governance, including the analysis of practices recommended by sustainability indexes and the Brazilian Corporate Governance Code. Moreover, a Management Succession Policy was approved aimed at ensuring that the Company has a pool of professionals at its disposal whose experiences and competencies contribute to the Company's good performance and preservation of value."

Alfredo Egidio Setubal – Member of the Board of Directors and of the Nomination and Corporate Governance Committee

Our governance A-54

Context

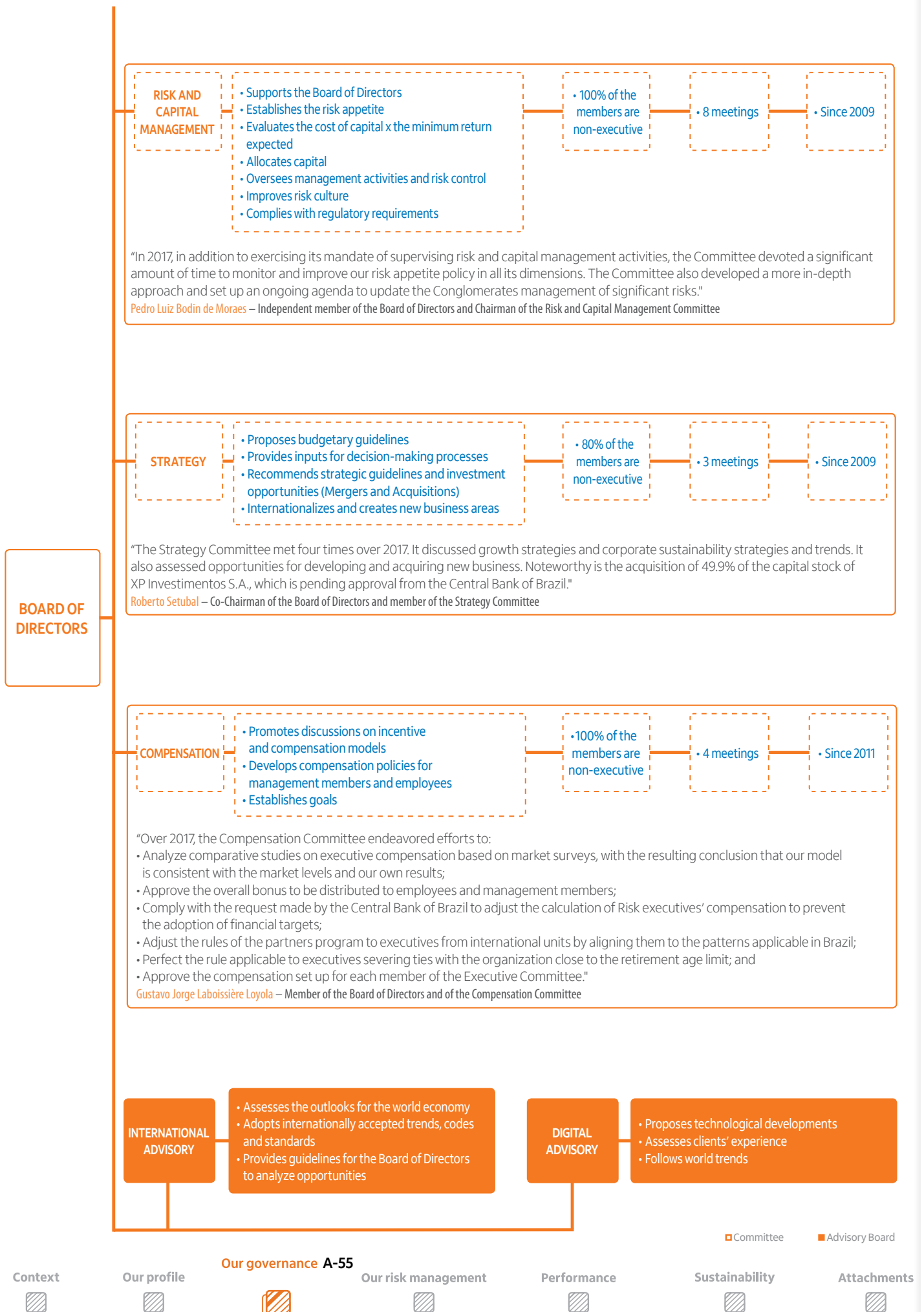
Our profile

Our risk management

Performance

Sustainability

Attachments



Internal Audit **GRI G4-DMA Audit (former FS9)**

Internal Audit, under the technical supervision of the Audit Committee, provides the Board of Directors and senior management with independent, impartial and timely evaluations of the effectiveness of risk management, the adequacy of controls and compliance with the regulations and rules related to the operations of the Conglomerate. Such evaluations occur periodically, with intervals generally from 12 to 36 months, following a methodology which is designed according to the standards of The Institute of Internal Auditors (IIA).

Internal Auditing requires the functions audited to establish action plans for the deficiencies identified, considering the deadlines which vary according to the risk rating.

Pre-approval of policies and procedures

Among the Audit Committee's responsibilities is to establish policies and procedures regarding services that can be provided by our external auditors. On an annual basis, the Audit Committee issues: (i) the list of those services which cannot be provided by our external auditors, due to the fact that such services could, eventually, affect their independence; (ii) the list of pre-approved services; and (iii) those services that need to be previously approved by the Audit Committee.

Fees and services of the principal auditor

The following table presents the total amount charged by PricewaterhouseCoopers Auditores Independentes by category for services rendered in 2017 and 2016:

(In thousands of R\$)				
Fees	2017	% Approved by the Audit Committee	2016	% Approved by the Audit Committee
Audit fees	61,835	100.0	60,512	100.0
Audit-related fees	6,478	100.0	4,755	100.0
Tax fees	416	100.0	453	100.0
All other fees	89	100.0	969	100.0
Total	68,819		66,689	

• **Audit fees:** corresponds to the audit of our annual financial statements, the review of our quarterly financial statements, as well as the audit and review of financial statements of our subsidiaries, services relating to issuance of comfort letters in securities offerings, issuance of reports required by regulatory bodies and audit of internal control over financial reporting in connection with the Sarbanes-Oxley Act requirements.

• **Audit-related fees:** corresponds to services provided in connection with the issuance of appraisal reports at book value, assistance related to review of documents to be filed with local and foreign regulatory bodies, including documents regarding compliance with legislation and regulations, audit of specific financial statements, compliance with greenhouse gas emissions controls and policies, due diligence activities, assurance of special purpose reports and previously agreed-upon procedures to review profit share calculation with respect to commercial partnership contracts.

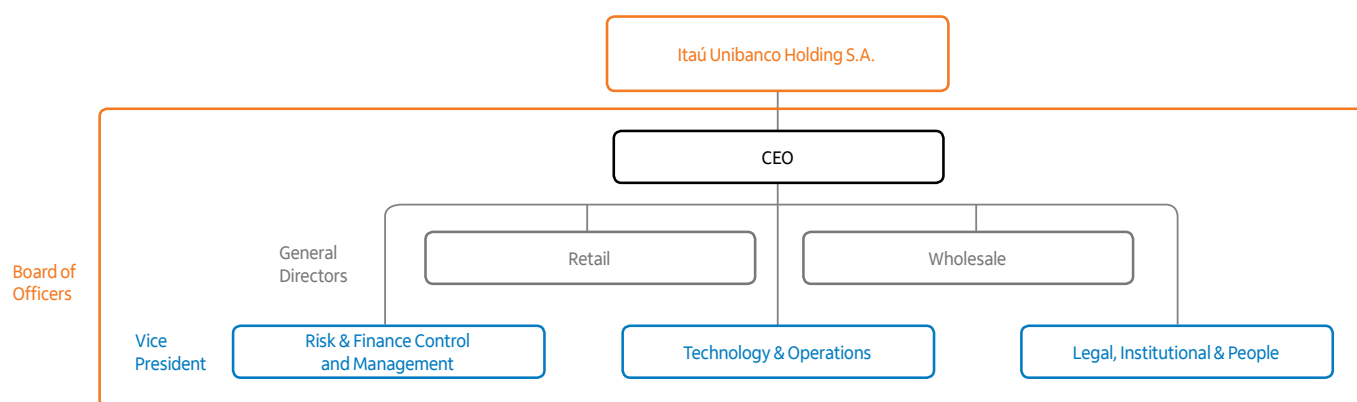
• **Tax fees:** corresponds to tax consulting and advising on cross-border transactions and review of Brazilian income tax.

• **Other fees:** corresponds to training, use of surveys and technical materials, consultancy related to internal processes and benchmarking of a middle market transaction, review of credit card debt negotiation process controls and advising on the revision of structuring sale of a credit portfolio.

Executive Committee

Our Executive Committee is responsible for conducting the business and strategy of products and segments, in order to implement the guidelines and goals defined by the Board of Directors.

As announced on November 9, 2016, structural changes were executed in the direction of Itaú Unibanco Holding. The following table sets forth the structure of our executive committee, consisting of the CEO, two General Directors and three Vice Presidents:



Please refer to section Our governance, item Our Directors and Executive Officers for further information on our Executive Officers.

Board of Officers

Our Board of Officers is elected annually by the Board of Directors and its role is to implement the guidelines proposed by our Board of Directors. The officers manage our daily business activities, ensuring the best allocation and management of our funds to accomplish our established goals. The structure of our Board of Officers takes into account the segmentation of our businesses, which demands in-depth knowledge in different areas, skills and business sectors given our organization's complexity.

The election of each member of our Board of Officers must be approved by the Central Bank. Also under Brazilian law, an acting officer retains his or her position until he or she is reelected or a successor takes office. Our officers are subject to internal and periodic assessment, in which performance criteria such as client satisfaction, personnel and financial management are considered.

Disclosure and Trading Committee

We were among the first publicly held companies in Brazil to have a Disclosure and Trading Committee. This body, established in 2005, reports to the Board of Officers and its duties and composition are described below:

Duties	Composition
<ul style="list-style-type: none"> • Manage the Policy for the Disclosure of Material Information and Policy for Trading Itaú Unibanco Holding S.A. Securities; • Carry out internal actions intended to improve the information flow; • Promote the ethical conduct of our management members and employees; and • Ensure transparency, quality, equality and security in the information provided to our stockholders, investors and other participants in the capital markets. 	<ul style="list-style-type: none"> • Members of the Board of Directors; • Members of the Board of Officers of Itaú Unibanco Holding or any other company of the Itaú Unibanco Conglomerate; • Professionals of proven knowledge in the capital markets area; and • Investor Relations Officer (permanent member of the Committee).

Our Directors and Executive Officers

Three of our directors, Alfredo Egydio Setubal, Ricardo Villela Marino and Roberto Egydio Setubal, are members of the Egydio de Souza Aranha family and two of our directors, João Moreira Salles and Pedro Moreira Salles, are members of the Moreira Salles family.

Our Board of Directors was elected and reelected on April 19, 2017 at our Annual Shareholders' Meeting. Pedro Moreira Salles, Roberto Egydio Setubal, Alfredo Egydio Setubal, Fábio Colletti Barbosa, Gustavo Jorge Laboissière Loyola, José Galló, Pedro Luiz Bodin de Moraes and Ricardo Villela Marino were reelected as members of our Board of Directors, each for a term of one year.

On the same date, Amos Genish, Geraldo José Carbone, João Moreira Salles and Marco Ambrogio Crespi Bonomi were also elected as members of the Board of Directors.

Mr. Candido Botelho Bracher left the Board of Directors to take office as our CEO. Messrs. Alfredo Egydio Arruda Villela Filho, Demosthenes Madureira de Pinho Neto and Nildemar Secches were not reelected as members of the Board of Directors.

We deemed directors Amos Genish, Fábio Colletti Barbosa, Gustavo Jorge Laboissière Loyola, José Galló and Pedro Luiz Bodin de Moraes to be independent members which represents 42% of our Board of Directors.

With respect to our Fiscal Committee, Alkimar Ribeiro Moura was reelected as effective member with João Costa, also being reelected as his alternate and José Caruso Cruz Henriques was reelected as effective member with Reinaldo Guerreiro, being elected as his alternate. Carlos Roberto de Albuquerque Sá was reelected as effective member with Eduardo Azevedo do Valle, also being reelected as his alternate.

At the Meeting of the Board of Directors of April 27, 2017, the members of our Board of Officers were reelected for a term of office of one year. At the same meeting Tatiana Grecco was elected as officer and Wagner Bettini Sanches was not re-elected.

The members of our Audit Committee were also reelected for a term of office of one year. On the same date, Gustavo Jorge Laboissière Loyola was elected as Chairman of the Audit Committee and Diego Fresco Gutierrez as our Financial Expert.

On May 25, 2017, the Central Bank approved the election and reelection (as applicable) of the members of our Board of Directors, Fiscal Council and Audit Committee.

On June 14, 2017, José Caruso Cruz Henriques was appointed Chairman of our Fiscal Committee and Councilor Alkimar Ribeiro Moura was appointed as his alternate in case of his absence or incapacity.

On September 28, 2017, at the Meeting of the Board of Directors, directors Andre Balestrin Cestare, Renato Barbosa do Nascimento and Tom Gouvêa Gerth were elected as officers. The Central Bank approved these elections on October 31, 2017.

On October 5, 2017, at the Meeting of the Board of Directors, the directors approved the nomination of Executive Officer Alexsandro Broedel to the position of Investor Relations Officer. On October 30, 2017, at the Meeting of the Board of Directors, Marcelo Kopel was removed from the position of Officer of Itaú Unibanco Holding and, therefore, ceased to exercise this function as of that date at this company.

On November 30, 2017, at the Meeting of the Board of Directors, the directors ratified the removal of Atilio Luiz Magila Albiero Junior as Officer of Itaú Unibanco Holding and, therefore, ceased to exercise this function as of that date at this company.

Board of Directors

Pedro Moreira Salles (Co-chairman)

Relevant skills and experience

Mr. Moreira Salles has held several positions within the Itaú Unibanco Group including Chairman of the Board of Directors (August 2009 to April 2017) and Executive Vice President (November 2008 to August 2009) of Itaú Unibanco Holding S.A.

He has also served as Vice Chairman of the Board of Directors (February 2010 to April 2012) of Banco Itaú BBA S.A.; Member of the Board of Directors (December 1989 to July 1990), Vice Chairman of the Board of Directors (July 1990 to December 2008), CEO (September 2004 to November 2008) and Director Vice President (November 2008 to October 2009) at Unibanco – União de Bancos Brasileiros S.A.; Vice Chairman of the Board of Directors (March 2008 to November 2008) and CEO (March 2007 to November 2008) of Unibanco Holdings S.A.; and Chairman of the Board of Directors (December 1995 to February 2009) of Unibanco Seguros S.A.

Mr. Moreira Salles has also been Chairman of the Board of Directors and CEO of Companhia E. Johnston de Participações since 2008.

He was also Member of the Board of Directors (November 2008 to June 2015) and has been CEO since June 2015 at IUPAR – Itaú Unibanco Participações S.A., having previously served as Chairman of the Board of Directors (November 2008 to April 2012). He was Member of the Board of Directors of Totvs S.A. (March 2010 to September 2017).

He has served as Vice Chairman of the Board of Directors of Porto Seguro S.A. (November 2009 to March 2012) and as Chairman of the Board of Directors of E. Johnston Representação e Participações S.A. (2001 to February 2009).

Other appointments

Mr. Moreira Salles has been Chairman of the Steering Committee of the Brazilian Federation of Banks (FEBRABAN) since March 2017.

Education

He has a Bachelor's degree, *magna cum laude*, in Economics and History from the University of California, Los Angeles. He also attended the International Relations Master's Program at Yale University and the Owner/President Management (OPM) Program at Harvard University, both in the United States.

Roberto Egydio Setubal (Co-chairman)

Relevant skills and experience

Mr. Setubal has held several positions within the Itaú Unibanco Group including CEO (November 1995 to April 2017), Vice Chairman of the Board of Directors (March 2003 to April 2017) and Chairman of the International Advisory Board (March 2003 to April 2009) at Itaú Unibanco Holding S.A.

Mr. Setubal has been Member of the Board of Directors and of the Audit Committee of Royal Dutch Shell (Netherlands) since October 2017.

He has also served as CEO (April 1994 to March 2015), General Director (July 1990 to April 1994) and Member of the Board of Directors (May 1991 to March 2003) at Itaú Unibanco S.A.

Mr. Setubal was also Chairman of the Board of Directors (November 2004 to April 2015) at Banco Itaú BBA S.A.; CEO (November 2008 to April 2011) at Unibanco – União de Bancos Brasileiros S.A.; and Chairman of the Board of Directors (July 2005 to April 2013) and CEO (March 2005 to July 2008) at Itauseg Participações S.A.

He has served as Director Vice President since May 1994 at Itaúsa – Investimentos Itaú S.A. and Chairman of the Accounting Policies Committee from August 2008 to April 2011.

Other appointments

Since 1994 he has been Member of the Board of the International Monetary Conference. He was President of the National Federation of Banks (FENABAN) and of the Brazilian Federation of Banks (FEBRABAN) from April 1997 to March 2001, and President of the Advisory Board of FEBRABAN (October 2008 to March 2017). In April 2000, Mr. Setubal became Member of the Trilateral Commission and International Board of NYSE and in 2002 he became Member of the International Advisory Committee of the Federal Reserve Bank of New York. In 2010, he became Member of the China Development Forum and, since 2015, he has been Co-chair of the World Economic Forum (WEF). He has also been Member of the Economic and Social Development Board of the Presidency of the Republic of Brazil (CDES) since November 2016.

Education

He has a Bachelor's degree in Production Engineering from the Engineering School of *Universidade de São Paulo* (USP), Brazil, in 1977 and a Master's degree in Science Engineering from Stanford University, United States, in 1979.

Alfredo Egydio Setubal (Member)

Relevant skills and experience

Mr. Setubal has held several positions within the Itaú Unibanco Group including Director Vice President (March 2003 to March 2015) and Investor Relations Officer (March 2003 to February 2015) at Itaú Unibanco Holding S.A.

He was Chairman of the Board of Directors (April 2008 to April 2013) of Investimentos Bemge S.A.; and Vice President (April 1996 to March 2015), Investor Relations Officer (1995 to 2003), Executive Officer (May 1993 to June 1996) and Managing Officer (1988 and 1993) at Itaú Unibanco S.A.

Mr. Setubal has also served as CEO and Investor Relations Officer since May 2015, Vice Chairman of the Board of Directors since September 2008, Coordinator since May 2015 and Member of the Ethics, Disclosure and Trading Committees since May 2009 and of the Investment Policies Committee from August 2008 to April 2011 at Itaúsa – Investimentos Itaú S.A.

Other appointments

He was Vice President (1994 to August 2003) and President (August 2003 to August 2008) of the National Association of Investment Banks (ANBID); Member of the Board of Directors (1999 to 2009) of the Brazilian Institute of Investors Relations (IBRI), and has been Chairman of its Superior Guidance, Nomination and Ethics Committee since 2009.

Mr. Setubal has also served as Member of the Advisory Board of the Association of Broker-Dealers (ADEVAL) since 1993; Member of the Board of Directors at the Brazilian Association of Listed Capital Companies (ABRASCA) since 1999; and Financial Officer of the São Paulo Museum of Modern Art (MAM) since 1992.

Education

He has Bachelor's and Postgraduate degrees in Business Administration from *Fundação Getúlio Vargas* (FGV), São Paulo, Brazil, with a specialization course at INSEAD (France).

Amos Genish (Independent Member)

Relevant skills and experience

Mr. Genish has vast experience in the high-tech and telecommunications industry. He served as CEO at Telefônica Brasil S.A. (May 2015 to November 2016) and Member of the Board of Directors (May 2015 to January 2017).

He was CEO of Global Village Telecom S.A. (1999 to 2015) and of Edunetics (1995 to 1996), a software system company whose shares were traded on NASDAQ until 1996, when it was acquired by National Education Corporation. He was also Member of the Board of Directors of Vivendi S.A. (2011 to 2012).

Mr. Genish worked in several management positions at the National Association of Telephone and Mobile Services Companies (SINDITELEBRASIL), Innweb Ltda., POP Internet Ltda. and GVT Participações S.A.

He was part of the team that founded GVT in 1999 and was its CEO during its successful IPO (2007) and subsequent takeover by Vivendi in 2009.

Education

He has a Bachelor's degree in Economics and Accounting from the University of Tel-Aviv, Israel.

Fábio Colletti Barbosa (Independent Member)

Relevant skills and experience

Mr. Barbosa has been Member of the Board of Directors of Natura Cosméticos S.A. since May 2017 and Member of the Board of Directors of Cia. Hering since May 2017.

He was CEO (September 2011 to March 2014) at Abril Comunicações S.A.; Chairman of the Board of Directors (January 2011 to September 2011) at Banco Santander (Brasil) S.A.; Chairman of the Board of Directors (August 2008 to December 2010) at Banco Santander S.A.; and CEO (1998 to 2008) at Banco Real S.A.

Other appointments

Mr. Barbosa has also served as Chairman of the Board of Directors at Fundação OSESP since 2012; Member of the Governing Council at Insper – *Instituto de Ensino e Pesquisa* since 2010; Board Member at UN Foundation (USA) since 2011; Member of the Board of Directors at Instituto Empreender Endeavor since 2008; Member of the Board of Directors at Almar Participações S.A. since 2013; and Member of the Investment Committee at Gávea Investments since September 2015.

Education

He has a Bachelor's degree in Economics from the School of Economics of *Fundação Getúlio Vargas* (FGV), São Paulo, Brazil, and a Master's degree in Business Administration from the Institute for Management Development, Lausanne, Switzerland.

Geraldo José Carbone (Member)

Relevant skills and experience

Mr. Carbone has held several positions within the Itaú Unibanco Group including Member of the Board of Directors from August 2006 to April 2008 of Itaú Unibanco Holding S.A.; Director Vice President of Itaú Unibanco S.A. (April 2008 to April 2011); Executive Officer of Unibanco – União de Bancos Brasileiros S.A. (November 2008 to October 2009); Director Vice President of Banco Itaúbank S.A. (April 2009 to April 2011), and Director Vice President of Itaú Vida e Previdência S.A. (March 2009 to March 2011).

He has been Managing Partner of G/xtrat Consultoria Econômica Ltda. since 2011, and of GC/Capital Empreendimentos e Participações Ltda. since 2011.

He was CEO of Bank Boston (July 1987 to August 2006); Vice President of the Asset Management Division (1994 to 1997); and Officer of the Economics Department and of the Investment Research Unit in Brazil (1991 to 1994).

He was also Chief Economist of Bunge y Born (1982 to 1987).

Education

He has a Bachelor's degree in Economics from *Universidade de São Paulo* (USP) in 1978.

Gustavo Jorge Laboissière Loyola (Independent Member)

Relevant skills and experience

Mr. Loyola was Member of the Fiscal Council (March 2003 to April 2006) of Itaú Unibanco Holding S.A.

He has been Partner at Tendências Consultoria Integrada S/S Ltda. since November 2002 and at Tendências Conhecimento Assessoria Econômica Ltda. since July 2003, and Managing Partner at Gustavo Loyola Consultoria S/C since February 1998.

Mr. Loyola was Governor (November 1992 to March 1993 and June 1995 to November 1997) of the Central Bank of Brazil and Governor of the National Financial System Regulation and Organization (March 1990 to November 1992).



Education

He has a Bachelor's degree in Economics from *Universidade de Brasília* (1979) and a Ph.D. in Economics from *Fundação Getúlio Vargas*, Rio de Janeiro, Brazil (1983).

João Moreira Salles (Member)

Relevant skills and experience

Mr. Moreira Salles has held several positions within the Itaú Unibanco Group including Member of the Board of Directors of Iupar – Itaú Unibanco Participações S.A. since 2015. He also served as Economist of Banco Itaú BBA Creditanstalt S.A. (2002 to 2003).

He is currently Officer of Brasil Warrant Administração de Bens e Empresas S.A., where, since 2013, he has been co-responsible for the management of BW Gestão de Investimentos (BWGI) and Member of the Investment (CO-CIO), Risk and Operational Committees; Member of the Advisory Board of Cambuhy Agrícola and responsible for the monitoring of other BWSA subsidiaries.

He has been Partner of Cambuhy Investimentos since 2013; Member of the Investment Committee since 2013; and was Member of the Board of Directors of investee Parnaíba Gás Natural (2014 to 2017).

He was Investment Banker of J. P. Morgan Chase, NY, U.S. (2011 to 2013), and Chief Economist of ForeSee Asset Management, SP, Brazil (2003 to 2005).

Education

He has a Bachelor's degree in Economics from INSPER (IBMEC-SP) in 2003; Master's degree in Economics from Columbia University, GSAS, NY, U.S. (2007), and a Master's degree in Finance from Columbia University, GSB, NY, U.S. (2009). He also has a Ph.D. in Economic Theory from *Universidade de São Paulo* (FEA-USP) in 2012.

José Galló (Independent Member)

Relevant skills and experience

Mr. Galló has been Member of the Board of Directors of Lojas Renner S.A. since 1998 and CEO since March 1999, and he was also Chairman of the Board (1999 to 2005) and Superintendent Director (September 1991 to March 1999).

Mr. Galló has also served as Officer at Renner Administradora de Cartões de Crédito Ltda. since September 2005; Officer at Dromegon Participações Ltda. since September 2005; Officer at LR Investimentos Ltda. since August 2008 and Officer at Realize Participações S.A. since December 2015.

He was CEO (December 2016 to August 2017) at Realize Crédito, Financiamento e Investimento S.A. and Member of the Board of Directors (April 2007 to May 2016) at SLC Agrícola S.A.

Mr. Galló has served as Member of the Governing Council at *Instituto Lojas Renner* since June 2008; Officer at Rumos Consultoria Empresarial Ltda. since March 1987; and Member of the Board of Directors at Localiza Rent a Car S.A. since October 2010.

Other appointments

Mr. Galló has served as Member of the Board of Directors at the Brazilian Retail Development Institute (IDV) since July 2004 and has been Vice Chairman of the Retail Managers Chamber of Porto Alegre since June 2004.

Education

He has a Bachelor's degree in Business Administration from the São Paulo School of Business Administration – *Fundação Getúlio Vargas* (FGV), Brazil, in 1974.

Marco Ambrogio Crespi Bonomi (Member)

Relevant skills and experience

Mr. Bonomi has held several positions within the Itaú Unibanco Group including General Director (July 2015 to April 2017) of Itaú Unibanco Holding S.A.

He has also served as General Director (April 2015 to April 2017), Director Vice President (April 2007 to March 2015), Executive Officer (April 2004 to April 2007), Senior Managing Officer (October 2000 to April 2004), Managing Officer (August 1998 to October 2000) at Itaú Unibanco S.A.

Mr. Bonomi was also Executive Officer (November 2008 to June 2014) at Unibanco – União de Bancos Brasileiros S.A.

Other appointments

Mr. Bonomi was Vice President of the Brazilian Association of Credit, Financing and Investment Institutions (ACREFI) from April 2004 to April 2011.

Education

He has a Bachelor's degree in Economics from *Fundação Armando Álvares Penteado* (FAAP), São Paulo, Brazil (1978) and attended a Financial Executive Advanced course at *Fundação Getúlio Vargas* (FGV), Brazil, in 1982, and a course on Capital Markets at New York University (1984).

Pedro Luiz Bodin de Moraes (Independent Member)

Relevant skills and experience

Mr. Moraes has been Partner at Cambuhy Investimentos Ltda. since 2011 and at Ventor Investimentos Ltda. since 2009.

He was Member of the Board of Directors (July 2003 to December 2008) of Unibanco – União de Bancos Brasileiros S.A.; Officer (2002 to 2003) and Partner (2005 to 2014) at Icatu Holding S.A.; and Officer and Partner (1993 to 2002) at Banco Icatu S.A.

Mr. Moraes has also served as Monetary Policy Director (1991 to 1992) at the Central Bank of Brazil and as Officer (1990 to 1991) at the Brazilian Development Bank (BNDES).

Education

He has Bachelor's and Master's degrees in Economics from *Pontifícia Universidade Católica do Rio de Janeiro* (PUC-RJ) and a Ph.D. in Economics from the Massachusetts Institute of Technology (MIT).

Ricardo Villela Marino (Member)

Relevant skills and experience

Mr. Marino has held several positions within the Itaú Unibanco Group including Executive Vice President at Itaú Unibanco S.A. since August 2010 and was Executive Officer (September 2006 to August 2010), Senior Managing Officer (August 2005 to September 2006) and Managing Officer (December 2004 to August 2005).

He has also been Alternate Member of the Board of Directors of Itaúsa – Investimentos Itaú S.A. since April 2011, Alternate Member of the Board of Directors of Duratex S.A. since April 2009, Alternate Member of the Board of Directors of Elekeiroz S.A. since April 2009 and Alternate Member of the Board of Directors of Itaútec S.A. since April 2009.

Education

He has a Bachelor's degree in Mechanical Engineering from the Engineering School of *Universidade de São Paulo* (USP), in 1996, and a Master's degree in Business Administration from MIT Sloan School of Management, Cambridge, U.S. (2000).

Board of Officers

Candido Botelho Bracher (CEO)

Relevant skills and experience

Mr. Bracher has held several positions within the Itaú Unibanco Group including Wholesale Banking General Director (July 2015 to May 2017), Vice President (August 2005 to June 2015) and Member of the Board of Directors (February 2009 to April 2017) at Itaú Unibanco Holding S.A.

He has also served as Vice Chairman of the Board of Directors (March 2013 to April 2015), CEO (August 2005 to February 2015), and Vice President (February 2003 to August 2005) at Banco Itaú BBA S.A.

Mr. Bracher was also Member of the Board of Directors (April 2009 to June 2014) of BM&FBOvespa S.A. (currently B3 S.A. – Brasil, Bolsa, Balcão); Alternate Member of the Board of Directors (September 1999 to June 2005) and Member of the Board of Directors (June 2005 to March 2013) of Pão de Açúcar – Companhia Brasileira de Distribuição; and Officer and Partner (1988 to 2003) at Banco Itaú BBA Creditanstalt S.A.

Education

He has a Bachelor's degree in Business Administration from the São Paulo School of Business Administration – *Fundação Getúlio Vargas* (FGV), Brazil, in 1980.

Eduardo Mazzilli de Vassimon (General Director)

Relevant skills and experience

Mr. Vassimon has held several positions within the Itaú Unibanco Group including Director Vice President (April 2015 to December 2016) and Executive Officer (March 2013 to April 2015) at Itaú Unibanco Holding S.A.

He has served as General Director at Itaú Unibanco S.A. since December 2016 and was Director Vice President (March 2013 to December 2016) and Foreign Exchange General Manager (1980 to 1990).

Mr. Vassimon has been CEO at Banco Itaú BBA S.A. since December 2016 and was also Member of the Board of Directors (November 2004 to April 2015), and Vice Chairman (November 2004 to December 2008), in charge of the international, financial institutions, products, customer service and treasury departments.

He was also Member of the Board of Directors (May 2013 to December 2016) of Banco Itaú BMG Consignado S.A.; Member of the Board of Directors (February 2013 to April 2017) of Investimentos Bemge S.A.; Member of the Board of Directors (April 2015 to June 2017) of Dibens Leasing S.A. – Arrendamento Mercantil; and Deputy Foreign Exchange Officer (1990 to 1991) and Officer of the International Department (1992 to 2003) at Banco BBA-Creditanstalt S.A.

Education

He has a Bachelor's degree in Economics from the School of Economics of *Universidade de São Paulo* (USP) in 1980, and in Business Administration from *Fundação Getúlio Vargas* (FGV), Brazil, in 1980, and a Postgraduate degree from EAESP/FGV (1982) and from *École des Hautes Études Commerciales*, France (1982).

Márcio de Andrade Schettini (General Director)

Relevant skills and experience

Mr. Schettini has held several positions within the Itaú Unibanco Group including General Director at Itaú Unibanco S.A. since April 2015 and Director Vice President (November 2008 to March 2015).

He was also Director Vice President (April 2004 to April 2009) at Unibanco – União de Bancos Brasileiros S.A.

Education

He has a Bachelor's degree in Electric Engineering and a Master's degree from *Pontifícia Universidade Católica do Rio de Janeiro* – PUC-RJ, where he also attended a specialization course on mathematical systems and modeling. He also has a Master's degree in Finance from the University of London and attended the Owners/President Management (OPM) Program at Harvard University.

André Sapoznik (Vice President)

Relevant skills and experience

Mr. Sapoznik has held several positions within the Itaú Unibanco Group including Director Vice President at Itaú Unibanco S.A. since December 2016, Executive Officer (December 2011 to December 2016) and Officer (April 2009 to December 2011).

He joined Unibanco in 1998.

Education

He has a Bachelor's degree in Production Engineering from the Engineering School of *Universidade de São Paulo* (USP) and an MBA from Stanford University Graduate School of Business.

Caio Ibrahim David (Vice President)

Relevant skills and experience

Mr. David has held several positions within the Itaú Unibanco Group including Executive Officer (June 2010 to April 2015) at Itaú Unibanco Holding S.A. He is currently CFO and CRO of the Conglomerate.

He has served as Director Vice President at Itaú Unibanco S.A. since May 2013 and was also Executive Officer (May 2010 to April 2013). He joined the Group in 1987 as a trainee and has worked in the Controllershship, Market and Liquidity Risk Control and Treasury departments.

Mr. David was Executive Officer (May 2008 to April 2010), Officer (March 2003 to April 2008) at Banco Itaú BBA S.A. He has worked in the Finance, Risks, Market Intelligence, Products and Operations departments.

He has been Member of the Board of Directors of Investimentos Bemge S.A. since April 2012 and was its Director Vice President (October 2010 to April 2013).

He has also been Member of the Board of Directors at Dibens Leasing S.A. – Arrendamento Mercantil since July 2010 and was Executive Officer (April 2010 to April 2013) and CEO (May 2013 to March 2015) at Itaúseg Participações S.A.

Mr. David has served as Vice Chairman of the Board of Directors (June 2010 to December 2012) and Member of the Board of Directors (May 2010 to December 2012) of Redecard S.A.

Education

He has a Bachelor's degree in Engineering from *Universidade Mackenzie* (1986 to 1990) and a Postgraduate degree in Economics and Finance from *Universidade de São Paulo* (USP), from 1992 to 1993. He also has a Master's degree in Controllershship from *Universidade de São Paulo* (USP), from 1994 to 1997, and MBA from New York University (1997 to 1999) with specialization in Finance, Accounting and International Business.

Claudia Politanski (Vice President)

Relevant skills and experience

Ms. Politanski has held several positions within the Itaú Unibanco Group including Executive Officer (November 2008 to March 2015) at Itaú Unibanco Holding S.A.

She has been Director Vice President at Itaú Unibanco S.A. since July 2013 and was also Executive Officer (February 2010 to July 2013).

Ms. Politanski was also Executive Officer (August 2007 to July 2014), Officer (February 2006 to August 2007) and Deputy Officer (July 2003 to February 2006) at Unibanco – União de Bancos Brasileiros S.A.

Education

She has a Bachelor's degree in Law from *Universidade de São Paulo* (USP) in 1992 and a Master's degree in Law from the University of Virginia.

Alexsandro Broedel (Executive Officer)

Relevant skills and experience

Mr. Broedel has held several positions within the Itaú Unibanco Group including Group Chief Accounting Officer and Group Controller (August 2012 to March 2015) and Finance Executive Officer (since 2015) and Investor Relations Officer at Itaú Unibanco Holding S.A. (since October 2017).

Other appointments

Prior to his appointment at Itaú Unibanco, Alexsandro was a Commissioner of the Securities and Exchange Commission of Brazil (2010-2011).

In addition to his functions at Itaú Unibanco, Alexsandro is a Board Member at IRB Brasil Resseguros S.A., Board Member at the International Integrated Reporting Committee (IIRC) and member of the Accounting Standards Advisory Forum (ASAF) of the International Accounting Standards Board (IASB). From 2013 to 2017 Mr. Broedel has also been Member of the Board of Directors of CETIP S.A. - Mercados Organizados (Organized Over-the-counter Market in Assets and Derivatives). He was Consultant (2007 to 2009) at Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados and Member of the Audit Committee (2012) of BM&FBovespa S.A. (currently B3 – Brasil, Bolsa, Balcão).

Mr. Broedel has been part-time Professor of Accounting and Finance at University of São Paulo since 2002. He is also a Professor of Practice at the Manchester Business School in the UK. Prior to those appointments he was a Visiting Lecturer at the London School of Economics.

Education

Alexsandro is Chartered Management Accountant (FCMA, CGMA) and has a Ph.D. in Accounting and Finance from Manchester Business School (2008). He also has B.Sc. degrees in both Law and Accounting from the University of São Paulo.

Fernando Barçante Tostes Malta (Executive Officer)

Relevant skills and experience

Mr. Malta has held several positions within the Itaú Unibanco Group including Executive Officer at Itaú Unibanco S.A. since March 2015, working for the Executive Boards of Office of Internal Controls and Compliance from March 2016 up to this date; Cards Operations, Rede (Redecard), Mortgage Loans, Vehicle Financing, Consortia, Collection, Legal Operations, and all active customer services of Itaú Unibanco (February 2015 to February 2016).



Also at Itaú Unibanco S.A., Mr. Malta was Officer in Customer Service, Operations and Card Services, Mortgage Loans, Vehicle Financing, Consortia, Insurance and Capitalization Operations (March 2013 to January 2015); Customer Service, Operations and Services Officer of Consumer Credit (cards and financing companies) (May 2011 to February 2013); Customer Service Officer of the Consumer Credit department (cards and financing companies) (February 2009 to April 2011); and Channel and CRM Officer (Unibanco, prior to the merger) (December 2004 to January 2009).

He started his career in 1988, working in many different positions.

Mr. Malta has also worked in the management of the Channels, Branches and Institutional Portfolio departments and participated in a number of projects/initiatives (1995 to 2008) at Unibanco – União de Bancos Brasileiros S.A.

He has also served as Alternate Member of the Board of Directors of Tecnologia Bancária S.A.; Deputy Member of the Board of Directors of Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento; and as Alternate Member of the Board of Directors of Financeira Itaú CBD Crédito, Financiamento e Investimento and Banco Carrefour S.A.

Education

He has a Bachelor's degree in Information Technology from *Pontifícia Universidade Católica do Rio de Janeiro – PUC-RJ* and MBA from *Fundação Dom Cabral* (1988). Mr. Malta also attended an extension course in Strategy from the Kellogg School of Management (FDC) (2003) and an extension course in Banking Management from the Swiss Finance Institute (2011).

Leila Cristiane Barboza Braga de Melo (Executive Officer)

Relevant skills and experience

Ms. Melo has held several positions within the Itaú Unibanco Group including Executive Officer at Itaú Unibanco S.A. since April 2015. She has been working at the Conglomerate for over 20 years and is currently responsible for the entire Legal Department, which encompasses Legal - Litigation, Legal - Retail Business, Legal - Wholesale Business and Legal - Institutional and International. Since 2014, she has also been working as Ombudsman Officer.

Ms. Melo has also served as Deputy Officer (October 2008 to April 2009) at Unibanco – União de Bancos Brasileiros S.A. She joined Unibanco in 1997, working in the Legal Advisory Department of Unibanco in operations involving banking products, credit card, and real estate and vehicle financing, and in projects related to mergers and acquisitions, corporate restructuring processes and capital markets, among others.

Other appointments

She is also Member of the International Women's Forum (IWF) and Member of W.I.L.L. – Women in Leadership in Latin America (organization with international coverage focused on improving the individual and collective value of women in leadership positions in Latin America).

Ms. Melo has also worked in the Project Finance and Securities Departments of the Debevoise & Plimpton firm in New York and on the Women Up Program – Building a Global Leadership Community promoted by McKinsey & Company, Inc.

Education

She has a Bachelor's degree in Law from *Universidade de São Paulo (USP)* and attended a Specialization course on Financial Law and Capital Markets from the Brazilian Institute of Capital Markets and on Fundamentals of Business Law from New York University (NYU).

Paulo Sergio Miron (Executive Officer)

Relevant skills and experience

Mr. Miron is Member of the Audit Committee of Porto Seguro S.A.; Member of the Fiscal Council of the *Maria Cecilia Souto Vidigal Foundation*; and Executive Officer of Instituto Unibanco.

He was Partner at PricewaterhouseCoopers, São Paulo, Brazil (1996 to 2015) and the partner responsible for the audit work at large Brazilian financial conglomerates, including Unibanco – União de Bancos Brasileiros (1997 to 2000), Banco do Brasil (2001 to 2005) and Itaú Unibanco S.A. (2009 to 2013).

At PricewaterhouseCoopers, Brasília, Federal District (DF), Brazil, Mr. Miron was Partner (2001 to 2008) and he also was the partner responsible for PwC Brazil's department for the provision of services to the government (2004 to 2008) and the partner responsible for PwC Brazil's banking department (1997 to 2008).

Other appointments

He was also coordinator of PwC Brazil's department of training at financial institutions for over 10 years and worked as college professor for a number of years teaching courses related to the financial market.

He is member of the Brazilian Institute of Accountants and speaker at many seminars related to financial instruments and auditing.

Education

He has a Bachelor's degree in Accounting from *Universidade São Judas Tadeu*, São Paulo, Brazil, and in Economics from *Universidade Mackenzie*, São Paulo, Brazil.

Adriano Cabral Volpini (Officer)

Relevant skills and experience

Mr. Volpini has held several positions within the Itaú Unibanco Group including Corporate Security Officer at Itaú Unibanco S.A. since July 2012.

Also at Itaú Unibanco S.A., Mr. Volpini has served as Superintendent of Prevention of Unlawful Acts (August 2005 to March 2012), Manager of Prevention of Unlawful Acts (January 2004 to July 2005), Inspection Manager (June 2003 to December 2003), Inspector (January 1998 to March 2003) and Auditor (May 1996 to December 1997) and worked in the Branch Operation Department (March 1991 to April 1996). He also holds a management position in many companies of the Itaú Unibanco Conglomerate.



He has also been Officer at Banco Itaú BBA S.A. since April 2016 and Officer at Dibens Leasing S.A. – Arrendamento Mercantil since January 2014 where he also worked as Executive Officer (June 2012 to January 2014).

Education

He has a Bachelor's degree in *Social Communication from Fundação Armando Álvares Penteado (FAAP)* from 1991 to 1995, a Postgraduate degree in Accounting and Financial Administration from *Fundação Armando Álvares Penteado (FAAP)* from 1998 to 2000, and MBA in Finance from the Brazilian Institute of Capital Markets – IBMEC (2000 to 2002).

Álvaro Felipe Rizzi Rodrigues (Officer)

Relevant skills and experience

Mr. Rodrigues has held several positions within the Itaú Unibanco Group including Officer at Itaú Unibanco S.A. since October 2014; Legal Superintendent (July 2008 to August 2014) and Legal Manager (March 2006 to July 2008).

Also at Itaú Unibanco S.A., Mr. Rodrigues worked as Coordinator and Supervisor of Legal M&A (Mergers and Acquisitions) Department, Domestic Corporate Legal Department and Corporate Governance, Paralegal Corporate Affairs Department, Legal Department – Contracts, Equity, Marketing and Third Sector, and International Legal Department (responsible for the matrix management of the legal teams of the Itaú Unibanco Conglomerate's foreign units and for the monitoring and assessment of the main legal issues regarding these units), and Legal Retail Business Department (responsible for the legal issues related to products and services of the retail banking and insurance company).

He has also served in the Corporate Law and Contracts Law departments (August 1998 to February 2005) of Tozzini Freire Advogados.

Education

He has a Bachelor's degree in Law from the Law School of Universidade de São Paulo (USP) in 1999. He also attended a Specialization course in Business Law from Pontifícia Universidade Católica de São Paulo – PUC-SP (2001) and has a Master's degree (LL.M.) from Columbia University Law School in New York, U.S. (2004).

Andre Balestrin Cestare (Officer)

Relevant skills and experience

Mr. Cestare has held several positions within the Itaú Unibanco Group including Officer of Itaú Unibanco S.A. since August 2017, where he was the Finance Superintendent responsible for the financial planning of the Retail Banking, the analysis and disclosure of results and changes from budget; budgeting and monitoring the performance of products under Retail management (April 2016 to July 2017); he was also responsible for the Accounting Management of Loan Operations and contact to regulatory bodies, including sending regulatory information on loan portfolio, and calculating and controlling the allowance for loan losses (June 2015 to April 2016); responsible for preparing, analyzing and disclosing the managerial budget, calculating managerial result by product, sales channel and operation, and

costing model calculations (June 2014 to June 2015); responsible for preparing, analyzing and disclosing the managerial budget (June 2012 to June 2014), and responsible for calculating the Treasury managerial result, providing support to management of structural and proprietary positions, and supporting the Treasury result budget (June 2010 to June 2012).

He has also been Officer of Investimentos Bemge S.A. since August 2017.

Education

He has a Bachelor's degree in Mechanical Engineering from the Engineering School of *Universidade de São Paulo (USP)* in 2000, a Postgraduate degree in Business Administration from *Fundação Getúlio Vargas (FGV)*, São Paulo, Brazil (2002), and a Professional Master's degree in Finance and Economics from *Fundação Getúlio Vargas (FGV)*, São Paulo, Brazil (2007). He also attended the Executive Qualification Program from *Fundação Dom Cabral* (2016).

Eduardo Hiroyuki Miyaki (Officer)

Relevant skills and experience

Mr. Miyaki has held several positions within the Itaú Unibanco Group including Officer at Itaú Unibanco S.A. since April 2017 and from May 2010 to August 2011.

Mr. Miyaki worked as Manager of the Money Laundering and Frauds Prevention program of Itaú Unibanco (1996 to 2003) and was the manager responsible for the Internal Audit of the Asset Management and Treasury departments (2003 to 2004). He worked on the coverage of risks of Capital Markets, Pension Plan and Securities departments as Internal Audit Superintendent (2005 to 2010) and was responsible for the internal audit activities of the wholesale banking, wealth management and international units (May 2010 to February 2017), when he started to coordinate the Operational Risk Control and Internal Controls activities of Itaú Unibanco Holding Financeira to this date.

Mr. Miyaki has also been Officer at Banco Itaú BBA S.A. since April 2017.

Education

He has a Bachelor's degree in Civil Engineering from *Universidade de São Paulo (USP)* in 1994 and attended a Specialization course in Sanitation from the Federal University of Gundai, Japan (1996). He also attended a Specialization course in Business Administration from CEAG at *Fundação Getúlio Vargas (FGV)*, São Paulo, Brazil (July 1998) and has an MBA in Finance and International Business from Leonard Stern School of Business of New York University (May 2003).

Emerson Macedo Bortoloto (Officer)

Relevant skills and experience

Mr. Bortoloto joined Itaú Unibanco S.A. in July 2003, assuming positions in the Internal Audit Department. Since November 2008, he has been responsible for assessing processes related to market, credit and operational risks, in addition to project auditing and continuous auditing. He was also responsible for auditing the information technology and retail credit analysis and granting processes.



Education

He has a Bachelor's degree in Data Processing Technology from *Faculdades Integradas Tiberiça*, a Postgraduate degree in Audit and Consulting in Information Security from *Faculdades Associadas de São Paulo* (FASP) and, in 2004, he obtained the CISA certification issued by the Information Systems Audit and Control Association (ISACA). He also has MBA in Internal Auditing from the Institute for Accounting, Actuarial and Financial Research Foundation (FIECAFI).

Gilberto Frussa (Officer)

Relevant skills and experience

Mr. Frussa has held several positions within the Itaú Unibanco Group including Corporate Compliance Officer at Itaú Unibanco S.A. since March 2017. He has been Officer since April 2014 and he worked as Retail Products and Business Legal Officer (April 2016 to March 2017).

Mr. Frussa has also been Officer at Dibens Leasing S.A. since June 2017 and Officer at Banco Itaú BBA S.A. since June 2017. At Itaú BBA S.A., he was also Officer (June 2006 to February 2016) and Attorney (April 1995 to June 2006).

He was also Partner (October 1993 to April 1995) at Carvalho Pinto, Monteiro De Barros, Frussa & Bohlsen – Advogados, responsible for the banking law department, Attorney (October 1989 to October 1993) at Banco BBA-Creditanstalt S.A., and Law trainee and legal assistant in the Contracts and Intellectual Property departments (September 1986 to May 1989) at Pinheiro Neto – Advogados.

Other appointments

Mr. Frussa was also Chairman of the Legal Affairs Committee (2012 to 2015) of the Brazilian Financial and Capital Markets Association (ANBIMA) and Effective Member of the Appeals Council for the National Financial System (CRSFN) in the capacity of representative of the National Association of Investment Banks (ANBID) (2000 to 2003) and in the capacity of representative of ANBIMA (2011 to 2013).

Education

He has a Bachelor's degree in Law from *Universidade de São Paulo* (USP) in 1989.

José Virgílio Vita Neto (Officer)

Relevant skills and experience

Mr. Vita Neto has held several positions within the Itaú Unibanco Group including Officer at Itaú Unibanco S.A. since October 2011.

He joined Unibanco - União de Bancos Brasileiros S.A. in February 2000 and worked as lawyer until June 2003. He was responsible for the wholesale banking's legal consulting department, particularly, structured operations and real estate loans. Mr. Vita Neto worked as Legal Manager (June 2003 to June 2008), being responsible for the wholesale banking's legal department, including, particularly, structured operations, real estate loans, foreign exchange, derivatives and project financing; retail legal consulting and administrative and investigative proceedings, including those related to consumer

protection bodies. He also worked as Legal Superintendent (June 2008 to October 2009), responsible for retail legal consulting, administrative and investigative proceedings, litigation for major cases and public-interest civil actions. At the Itaú Unibanco's structure, he served as Legal Superintendent (December 2009 to March 2011), being responsible for the Retail Legal Consulting, litigation for major cases and public-interest civil actions, management of appeals in higher courts, administrative and investigative proceedings, tax administrative proceedings and criminal cases.

Education

He has a Bachelor's degree in Law from *Universidade de São Paulo* (USP) in 2000, a Master's degree in Civil Law – Contracts from *Universidad de Salamanca*, Spain, in 2006, and a Ph.D. in Civil Law – Contracts from *Universidade de São Paulo* (USP) in 2007.

Matias Granata (Officer)

Relevant skills and experience

Mr. Granata has held several positions within the Itaú Unibanco Group including Officer at Itaú Unibanco S.A. since July 2014.

Also at Itaú Unibanco S.A., he was Superintendent of Market Risk (October 2010 to April 2014); Superintendent of Operational Risk (March 2009 to October 2010); Senior Treasury Trader – Proprietary Desk São Paulo (August 2007 to March 2009); Senior Treasury Trader – Proprietary Desk London (August 2004 to August 2007); Treasury Trader – Proprietary Desk, São Paulo (April 2003 to August 2004); Senior Economic Research Economist (May 2002 to April 2003).

Education

He has a Master's degree in International Economic Policy from the University of Warwick, UK, British Chevening Scholarship (2000 to 2001); a Master's degree in Economics from *Universidad Torcuato Di Tella* (UTDT), Argentina (1998 to 2000), and a Bachelor's degree in Economics from *Universidad de Buenos Aires* (UBA), Argentina (1992 to 1997).

Renato Barbosa do Nascimento (Officer)

Relevant skills and experience

Mr. Nascimento has held several positions within PricewaterhouseCoopers Auditores Independentes (São Paulo, Brazil), including Audit Partner from July 2009 to July 2017. He took part in a three-year professional exchange program (July 2014 to July 2017) and worked at PricewaterhouseCoopers in Mexico City, in Mexico, as audit officer to lead external audits in subsidiaries of international entities of the financial industry in Mexico. His main responsibility as Audit Partner was to lead external audits in entities of the financial industry in São Paulo (July 2009 to July 2017). In this period, Mr. Nascimento was also responsible for following up external audits carried out by the PricewaterhouseCoopers teams of the United States, United Kingdom, Switzerland, Portugal, Chile, Argentina, Paraguay and Uruguay in favor of subsidiaries of Brazilian financial institutions in these countries.

Also at PricewaterhouseCoopers Auditores Independentes (São Paulo, Brazil) he has been Audit Senior Manager of the financial industry (March 2008 to July 2009), and his main responsibility was to manage teams in charge of carrying out audits of entities of the financial industry, regulated by the Central Bank of Brazil. Mr. Nascimento served as Audit Senior Manager of the financial industry (February 2006 to March 2008), and took part in a two-year professional exchange program working at PricewaterhouseCoopers in London, United Kingdom, as audit senior manager, and his main responsibilities were managing external audits of British financial institutions in England, managing external audits of subsidiaries of international banks, as well as the resulting development of knowledge on the application of the International Financial Reporting Standards (IFRS), Sarbanes Oxley (SOx) rules and policies issued by the Public Company Accounting Oversight Board (PCAOB).

Education

He has a Bachelor's degree in Accounting from *Universidade Paulista* (1998) and a Bachelor's degree in Business Administration from *Universidade Paulista* (1999). He also has a MBA in Business Administration from *Fundação Getulio Vargas* (FGV), São Paulo, Brazil (2003).

Rodrigo Luís Rosa Couto (Officer)

Relevant skills and experience

Mr. Couto has held several positions within the Itaú Unibanco Group including Corporate Risk Superintendent (February 2008 to December 2011) at Itaú Unibanco Holding S.A. and has been Officer at Banco Itaú BBA S.A. since June 2015.

He has also been Officer at Dibens Leasing S.A. – Arrendamento Mercantil since January 2014 and Officer at Itaú Unibanco S.A. since December 2011.

Mr. Couto was an Associate (September 2005 to February 2008) at McKinsey & Company and Inspector (1998 to 2003) at the Central Bank of Brazil.

Other appointments

He participated in an internship program at BIS's Financial Stability Institute where he worked on the development, and was member of the teaching staff, of a training course for bank supervisors of worldwide regulatory authorities (April to June 2003).

Education

He has a Bachelor's degree in Business Administration, Finance major, from *Universidade Federal do Rio Grande do Sul* (1993 to 1997), and a Master's degree in Business Administration, Finance major, from The Wharton School, University of Pennsylvania (2003 to 2005).

Sergio Mychkis Goldstein (Officer)

Relevant skills and experience

Mr. Goldstein has held several positions within the Itaú Unibanco Group including Officer at Itaú Unibanco S.A. since December 2015 and Officer at Banco Itaú BBA S.A. since December 2015.

At Banco Itaú BBA S.A., Mr. Goldstein was responsible for the Wholesale Legal and Tax Departments, carrying out legal services in the following business lines: (i) Investment Banking: coordinating the performance of services in fixed income, variable income, M&A and structured operations; (ii) Treasury: coordinating the performance of services in treasury operations, mainly fund raising with the retail segment, private segment, and institutional investors; (iii) Wealth Management Services: coordinating the performance of the service in asset management operations of the Itaú Group, Private Banking, and custody, management and own and third parties' fund management activities; (iv) Allocated Funds and On lending: coordinating the performance of services to meet corporate banking demands with respect to allocated fund operations (rural and real estate) and on lending operations of funds from BNDES and other external lines; (v) Debt Restructuring: coordinating the performance of the services to meet the demands of the Debt Restructuring Department, both in the corporate and the largest companies in the middle-market segments, basically working on the restructuring of contracts – out of court; (vi) Cross Border Loans/F/X: coordinating the performance of services to meet the demands for granting foreign and cross border loans; (vii) High Volumes: coordinating the performance of services to meet the demands for banking products, such as working capital, selling, buying, assignment and discount operations; (viii) Tax Advisory and Litigation issues.

Education

He has a Bachelor's degree in Law from *Pontifícia Universidade Católica de São Paulo* (PUC-SP) in 2000, and a Master's degree in Banking and Finance from the Boston University School of Law, Boston (MA, U.S.) in 2004.

Tatiana Grecco (Officer)

Relevant skills and experience

Ms. Grecco has held several positions within the Itaú Unibanco Group including Officer of Itaú Unibanco S.A. since July 2017. She has been Superintendent of Investment Funds since June 2014 in the Itaú Asset Management Department – Superintendency of Portfolio Solutions, being responsible for the portfolio solutions management desk of Itaú Asset Management, comprising the systematic, structured and smart beta funds, as well as the exclusive funds and portfolios of Itaú's Private, Corporate and Institutional clients; Superintendent of Investment Funds since January 2009 in the Itaú Asset Management Department – Superintendency of Indexed Funds, being responsible for the indexed fund management desk of Itaú Asset Management, comprising both Fixed Income and Variable Income funds – funds and ETF's based on both local and international indexes; Superintendent of Technical Reserves and Manager of Senior Portfolios (October 2001 to December 2008) in the Itaú Asset Management Department – Superintendency of Technical Reserves, responsible for the technical reserves management desk of insurance and capitalization companies and open and closed pension entities of the Itaú Conglomerate.

Education

She has a Bachelor's degree in Civil Construction Technology from *Universidade Estadual Paulista Julio de Mesquita Filho* (UNESP) in 1995; a Postgraduate degree in Business Administration from *Universidade Ibirapuera* (1997); Executive MBA in Finance from IBMEC Business School – SP (2001). She also has a Professional Master's degree in Business Administration from *Fundação Getulio Vargas* (FGV), São Paulo, Brazil (2012).

Tom Gouvêa Gerth (Officer)

Relevant skills and experience

Mr. Gerth has been Officer of Itaú Unibanco Holding S.A. since November 2017 and Officer of the Controller's Department for Latin America (June 2015 to June 2017) and Member of the Executive Committee for Latin America of PayPal do Brasil Serviços de Pagamentos Ltda.

He has also been Controller of Metropolitan Life Seguros e Previdência S.A. (MetLife) (August 2013 to May 2015), responsible for financial reports, treasury, internal controls and taxes.

Mr. Gerth started his career at PricewaterhouseCoopers (April 1998) as Senior Manager and remained until July 2013. He worked in the Capital Markets & Accounting Advisory Services Area focused on advising clients on issues involving US GAAP, IFRS and requirements from the Securities and Exchange Commission (SEC). He worked in the New York office (2007 to 2009).

Education

He has a Bachelor's degree in Accounting from *Fundação Escola de Comércio Álvares Penteado* (FECAP) in 2000, and in Business Administration from *Universidade Mackenzie* (1997). He also attended the International Executive MBA from *Fundação Instituto de Administração* (FIA), completed in 2011, and continuing education courses from *Fundação Dom Cabral* and The University of Chicago Booth School of Business.

Mr. Gerth is a U.S. Certified Public Accountant (CPA) and member of the American Institute of Certified Public Accountants (AICPA).

Audit Committee

The résumé of Mr. Gustavo Jorge Laboissière Loyola (Member of the Board) is detailed above, in the Board of Directors item.

Antonio Francisco de Lima Neto (Independent Member)

Relevant skills and experience

Mr. Lima Neto was President of Banco Fibra S.A. (August 2009 to October 2013) and has held several positions in Banco do Brasil S.A. including President (December 2006 to April 2009); Vice President of Retail and Distribution (July 2005 to December 2006); Vice President of International Business and Wholesale (November 2004 to July 2005); Commercial Director (September 2001 to November 2004); Executive Superintendent of the Commercial Board (July 2000 to September 2001); Tocantins State Superintendent (May 1999 to May 2000); and Regional Superintendent of Belo Horizonte (from January 1997 to May 1999).

Mr. Lima Neto has served as Member of the Board of Directors (2007 to 2009) of *Brasilprev Seguros e Previdência S.A.*; Member of the Board of Directors (2006 to 2009) of the Brazilian Federation of Banks (FEBRABAN); Member of the Board of Directors (2004 to 2005) of BB Securities Limited; Member of the Board of Directors (2003 to 2005) of *Brasilsaúde Companhia de Seguros*; Member of the Board of Directors (2001 to 2009) of *Companhia de Seguros Aliança do Brasil*; and Member of the Board of Directors (2000 to 2007) of *BB Previdência – Fundo de Pensão do Banco do Brasil*.

Education

He has a Master's degree in Economics from *Fundação Getulio Vargas* (FGV), São Paulo, Brazil (January 2017) and attended a Course for Board Members at the Brazilian Institute of Corporate Governance (2014). Mr. Lima Neto also has a *Lato Sensu* Postgraduate degree in Marketing from *Pontifícia Universidade Católica do Rio de Janeiro – PUC-RJ* (2001) and MBA in Training for Executives from *Fundação Dom Cabral* (1997). He also has a Bachelor's degree in Economics from *Universidade Federal de Pernambuco* (1996).

Diego Fresco Gutierrez (Independent Member and Financial Expert)

Relevant skills and experience

Mr. Gutierrez has been Member of the Audit Committee of Itaú CorpBanca (Chile) since May 2016 and an alternate Director of Itaú CorpBanca (Chile) since March 2018.

He has been Independent Advisor since 2013 in complex financial reporting mainly for publicly-held companies registered in Brazil and in the United States, and in compliance and internal and external audit issues.

Mr. Gutierrez was a partner in charge of accounting advisory and regulatory requirements for the issue of securities abroad at PricewaterhouseCoopers (1990 to 2013) (Brazil, Uruguay, and the United States) and also worked in the audit of financial statements.

Education

He has a Bachelor's degree in Accounting from *Universidad de la Republica Oriental del Uruguay* (1994). Mr. Gutierrez has been a Certified Public Accountant in the United States for the State of Virginia since 2002 and he also is a Public Accountant registered in the Regional Accounting Board of the State of São Paulo. He also attended the Course for Members of Boards of Directors from the Brazilian Institute of Corporate Governance (2013).

Geraldo Travaglia Filho (Independent Member)

Relevant skills and experience

Mr. Travaglia Filho has held several positions within the Itaú Unibanco Group including Executive Officer (November 2008 to April 2009), and Secretary of the Board of Directors (December 2010 to July 2012) at Itaú Unibanco Holding S.A.

He was also Executive Officer at Itaú Unibanco S.A. (November 2008 to April 2009), Banco Itaú BBA S.A. (November 2008 to January 2010) and Redecard S.A. (May 2009 to April 2010).

Mr. Travaglia Filho was Vice President of Unibanco – União de Bancos Brasileiros S.A. (September 2004 to April 2009), Executive Officer (1996 to 2004) and Officer of Planning, Accounting and Control (1990 to 1994).

Education

He has a Bachelor's degree in Administration from *Universidade de São Paulo* (USP) in 1979 and attended an advanced course on Bank Management from the Wharton School of the University of Pennsylvania (1992).

Maria Helena dos Santos Fernandes de Santana (Independent Member)

Relevant skills and experience

Ms. Santana has been Member of the Board of Directors of Bolsas y Mercados Españoles (BME) since 2016 and Member of the Board of Trustees of IFRS Foundation since January 2014.

Ms. Santana was Member of the Board of Directors and Chairman of the Corporate Governance Committee of Companhia Brasileira de Distribuição S.A. (2013 to 2017); Member of the Board of Directors and Coordinator of the Audit Committee of Totvs S.A. (2013 to 2017); Member of the Board of Directors of CPFL Energia S.A. (April 2013 to 2015); and Chairman (July 2007 to July 2012) and Director (July 2006 to July 2007) of the Brazilian Securities and Exchange Commission (CVM).

She worked for BM&FBovespa S.A. (currently B3 – Brasil, Bolsa, Balcão), from 1994 to 2006, initially in the Special Projects department and then as Executive Superintendent of Relationships with Companies (2000 to 2006). In this position, she was responsible for the supervision of listed companies and for attracting new companies to the stock exchange. She was involved in the creation of the “Novo Mercado” listing segment and was responsible for its implementation.

Other appointments

Ms. Santana was Vice President of the Brazilian Institute of Corporate Governance (IBGC) from 2004 to 2006; Chairman of the Executive Committee of International Organization of Securities Commissions (IOSCO) from 2010 to 2012; and Member of the Latin-American Roundtable on Corporate Governance (OECD/WB Group) from 2000 to 2015.

Education

She has a Bachelor's degree in Economics (1990) from the School of Economics, Business Administration and Accounting (FEA) of *Universidade de São Paulo* (USP).

Rogério Paulo Calderón Peres (Independent Member)

Relevant skills and experience

Mr. Peres has held several positions within the Itaú Unibanco Group including Officer and at Itaú Unibanco Holding S.A. (April 2011 to April 2014), Member of the Disclosure and Trading Committee from June 2009 to April 2014 and Officer at Itaú Unibanco S.A. (April 2009 to April 2014).

Mr. Peres has also served as Director Vice President (June 2012 to April 2013), Chairman of the Board of Directors and CEO (April 2013 to April 2014) of Investimentos Bemge S.A.

He also was Officer (April 2013 to April 2014) at Dibens Leasing S.A. – Arrendamento Mercantil, Executive Officer (2007 to 2009) at Unibanco – União de Bancos Brasileiros S.A. and CFO for Latin America, Member of the Financial Management Council and Member of the Administrative Committee for Latin America at the HSBC Group (July 2014 to October 2016).

Mr. Peres was Executive Vice President (2003 to 2006) at the Bunge Group – Bunge Brasil S.A., Member of the Boards of Directors of Fosfertil, Ultrafertil and Fertifos and also Member of the Audit Committees of the Bunge Foundation, Bungeprev and Fosfertil.

He was also Partner engaged in the divisions of Audit, Tax and Consultancy for Agribusiness and Consumer and Retail Products (1981 to 2003) at PricewaterhouseCoopers.

Education

He has a Bachelor's degree in Business Administration from *Fundação Getúlio Vargas* (FGV), São Paulo, Brazil, and in Accounting from *Fundação Paulo Eiró*, São Paulo. He also has Postgraduate degrees and attended special professional courses in E-Business Education Series from the University of Virginia Darden School of Business. Mr. Peres also has an Executive MBA from the University of Western Ontario, Canada, Case Studies in consumer and retail companies. Center for Executive Development Faculty at Princeton University, Business Strategy and Organization. Continuing Education Management and Professional Training, Arundel, England. Executive Business Development – Finance and Investment Decision Course – Analyses and Measures at *Fundação Getúlio Vargas* (FGV), São Paulo, Brazil. Continuing Education Course at Harvard Business School, Making Corporate Boards More Effective – United States.

Fiscal Council

Alkimar Ribeiro Moura (Independent Member)

Relevant skills and experience

Mr. Moura has held several positions within the Itaú Unibanco Group including Member of the Audit Committee (May 2010 to July 2015).

Mr. Moura is a Retired Economics Professor at the São Paulo School of Business Administration of *Fundação Getúlio Vargas* (FGV), São Paulo, Brazil.

He was Independent Member of the Board of Directors (May 2012 to March 2017), and Coordinating Member of the Audit Committee (November 2013 to March 2017) of Cetip S.A. Mercados Organizados (Organized Over-the-Counter Market in Assets and Derivatives).

Mr. Moura was Independent Member of the Supervisory Board of BM&FBovespa S.A. (currently B3 S.A. – Brasil, Bolsa, Balcão) – Market Supervision (October 2007 to September 2010).

He was Chairman of Investment Banking (April 2001 to January 2003) and Vice Chairman of Finance and Capital Markets (April 2001 to January 2003) at Banco do Brasil S.A.



Mr. Moura has held several positions within the Central Bank of Brazil, including Standards and Financial System Organization Officer (February 1996 to September 1997); Monetary Policy Officer (February 1994 to February 1996); Public Debt and Open Market Transactions Officer (January 1987 to January 1988).

He was Officer at Banco Pirelli-Fintec (March 1988 to March 1993).

Education

He has a Bachelor's degree in Economics from *Universidade Federal de Minas Gerais*, Belo Horizonte, Brazil (1963); a Master's degree from the University of California, Berkeley (1966); and a Ph.D. in Applied Economics from Stanford University, California, (1978).

Carlos Roberto de Albuquerque Sá (Independent Member)

Relevant skills and experience

Mr. Albuquerque Sá has held several positions within the Itaú Unibanco Group including Alternate Member of the Fiscal Council (April 2015 to April 2016).

He has been Coordinator of the Audit Committee of Lojas Marisa S.A. since 2012 and Coordinator of the Audit Committee of Moinhos Paulista S.A. since 2016.

Mr. Albuquerque Sá was Effective Member (2016 to 2017) and Alternate Member (March 2011 to October 2012) of the Fiscal Council of Marfrig S.A.; Officer at KPMG Auditores Independentes (March 2003 to December 2010); Risk Officer at Net Serviços de Comunicação S.A. (March 1999 to December 2002); Administrative and Financial Officer at Sobremetal (March 1995 to December 1998); Financial Officer of Castrol do Brasil Ltda. (March 1991 to December 1994); Controller at Schlumberger Serviços de Petróleo Ltda. (March 1986 to December 1988); and Financial Manager at Det Norske Veritas (March 1979 to December 1981).

Education

He has a Bachelor's degree in Economics from *Universidade Candido Mendes* (1973), and in Accounting from *Faculdade Moraes Júnior* (1981), and a Postgraduate degree in Finance from *Pontifícia Universidade Católica do Rio de Janeiro – PUC-RJ* (1995).

José Caruso Cruz Henriques (Independent Member)

Relevant skills and experience

Mr. Henriques has been Alternate Member of the Fiscal Council of Itaú Unibanco Holding S.A. since August 2011, Effective Member since May 3, 2016 and Chairman since June 2017.

Mr. Henriques was Managing Officer at Itaú Unibanco S.A. (December 1988 to August 2003); Officer at BFB Leasing S.A. – Arrendamento Mercantil (June 1997 to July 2003); Member of the Board of Directors of Banco Itauleasing S.A. (December 1994 to September 2003); Officer at Banco Itaucard S.A. (March 2000 to April 2003); Managing Officer at Intrag Distribuidora de Títulos e Valores Mobiliários Ltda. (April 1994 to July 2003); Managing Officer at Banco Itaú Cartões S.A. (July to October 2000); and Officer at Itautec Componentes da Amazônia S.A. – Itaucam (April 1993 to April 2003).

He has been Executive President of Corhen Serviços Ltda. since 2003.

Education

He has a Bachelor's degree in Law from *Universidade de São Paulo (USP)* in 1971 and a Postgraduate degree in Business Administration from *Fundação Getúlio Vargas*, São Paulo, Brazil (1979).





Members Name (age), position		Member since	Audit Committee	Personnel Committee	Related Parties Committee	Nomination and Corporate Governance Committee	Risk and Capital Management Committee	Strategy Committee	Compensation Committee ⁽¹⁾
Board of Directors ⁽²⁾ (12 members)	Pedro Moreira Salles (58), Co-Chairman	08/2009		P		P		P	M
	Roberto Egydio Setubal (63), Co-Chairman	03/2003					M	M	P
	Alfredo Egydio Setubal (59), Member	06/2007		M		M			
	Amos Genish (57), Independent Member	I 04/2017		M					
	Fábio Colletti Barbosa (63), Independent Member	I 07/2015		M	P	M		M	
	Geraldo José Carbone (61), Member	04/2017				M	M		
	Gustavo Jorge Laboissière Loyola (65), Independent Member	I 07/2006			M				M
	João Moreira Salles (36), Member	04/2017						M	
	José Galló (66), Independent Member	I 04/2016		M					
	Marco Ambrogio Crespi Bonomi (61), Member	04/2017		M		M			
	Pedro Luiz Bodin de Moraes (61), Independent Member	I 02/2009			M		P		M
	Ricardo Villela Marino (43), Member	06/2008						M	
Audit Committee ⁽²⁾ (6 members)	Antonio Francisco de Lima Neto (52), Independent Member	I 07/2015	M						
	Diego Fresco Gutierrez (47), Independent Member and Financial Expert	I 04/2014	M						
	Geraldo Travaglia Filho (66), Independent Member	I 03/2013	M						
	Gustavo Jorge Laboissière Loyola (65), Independent Member	■ I 04/2017	P						
	Maria Helena dos Santos Fernandes de Santana (58), Independent Member	I 06/2014	M						
	Rogério Paulo Calderón Peres (55), Independent Member	I 11/2016	M						

(1) Includes individuals that are not members of our Board of Directors: Israel Vainboim.

(2) Independence criteria for the members of the Board of Directors, Audit Committee and Fiscal Council are diverse, under our policies and applicable regulations in force.

P President **M** Member **I** Independent Member **■** Also Member of the Board of Directors

Context



Our profile

Our governance **A-70**

Our risk management



Performance



Sustainability



Attachments



Performance evaluation of the Board of Directors and Board of Officers

Board of Directors

Our Board of Directors, its members and its Chairman, as well as the Board committees, are annually assessed to check the performance of our management members and bodies in compliance with the best corporate governance practices.

The reelection of members of the Board of Directors and of the committees takes into account their positive performance and high attendance at meetings during the previous term and experience and level of independence.

The evaluation process is as follows: self-evaluation of the members of the Board, cross-evaluation of the members of the Board (Board members evaluate each other), evaluation of the Board itself by its members, evaluation of the Chairman by Board members and evaluation of the Board committees by their members.

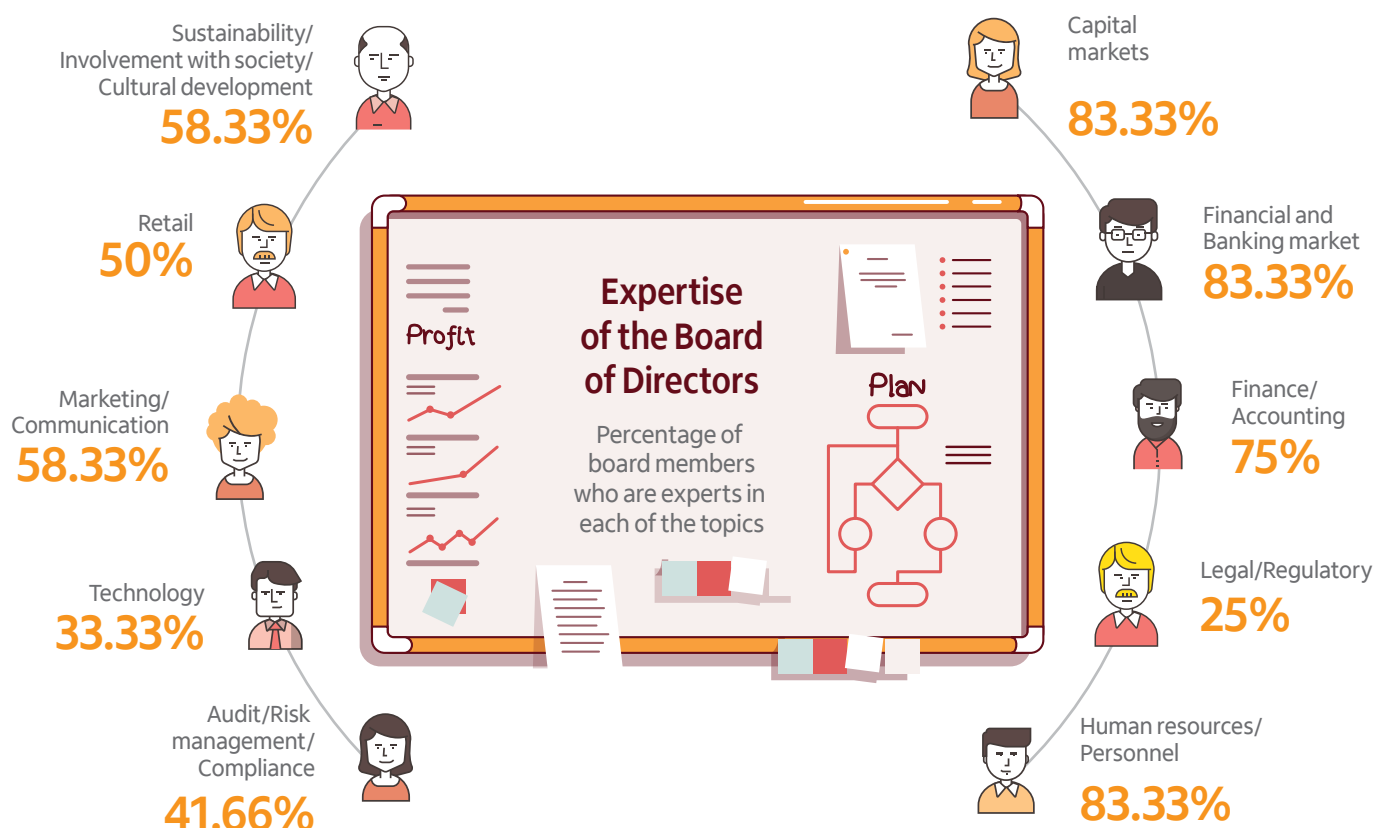
The evaluation process is structured taking into account the specific characteristics/responsibilities of the Board, its members, its Chairman, and each of the Board committees, thus seeking to achieve a high level of expertise.

The evaluation process is conducted by an independent person, responsible for distributing specific questionnaires to the Board of Directors and to each of the Board committees, as well as for interviewing members of the Board and Board committees individually.

This independent person is also responsible for analyzing the answers and comparing them to results from previous years to identify and address any gaps relating to the Board of Directors or the Board committees that may be identified by this process.

Additionally, the Nomination and Corporate Governance Committee provides methodological and procedural support to the evaluation process. This Committee also discusses the evaluation results, as well as the composition and succession plan of the Board of Directors. Besides such support by the Nomination and Corporate Governance Committee, an independent person is responsible for carrying out the evaluation.

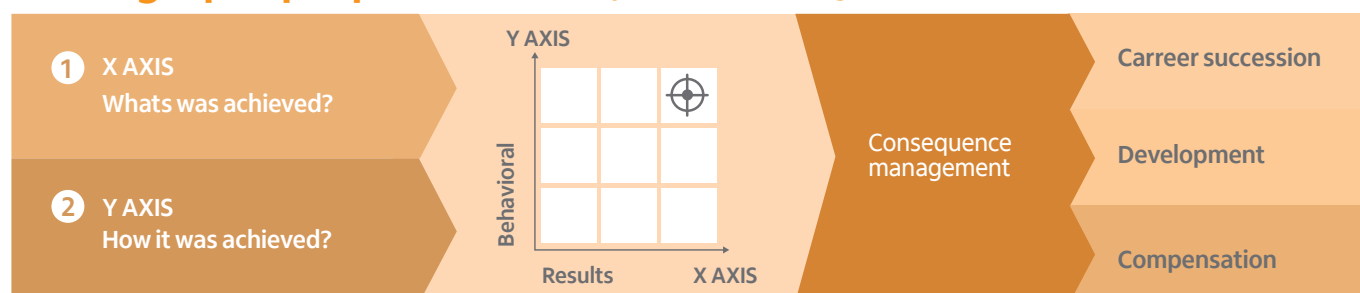
Our Board of Directors is composed of professionals with outstanding knowledge and expertise in different areas of operation. We present below a matrix of skills with the expertise of our Board of Directors.



Officers

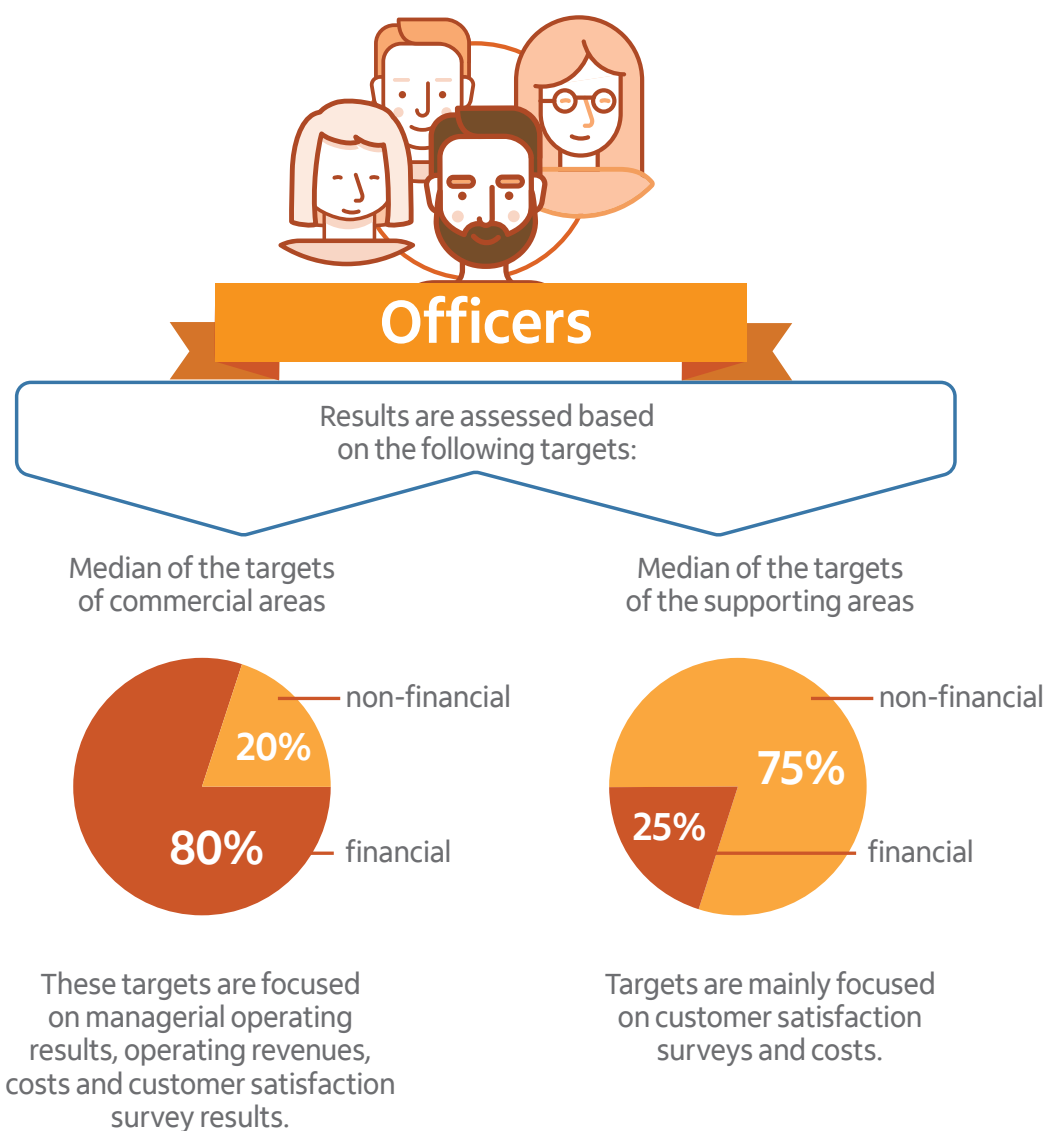
With respect to officers, the performance evaluation comprises an assessment of behavior and results, as shown below:

Strategic people plan (PEP – Planejamento estratégico de pessoas)



Performance metrics

Performance measurement by targets



Compensation and benefits

GRI 102-36 | GRI 405-2 | GRI 103-2 | 103-3

Compensation and incentives

Compensation governance

Our compensation strategy adopts clear and transparent processes, aimed at complying with applicable regulation and the best national and international practices, as well as ensuring consistency with our risk management policy.

Compensation Committee

We have a statutory Compensation Committee that reports to the Board of Directors, and its duties include:

- Developing a policy for the compensation of management members, proposing to the Board of Directors the many forms of fixed and variable compensation, in addition to special benefits and recruitment and termination programs;
- Discussing, examining and overseeing the implementation and operation of existing compensation models, discussing general principles of the compensation policy for employees and recommending improvements to the Board of Directors based on the policy principles;
- Proposing to the Board of Directors the amount of aggregate compensation of management members to be submitted to the Annual General Stockholders' Meeting; and
- Preparing, on an annual basis, the "Compensation Committee Report".

Compensation policy

The purpose of our compensation policy is to consolidate our compensation principles and practices so as to attract, reward, retain and motivate management members and employees in the running of our business, in a sustainable manner, subject to proper risk limits and always in line with stockholders' interests.

Compensation strategy

We adopt compensation and benefit strategies that vary according to the area of activity and market parameters. We periodically verify these parameters by:

- Commissioning salary surveys conducted by specialized consultants;
- Participating in surveys conducted by other banks; and
- Participating in specialized forums on compensation and benefits.

Compensation of employees

The compensation of our employees is composed of:

- Monthly fixed compensation;
- Variable compensation; and
- Benefits.

Fixed compensation is determined in accordance with the complexity of an individual's work duties and such individual's performance with respect to such duties. Employees' fixed compensation changes according to our promotion and merit policy, which takes into consideration employees' seniority and responsibilities and their performance when carrying out duties over the assessed period. In addition, employees are entitled to salary adjustments, in accordance with applicable collective bargaining agreements.

Variable compensation in turn acknowledges the level of dedication, results achieved and short, medium and long-term sustainability of these results. Employees are also entitled to additional amounts if established in the collective bargaining agreements applicable.

Finally, we provide several benefits that were agreed with labor unions that represent our employees' many professional categories, and these benefits are established in the respective collective bargaining agreements, such as: food allowance, day care/baby sitter, transportation, etc.

In addition to those set forth in collective bargaining agreements, we offer the following benefits:

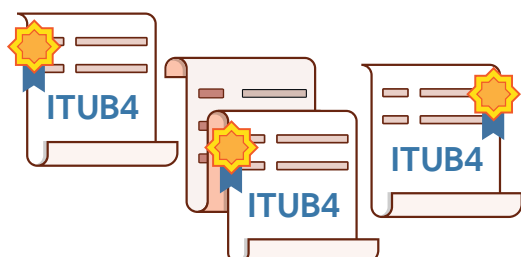
- Medical and dental care plans;
- Private pension plans;
- Group life insurance;
- Check-up;
- Parking lot;
- Psychosocial services; and
- Differentiated treatment for using banking products and services.

The availability of these benefits may vary in accordance with the employee's category or the regulation applicable to each jurisdiction.

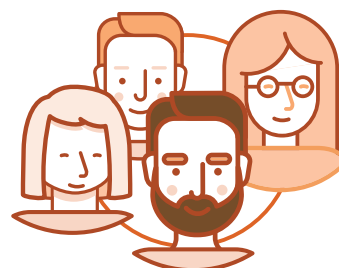
Stock-based profit sharing to employees

We have a stock-based profit-sharing program for a specific target audience, acknowledging those who stood out during the relevant year.

Stock-based profit sharing

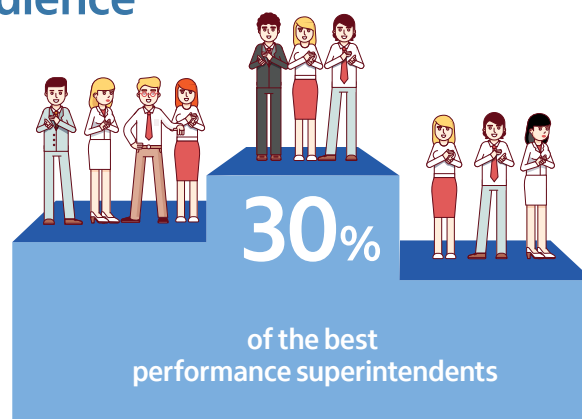


The program consists of granting preferred shares (ITUB4) or equivalent instruments

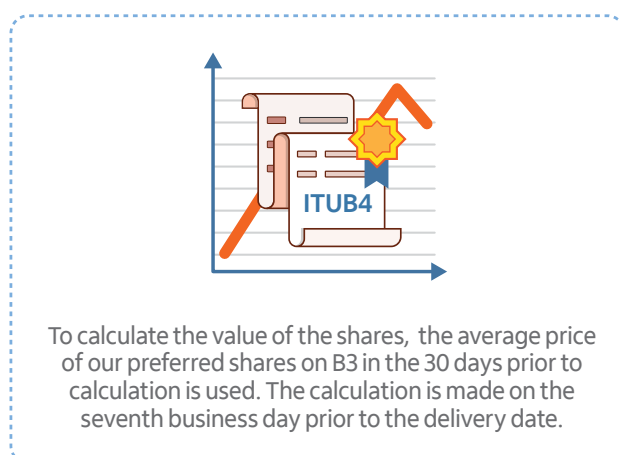
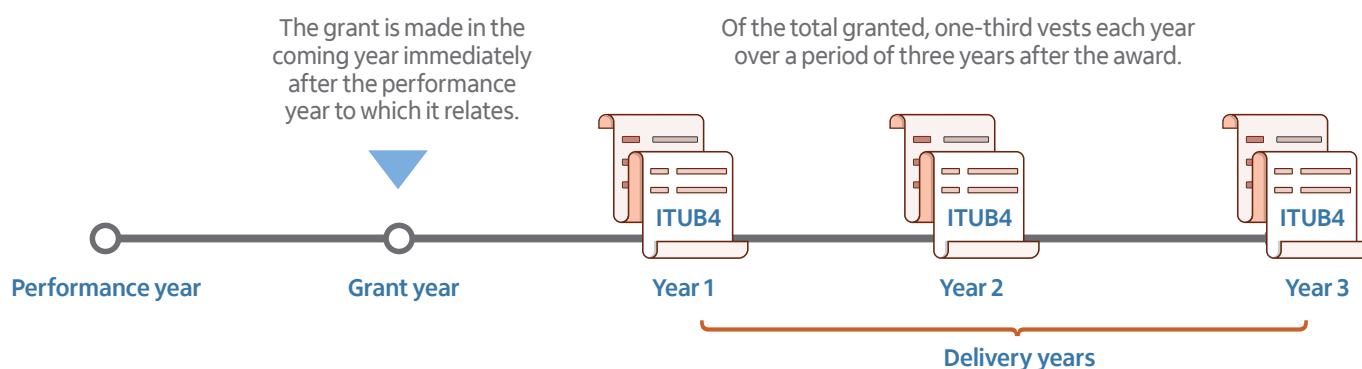
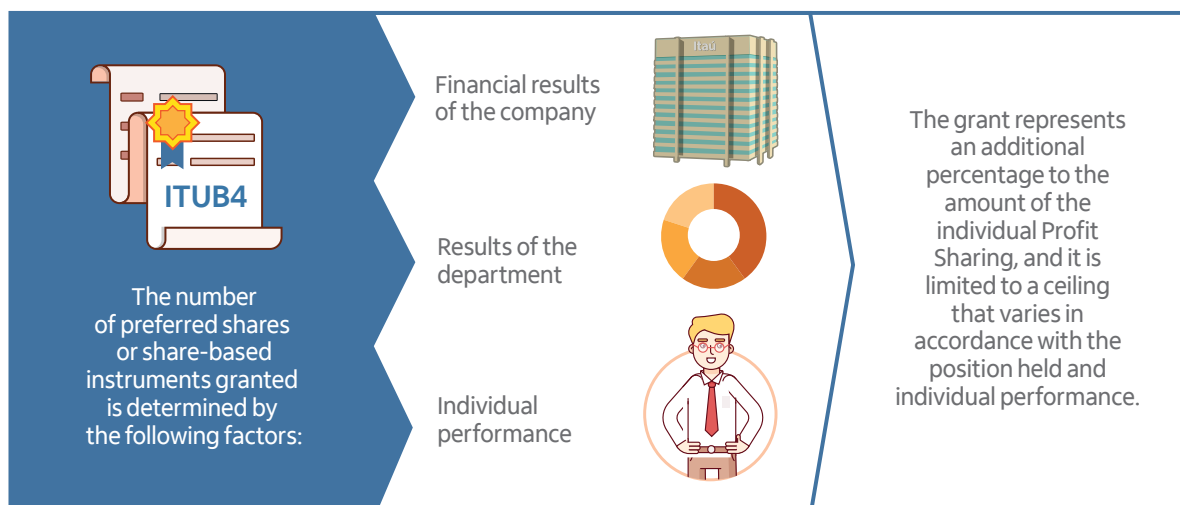


Subject to the limits established by the Compensation Committee

Eligible audience



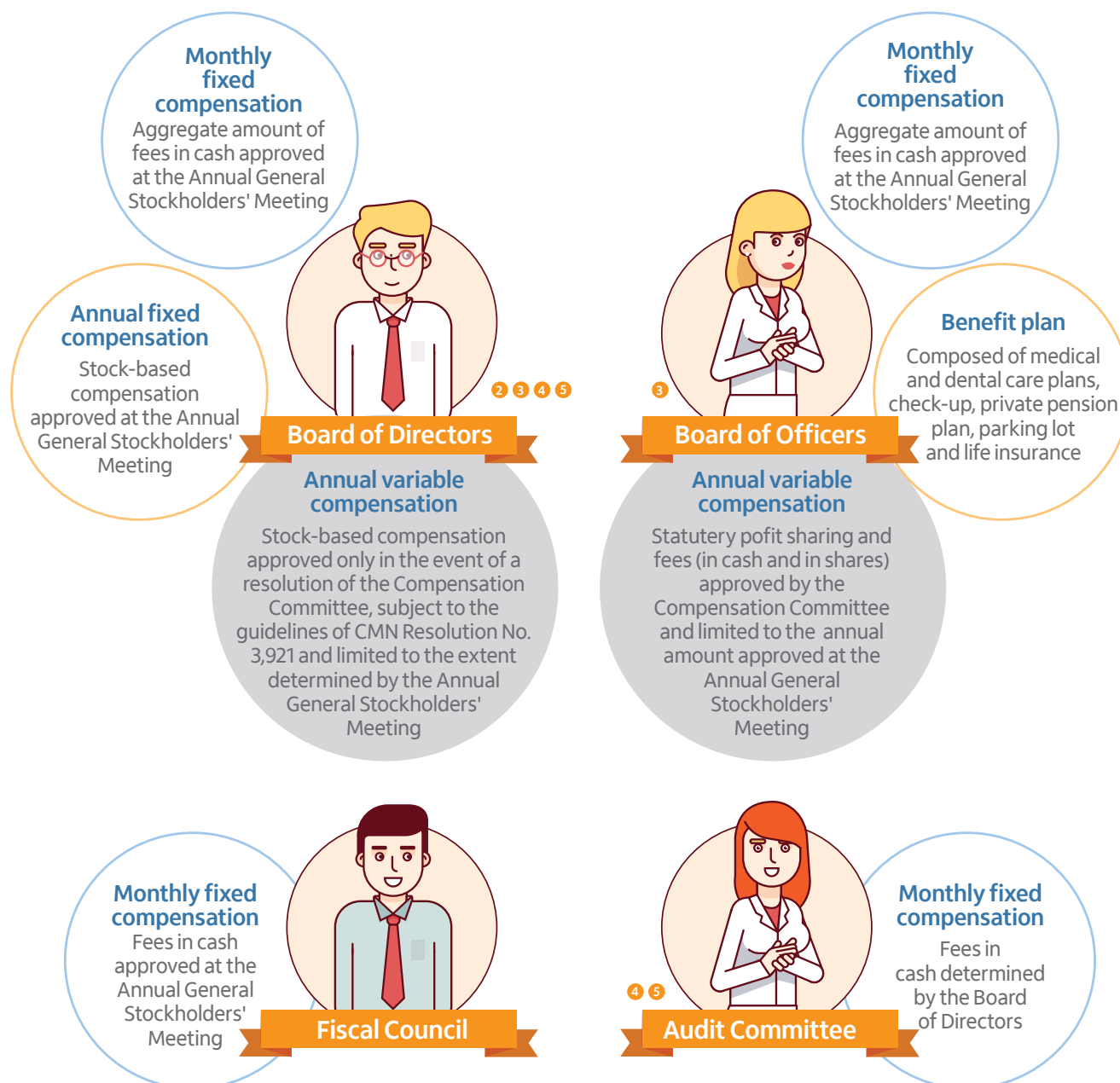
Delivery of preferred shares



Upon the delivery of shares, the amounts corresponding to dividends and interest on capital calculated from the grant date up to the delivery of shares to management members are paid, adjusted by the profitability rate of the Interbank Deposit Certificate (CDI).

Compensation of management members

Composition of the annual compensation of members of the Board of Directors, Board of Officers, Fiscal Council and Audit Committee¹



¹ Management members who are also part of statutory or not-statutory committees or of our subsidiaries or affiliates are compensated according to their duties in the executive bodies or areas in which they work. As a rule, they do not receive a specific compensation for belonging to these committees. Any non-management member of the Compensation Committee is compensated for the performance of his/her duties in this Committee.

² In the event that a member of the Board of Directors is also part of the Board of Officers of Itaú Unibanco or its subsidiaries, his/her compensation will be subject to the compensation model for officers.

³ Maximum compensation amounts are defined based on the limits imposed by Article 152 of the Brazilian Corporate Law.

⁴ Members of the Board of Directors and Audit Committee receive benefits only if they have previously been officers of the Company.

⁵ For those members of the Audit Committee who are also part of the Board of Directors, the compensation policy of the Board of Directors is applied.

Composition of compensation of management members

Member	Year	Monthly fixed compensation	Annual fixed compensation	Annual variable compensation	Benefits
Board of Directors ⁽¹⁾⁽²⁾	2017	23%	31%	44%	2%
	2016	21%	40%	37%	2%
	2015	24%	40%	34%	2%
Board of Officers ⁽²⁾	2017	8%	0%	91%	1%
	2016	7%	0%	92%	1%
	2015	7%	0%	92%	1%
Fiscal Council ⁽²⁾	2017	100%	0%	0%	0%
	2016	100%	0%	0%	0%
	2015	100%	0%	0%	0%
Audit Committee ⁽³⁾	2017	100%	0%	0%	0%
	2016	100%	0%	0%	0%
	2015	100%	0%	0%	0%

(1) Brazilian legislation does not require the disclosure of individual compensation of our management members, except for the highest and the lowest amounts received, and the identification of the executives is not required.

The Brazilian Institute of Finance Executives of Rio de Janeiro (*Instituto Brasileiro de Executivos de Finanças* - IBEF Rio de Janeiro) filed, on behalf of its members, a lawsuit challenging the legality of this disclosure requirement, and an injunction was granted to suspend such requirement. Based on the decision of the Board of Directors, we will await the final judicial decision to carry out those disclosures.

(2) The percentage of benefits related to the Board of Directors refers to members who had previously been officers of the Company.

(3) Except for the benefits determined by our policy, we do not enter into services agreements with management members that determine benefits upon the termination of relationship.

Criteria for defining monthly and annual fixed compensation of management members

Fixed compensation of members of the Board of Directors and Board of Officers, as well as the benefit plan granted to officers, is not impacted by performance indicators.

Board of Directors: the monthly fixed compensation is consistent with market practices and periodically reviewed to attract qualified professionals. Additionally, history and résumé, among other factors, are taken into account.

Board of Officers: the monthly fixed compensation is established in accordance with the position held and is based on the internal equality principle, since all officers holding the same position earn the same monthly fixed compensation amount, also enabling their mobility in our different businesses. Fixed compensation amounts are determined taking into account market competition.

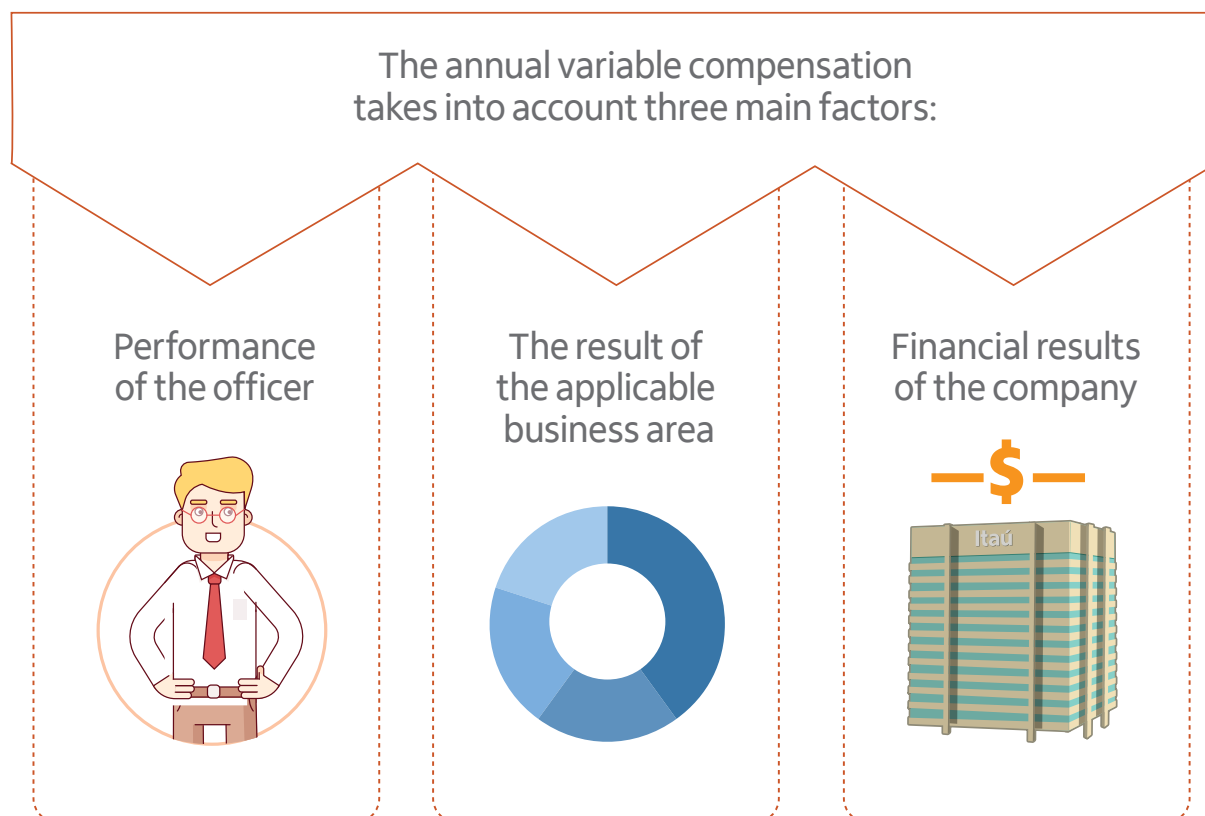
Fiscal Council: within the limits established by legislation, members of the Fiscal Council are paid a monthly fixed compensation amount only and are not eligible for the benefit plan. Additionally, in accordance with applicable legislation, compensation of members of the Fiscal Council may not be lower, for each acting member, than 10% of the fixed compensation assigned to each officer (i. e., not including benefits, representation allowances and profit sharing).

Audit Committee: the members of the Audit Committee are paid a monthly fixed compensation amount only and are not eligible for the benefit plan. For those members of the Audit Committee who are also part of the Board of Directors, the compensation policy of the Board of Directors is applied.



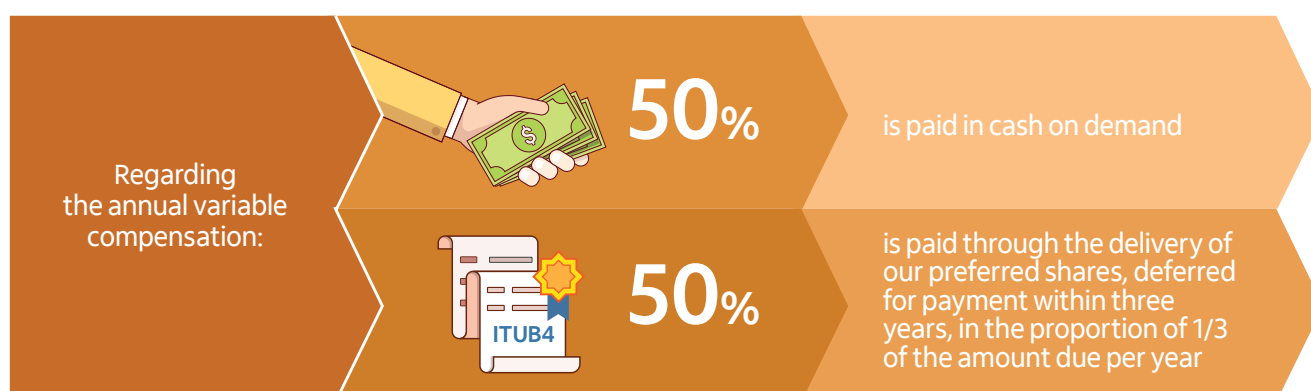


Criteria for defining the annual variable compensation of the Board of Officers⁽¹⁾



(1) Within the limits established by legislation, the compensation of Officers in charge of internal control and risk departments is determined irrespectively of the performance of the business areas they control and assess so as not to give rise to any conflicts of interest. However, even though compensation is not impacted by results of business areas, it is still subject to impacts arising from the company's results.

Distribution of the annual variable compensation of the Board of Officers⁽¹⁾

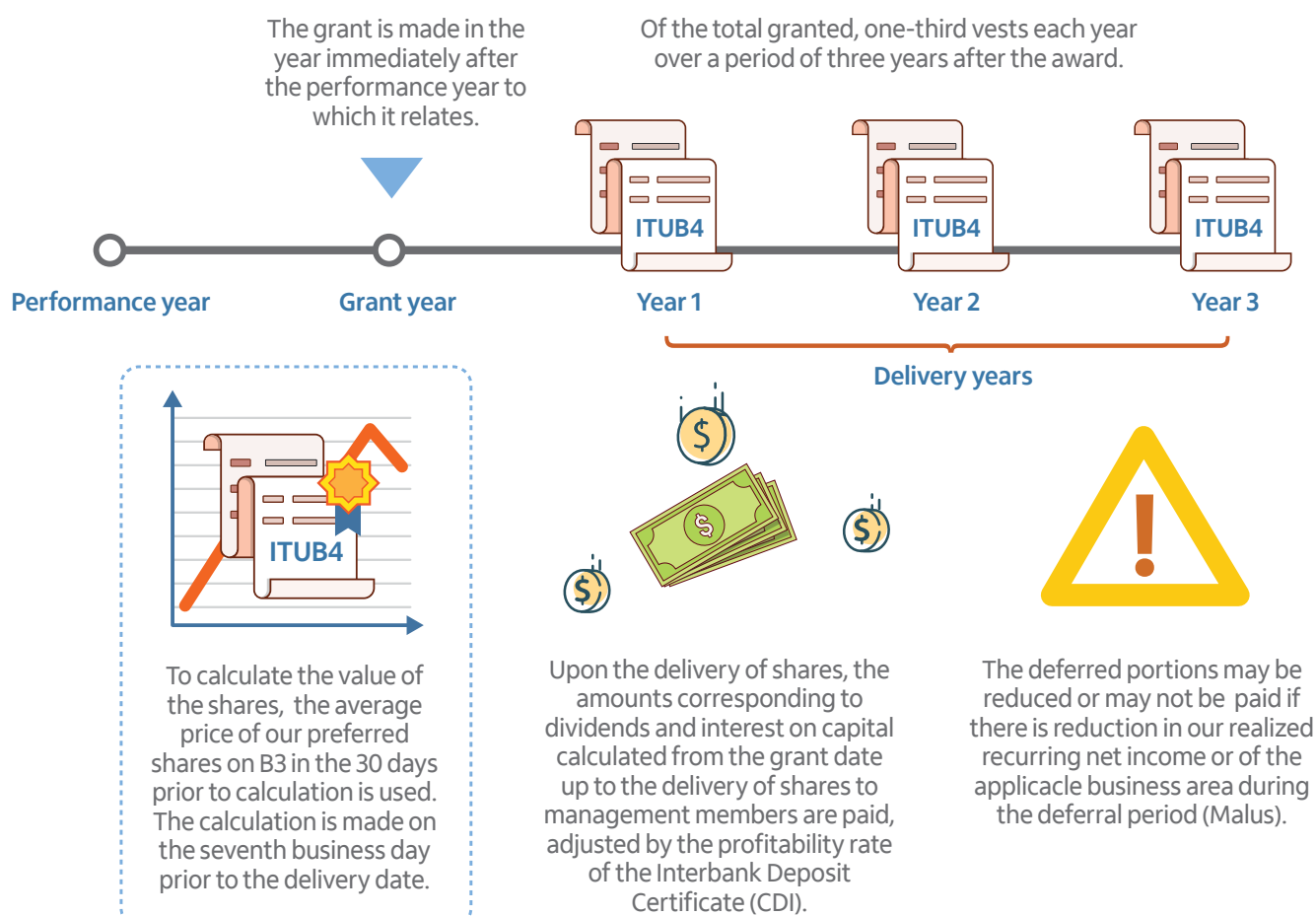


(1) In accordance with CMN Resolution No. 3,921, a portion of the variable compensation must be deferred.



Delivery of preferred shares related to the annual variable compensation of the Board of Officers

Delivery of preferred shares



Partners and Associates Program to officers and employees

Aimed at aligning the interests of our officers and employees to those of our stockholders, this program offers to participants the opportunity to invest in our preferred shares (ITUB4), sharing short, medium and long-term risks.

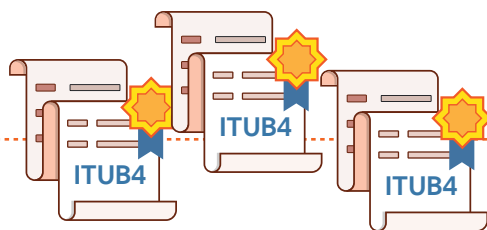
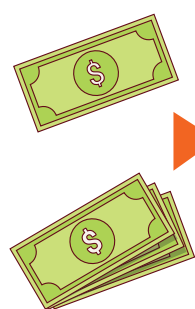
The program is aimed at officers and employees approved by the Personnel Committee due to their history of contribution, relevant work and outstanding performance. It has two types of appointments: partners and associates, and the person must join the program first as an associate. Main differences in the two types of appointments are as follows:

Partners:

- Eight-year term of office;
- Eligible to successive reappointments; and
- Possibility to invest 50% to 100% of variable compensation.

Associates:

- Four-year term of office;
- Eligible to two reappointments (maximum 12-year term); and
- Possibility to invest 35% to 70% of variable compensation.



Participants of the Partners Program are entitled to use part of the annual variable compensation to purchase preferred shares (ITUB4).

This investment must be retained for at least:

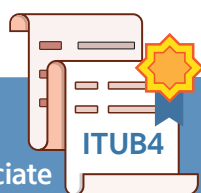
50%
3 years



50%
5 years

Matching

Associate



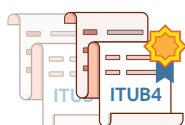
Participants can be elected to the category of Associate or Partner and both of them will be eligible to receive shares as a return on the investment made through the Program (Matching).

Partner

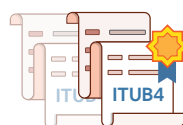


Of the total granted, 50% vests in the third year and 50% vests in the fifth year after the award.

DELIVERY YEAR



DELIVERY YEAR



Shares received will remain unavailable for sale for Five-and-eight-year terms as from each investment in shares.



AVAILABLE FOR SALE



AVAILABLE FOR SALE

70% ASSOCIATES
50% PARTNERS

30% ASSOCIATES
50% PARTNERS



The Partners Program may also consider other instruments derived from shares as opposed to actual shares.



The compliance for the investment periods mentioned above entitles the beneficiary on the same dates, to hold the ownership of the Considerations paid by the Company, which is delivered in preferred shares (ITUB4).



To calculate the value of the shares, this average price of our preferred shares on B3 in the 30 days prior to calculation is used. The calculation is made on the seventh business day prior to the delivery date.



Any Partners Shares not yet received will also be subject to 'Malus', that is, a reduction proportional to any reduction in our realized recurring net income or of the applicable business area.



Stock Grant Plan

Under the terms of CVM Ruling No. 567/15, to consolidate the rules of our stock-based long-term incentive programs, described in the previous items, we approved the Stock Grant Plan at the 2017 Extraordinary General Stockholders' Meeting.

With the Stock Grant Plan we reinforced the alignment of interests of our management members and employees and our direct and indirect subsidiaries to the interests of stockholders and our own.

Stock Option Plan to officers and employees

We have a Stock Option Plan through which our officers and employees with outstanding performance are entitled to receive stock options. These options enable them to share the risk of price fluctuations of our preferred shares (ITUB4) with other stockholders and are intended to integrate the participants of this program into the Conglomerate's development process in the medium and long term.

Our Personnel Committee manages the Stock Option Plan, including matters such as strike prices, vesting periods and effectiveness of options, in compliance with the rules set forth in the Stock Option Plan.

Options may be granted only to participants if there is net income sufficient to be distributed as mandatory dividends. Also, to avoid the dilution of stockholders, the sum of shares to be used in the programs described in the Stock Grant Plan and Stock Option Plan every year will not exceed the limit of 0.5% of total outstanding shares. In the event the number of shares delivered and options granted is below the 0.5% limit, the difference may be added for purposes of stock-based compensation or granting of options in any one of the seven subsequent fiscal years.

Since 2012 no simple option has been granted within the scope of our Stock Option Plan. For further information on changes in the plan, see Note 22 to the Financial Statements under IFRS.

For further information on the Stock Option Plan, please refer to the Investor Relations website: [www.itaubr.com.br/arquivosstaticos/RI/pdf/en/IUH-2015-04-29_PLANO_DE_OPCOES_\(FOR\)_ingles.pdf](http://www.itaubr.com.br/arquivosstaticos/RI/pdf/en/IUH-2015-04-29_PLANO_DE_OPCOES_(FOR)_ingles.pdf).

Our shares

In Brazil, we have two classes of shares negotiated on B3: common and preferred. In the United States of America we have American Depositary Receipts (ADRs) of our preferred shares negotiated at the New York Stock Exchange (NYSE).

Common shares entitle the holder to one vote at our general stockholders' meetings. The voting rights of our controlling stockholders do not differ from the voting rights of other holders of common shares.

Preferred shares are nonvoting but entitle the holder to:

- Priority to receive mandatory dividends, in the amount of R\$0.022 per share, non-cumulative with minimum dividend; and
- Tag-along rights in the event of sale of a controlling stake, assuring a price equal to 80% of the amount paid for the controlling stockholders' common shares.

Brazilian Corporate Law provides that preferred stockholders may vote when the company does not pay fixed or minimum dividends to which they are entitled for the period established in the company's Bylaws, which may never exceed three consecutive fiscal years. Preferred stockholders maintain such right until the payment is made if these dividends are not cumulative or until cumulative dividends are paid.

The creation of a new class of shares with priority over preferred shares, as well as any change in preference or in rights associated with preferred shares, must be approved by at least 50% of common shares and also approved by stockholders representing the majority of preferred shares in a special general meeting. Please refer to section Our governance, item Management structure, General Stockholders' Meeting, for further information about the procedures for calling general and special stockholders meetings.

STOCK EXCHANGE



Brasil, Bolsa, Balcão (B3)

TICKER SYMBOL

ITUB3 (Common share) ITUB4 (Common share)

Corporate Governance **LEVEL 1**



New York Stock Exchange (NYSE)



Corporate Governance **LEVEL 2**

(1) American Depositary Shares, or ADSs.

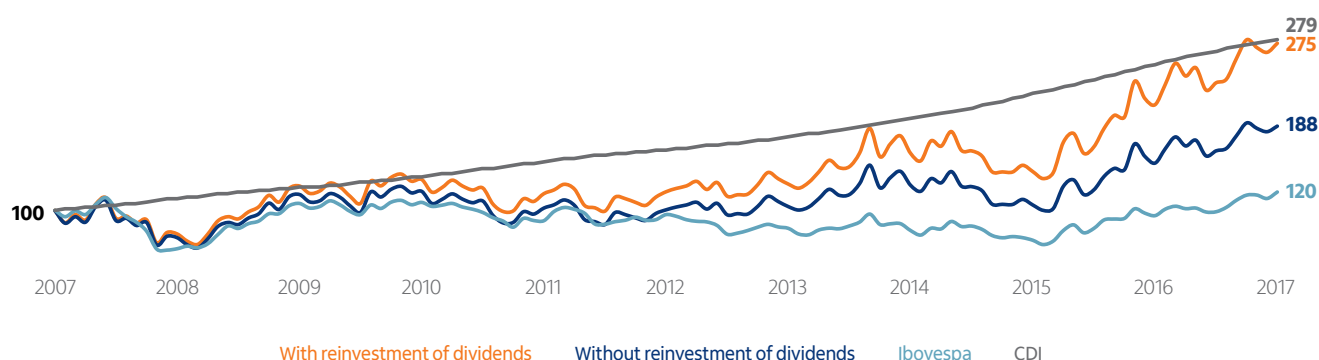
The following table sets forth the high and low market closing prices for the preferred shares for the periods indicated:

Preferred share price	Per Preferred Share (ITUB4) ⁽¹⁾		Per ADS (ITUB) ⁽¹⁾	
	High (In R\$)	Low (In R\$)	High (In US\$)	Low (In US\$)
2018	53.12	43.88	16.98	13.53
January	53.12	43.88	16.98	13.53
February	53.00	50.03	16.59	15.11
March	52.79	49.92	16.21	15.04
April (through April 18, 2018)	51.64	49.70	15.45	14.59
2017	45.25	33.53	14.34	10.22
First quarter	41.68	33.53	13.52	10.70
Second quarter	40.30	34.68	12.96	10.22
Third quarter	43.94	36.16	13.98	10.97
Fourth quarter	45.25	40.85	14.34	12.33
2016	38.40	20.97	11.98	4.99
First quarter	30.18	20.97	8.31	4.99
Second quarter	30.65	25.44	8.76	7.28
Third quarter	33.71	27.88	10.51	8.38
Fourth quarter	38.40	31.01	11.98	9.12
2015	32.34	23.46	11.18	5.75
First quarter	30.49	27.07	11.18	8.59
Second quarter	32.34	27.11	10.98	8.64
Third quarter	28.95	23.46	9.26	5.75
Fourth quarter	27.05	23.64	7.38	5.90
2014	34.08	21.98	15.14	8.98
2013	26.00	20.14	13.00	8.78
2012	26.36	18.48	14.86	8.94

Source: Economática System.

(1) Historical prices are adjusted by corporate actions, such as 10% share bonus of Itaú Unibanco.

The graph below shows the evolution of R\$100 invested from December 28, 2007 to December 28, 2017, comparing our preferred share (ITUB4) price, with and without reinvestment of dividends, to the performance of Ibovespa and CDI.



Source: Economática System.

Main stockholders

We are controlled by IUPAR, which is jointly controlled by Itaúsa and Cia. E. Johnston. Itaúsa is controlled by members of the Egydio de Souza Aranha family, and Cia. E. Johnston is controlled by members of the Moreira Salles family.

Except for the shares indirectly owned by our controlling stockholders (through their participation in IUPAR and Itaúsa), the members of our Board of Directors and our Board of Officers, on an individual basis and as a group, beneficially

owned less than 1% of our common shares and less than 1% of our preferred shares as of December 31, 2017.

According to Brazilian regulation and as approved by the Central Bank, foreign investors may have a maximum of 30% of our common shares.

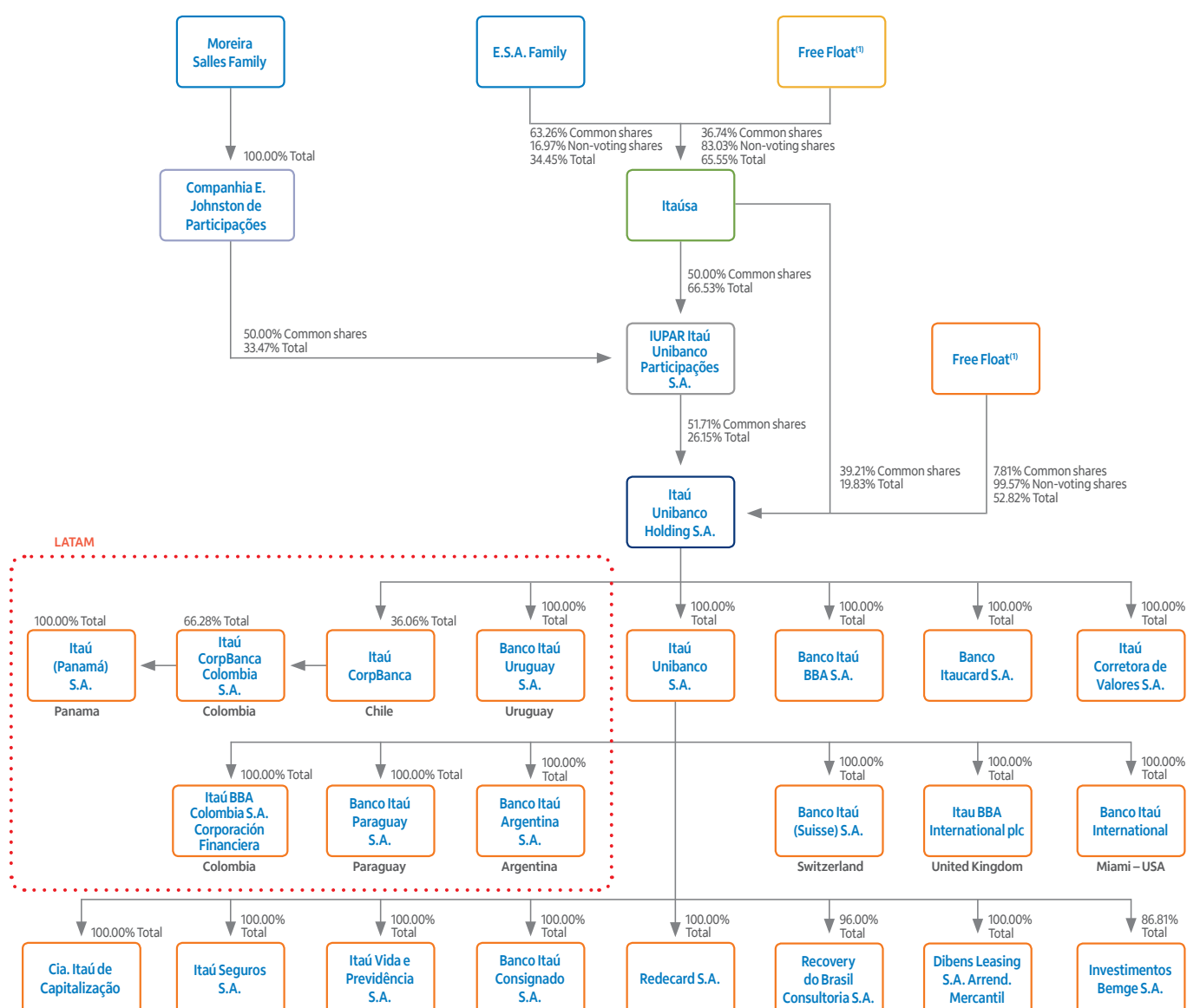
The following table presents information on the persons that, to our knowledge, held over 5% of our common or preferred shares as of March 31, 2018:

Stockholders	Common shares		Preferred shares		Total	
	Total number of shares	% of total	Total number of shares	% of total	Total number of shares	% of total
IUPAR – Itaú Unibanco Participações S.A.	1,709,389,603	51.71	-	-	1,709,389,603	26.15
Itaúsa – Investimentos Itaú S.A.	1,295,937,718	39.21	112,882	0.00	1,296,050,600	19.83
BlackRock ⁽¹⁾	-	-	233,283,398	7.22	233,283,398	3.57
Others	300,199,585	9.08	2,948,754,411	91.28	3,248,953,996	49.71
Subtotal	3,305,526,906	100.00	3,182,150,691	98.50	6,487,677,597	99.26
Treasury stock	-	-	48,412,635	1.50	48,412,635	0.74
Total	3,305,526,906	100.00	3,230,563,326	100.00	6,536,090,232	100.00

(1) Share ownership information provided by stockholder.
Date: 03/31/2018.

Ownership structure

The following chart is an overview of the ownership structure of the Itaú Unibanco group as of March 31, 2018, which includes our controlling shareholders and some of our main subsidiaries:



(1) Excludes shares held in treasury and by our controlling shareholders.

IUPAR stockholders' agreement

Itaúsa and Cia. E. Johnston have a stockholders' agreement that governs their relationship as controlling stockholders of IUPAR and, indirectly, as our controlling stockholders and as controlling stockholders of our subsidiaries. Please refer to www.itaubank.com.br/arquivosstaticos/RI/pdf/IUPARingles.pdf for further details. The main terms and conditions of the agreement are described below.

The Board of Directors and the Board of Officers of IUPAR are composed of four members each: two members are nominated by Itaúsa and two members by Cia. E. Johnston for each one of these bodies. Pursuant to the IUPAR stockholders' agreement, IUPAR shares held by Itaúsa and Cia. E. Johnston cannot be transferred to third parties until November 3, 2018. After this period, if any stockholder party to the IUPAR stockholders' agreement decides to transfer its IUPAR shares to a third party, the other stockholders will have right of first refusal or tag-along rights. If both Itaúsa and Cia. E. Johnston decide to transfer all of their shares held in IUPAR or the total shares held by IUPAR in Itaú Unibanco Holding to third parties, Itaúsa may exercise its tag-along rights, so as to include in the sale all or part of the shares directly held by it in Itaú Unibanco Holding. All shares held directly by Itaúsa in Itaú Unibanco Holding may be freely transferred.

The IUPAR stockholders' agreement is effective for a 20-year period from January 27, 2009, and may be automatically extended for successive 10-year periods, except if otherwise indicated.

Transfer of control and increase of interest in share capital

Subject to the provisions of the IUPAR stockholders' agreement, our Bylaws do not contain any provision that is intended to delay, defer or prevent a change in our shareholding control or that would operate only with respect to a merger, acquisition or corporate restructuring of our Company or its subsidiaries. However, according to Brazilian regulation all such transactions must be carried out in accordance with procedures established by CMN and be previously approved by the Central Bank.

Brazilian legislation provides that acquisition of control of a publicly held company triggers the requirement for the acquiring party to make a tender offer for all outstanding common shares, at a price equivalent to at least 80% of the price per share paid to the controlling stockholders. Additionally, our Bylaws establish the same price rule for the holders of our preferred shares.

Such legislation also requires our controlling stockholders to make a tender offer for all of our shares if they increase their interest in our share capital to a level that materially and negatively affects the liquidity of our shares.

Stockholders' rights

Common shares

- Voting right (one share is entitled to one vote);
- 80% Tag-along; and
- Preemptive right in the subscription of new shares in any capital increase.

Preferred shares

- Priority in the receipt of the mandatory dividend, in the amount of R\$0.022 per share;
- 80% Tag-along;
- Preemptive right in the subscription of new shares in any capital increase; and
- Voting right when the company fails to pay fixed, or minimum, dividends, for the period provided for in the company's Bylaws, which may never exceed three consecutive fiscal years, until the dividends are paid.

ADSS

- Preemptive right in the subscription of new shares in any capital increase.

Stockholders' payment

Our Bylaws establish the distribution to stockholders of mandatory dividends equivalent to 25% of our net income calculated for each fiscal year, adjusted by the decrease or increase of amounts related to legal reserve, to reserve for contingencies and to its reversal related to prior years.

The mandatory dividend may be paid as dividends or interest on capital. The main difference between these forms of payment is tax-related. The payment of dividends is tax-free for stockholders.

The payment of interest on capital is subject to withholding income tax at a 15% rate, or 25% if the stockholder is a resident of or domiciled in a tax haven jurisdiction or a privileged tax regime.

The amount paid to stockholders as interest on capital, net of any withholding tax, may be included as part of the

mandatory dividend. In such cases, we are required to distribute to stockholders an amount sufficient to ensure that the net amount received by stockholders, after the payment by us of applicable withholding taxes in respect of the distribution of interest on capital, is at least equal to the mandatory dividend. Please refer to section Attachments, item Considerations for ADS holders, Taxation for ADS holders for further details.

Our Stockholder Remuneration Policy, approved by our Board of Directors, establishes the monthly payment of R\$0.015 per share as an advance mandatory dividend. The date used in Brazil as a reference to determine which stockholders are entitled to receive the monthly dividend is determined according to the shareholding position registered on the last day of the preceding month. With respect to our ADSS, however, the date used to determine the stockholders that are entitled to receive the monthly dividend is three days after the Brazilian reference date. In both cases, monthly dividends for a given month are paid on the first business day of the next month.

Once our net income is calculated, we intend to pay the difference between the mandatory dividend, calculated as mentioned before, and the accumulated amount of advanced monthly dividends. Additionally, our Board of Directors may declare interim dividends, which will be submitted for ratification at our annual stockholders' meeting.

A stockholder may claim payment of any dividend for a period of three years counted from the dividend payment date. After this period we have no responsibility for such payment.

Stockholders not residing in Brazil must register with the Central Bank so that dividends, interest on capital and other amounts related to their shares can be remitted abroad in a foreign currency.

Currently, we pay dividends and interest on capital equivalent to or higher than the mandatory dividends, but this may not continue to happen if our stockholders decide that such distribution is not advisable in view of our financial condition. In this case, if our Fiscal Council is constituted, it must issue an opinion about that decision, and management must present a report to CVM detailing the reasons for the suspension of the dividend payment. Profits not distributed due to a suspension of the dividend payment must be allocated to a special reserve and, if it is not absorbed by losses in subsequent years, it must be paid as dividends as soon as our financial position so permits.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 21b, and section Our risk management, item Regulatory environment, Implementation of Basel III in Brazil.

ADS holders' payment of dividends

Preferred shares underlying ADSs are kept in Brazil by the custodian, Itaú Unibanco, which is the owner recorded in the register service of our preferred shares. The depositary of our ADS program is The Bank of New York Mellon. The payments of dividends and distributions in cash for our preferred shares underlying the ADSs are made directly to the depositary bank abroad, which is responsible for passing them on to the stockholders within an average period of 10 days after payment is made in Brazil. The amount received by the ADS holder may be reduced if we, the custodian or the depositary are required to retain an amount related to taxes and other government charges.

Please refer to section Our Profile, item 2017 highlights, Corporate events, Payment of dividends, 10% share bonus of Itaú Unibanco and please refer to Performance, item Complete Financial Statements (IFRS), Note 21 – Stockholders' equity, for further information about dividends, share bonus and shares outstanding.

Adoption of cumulative voting

Under Brazilian Corporate Law and CVM regulation, stockholders that represent at least 5% of share capital with voting rights may demand a cumulative voting process up to 48 hours before a general stockholders' meeting. Each share will be entitled to as many votes as the members of the board being elected, and the stockholder has the right to concentrate votes in one candidate or distribute them among several candidates. The presiding officer must inform the stockholders in advance about the number of votes required for the election of each member of the Board of Directors.

Whenever the election of the Board of Directors is held under the cumulative vote process and the common or preferred stockholders exercise their right of electing one director, the controlling stockholder will have the right to elect directors in the same number as those elected by the other stockholders plus one, regardless of the number of directors that, according to our Bylaws, compose the board.

Additionally, as our Bylaws do not provide for staggered terms, our directors may be reelected consecutively without interruption. Whenever the election has been conducted through a cumulative voting process, the removal from office of any of our directors by our stockholders, at a stockholders' meeting, will result in the removal from office of all of the remaining directors and a new election shall be arranged. In order not to affect the management of the company as a result of the removal of directors, Brazilian Corporate Law provides that, despite the removal, the same directors may continue to exercise their functions until the newly elected board members take office.

Preemptive right, capital increase and payment for subscribed shares

Each stockholder has the preemptive right to subscribe for shares in any capital increase, in proportion to his/her equity interest, except in specific cases, in compliance with Brazilian Corporate Law.

Our Bylaws authorize the Board of Directors to increase our share capital up to a limit of 8,784,600,000 shares, of which 4,392,300,000 must be common shares and 4,392,300,000 must be preferred shares (authorized capital). Up to the limit of our authorized capital, the issuance of our shares may be made without considering our stockholders preemptive rights if (i) made on a stock exchange; (ii) by a public subscription; and (iii) in exchange for our shares in a public offering for the acquisition of our control. Regardless of this provision, all increases in our share capital must be ratified by our stockholders and approved by the Central Bank.

After the approval of the capital increase by the Central Bank, a stockholder must pay the value corresponding to the subscribed shares under the terms established in the subscription documentation related to that capital increase. A stockholder that fails to make payment under the terms of the subscription documentation will be deemed to be in default, in accordance with Brazilian Corporate Law.

Brazilian legislation does not provide for liability in capital calls, therefore the ownership interest of our stockholders may be diluted if they decide not to exercise their preemptive rights to subscribe shares in cases of capital increase.

Form and transfer

Our shares are book-entry and Itaú Corretora de Valores S.A. is our bookkeeping service provider. Therefore, the shares issued by us are to be kept in deposit accounts, under the investor's name.

As an alternative, the investor may also deposit shares in the B3 via a custodian institution authorized by CVM. In such case, B3, as central depository, holds the shares under its name but controls the ownership of the securities through a structure of deposit accounts kept under the investors' name. There is no distinction in the rights and obligations of stockholders, regardless of whether their shares are deposited with a broker-dealer or with B3.

Redemption and withdrawal rights

Our common shares and our preferred shares are not redeemable, except upon delisting. Pursuant to Brazilian Corporate Law, however, the approval of certain matters entitles a dissenting stockholder to withdraw from the company, such right expiring 30 days after publication of the minutes of the applicable stockholders' meeting. This withdrawal may occur under certain conditions upon reimbursement of the value of such holder's shares, calculated based on criteria set forth under Brazilian Corporate Law. Also, in accordance with Brazilian Corporate Law, we are entitled to reconsider any resolution that gives rise to a withdrawal within 10 days following the expiration of the withdrawal period, if such exercise of withdrawal rights jeopardizes our financial stability.

Withdrawal rights are not available to stockholders whose shares have liquidity and are actively traded in the stock market in cases of merger or takeover or in case the company elects to take part in a group of companies.

Common and preferred shares should be reimbursed upon cancellation of their registration at their value, calculated based on the criteria set forth under Brazilian Corporate Law. If the resolution that gave rise to withdrawal rights was approved more than 60 days after the date when the last balance sheet was approved, the stockholder may demand that his/her shares be redeemed at a value based on a new balance sheet, dated up to 60 days after the date of the general meeting.



In the United States

Our preferred shares have been traded on NYSE in the form of ADSs (one ADS represents one preferred share) since February 21, 2002, in compliance with NYSE and SEC requirements. These requirements include disclosure of financial statements in IFRS since 2011 and compliance with U.S. legal requirements, including the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002.

Our ADSs are issued by The Bank of New York Mellon, as depository, under a Deposit Agreement, dated as of May 31, 2001, as amended and restated as of February 20, 2002 and as of March 30, 2009, effective as of April 3, 2009, among us, the depository and the owners and beneficial owners of ADSs from time to time. The depository's principal executive office is located at 225 Liberty Street, New York, New York 10281.

ADS holders have no stockholder rights, which are governed by Brazilian Corporate Law. The depository is the holder of the preferred shares underlying the ADSs. Holders of ADSs have ADS holder rights.

An investor may hold the ADSs directly, registered under his or her name, or indirectly, through a broker or another financial institution. The holders of our ADSs do not have the same rights as our stockholders and the depository and holders of corresponding shares in Brazil. The deposit agreement determines the rights and obligations of the ADS holders and is governed by New York law.

In the event of a capital increase that maintains or increases the proportion of our capital represented by preferred shares, the holders of ADSs, except as described above, have preemptive rights to subscribe only to newly issued preferred shares. In the event of a capital increase that reduces the proportion of capital represented by preferred shares, the holders of ADSs, except as described above, have preemptive rights to preferred shares in proportion to their interests and to common shares only to the extent necessary to prevent dilution of their interests.

Please refer to section Attachments, item Considerations for ADS holders for further information.

Fees and expenses

The following table summarizes the fees and expenses payable by holders of ADSs to the depository:

Event	Fees
Issuance ⁽¹⁾ or cancellation for the purpose of withdrawal ⁽²⁾ of ADSs	US\$5.00 (or less) per 100 ADSs (or portion thereof) plus any additional fees charged by any governmental authorities or other institutions for the execution and delivery or surrender of ADSs.
Any cash distribution	US\$0.02 (or less) per ADS (or portion thereof).
Depository services	US\$0.02 (or less) per ADS (or portion thereof) per calendar year (in addition to cash distribution fee of US\$0.02 per ADS during the year).

(1) Including issuances resulting from a distribution of preferred shares or rights or other property, substitution of underlying shares and transferring, splitting or grouping of receipts.
(2) Including if the deposit agreement terminates.

In addition, set below are other fees and expenses payable by holders of ADSs:

- Registration fees: registration of transfers of preferred shares on our preferred share register to or from the name of the depository or its agent when the holder deposit or withdraws preferred shares.

- Distribution of securities by the depositary to ADS holders fee: equivalent to the fee that would be payable if securities distributed to the holder thereof had been preferred shares and the shares had been deposited for issuance of ADSs.
- Foreign currency conversion expenses: expenses of the depositary in converting foreign currency to U.S. dollars.
- Depositary expenses: cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement).

Moreover, taxes and other governmental charges which the depositary or the custodian has to pay on any ADR or preferred share underlying an ADS (for example, stock transfer taxes, stamp duty or withholding taxes) would be payable by holders of ADSs. Any other charges incurred by the depositary or its agents for servicing the deposited securities are not currently assessed in the Brazilian market.

Payment of taxes

The depositary may deduct the amount of any taxes owed from any payments to investors. It may also sell deposited securities, by public or private sale, to pay any taxes owed. Investors will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to investors any proceeds or send to investors any property remaining after it has paid the taxes.

Reimbursement of fees

The Bank of New York Mellon, as depositary, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance of the ADS program. The depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The depositary has also agreed to pay the standard out-of-pocket maintenance costs for the ADSs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of United States federal tax information, mailing required tax forms, stationery, facsimile, and telephone calls, as well as to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depositary has agreed to provide additional payments to us based on applicable performance indicators relating to the ADS facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.

The depositary collects its fees for delivery and surrender of ADSs directly from investors, depositing shares or surrendering ADSs in case of exercise of withdrawal rights or from intermediaries acting for them. The depositary collects

fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deducting from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services subject to fees until its fees for those services have been paid.

In 2017, we received from the depositary US\$23.5 million for promoting and encouraging the ADR program in the market, out-of-pocket maintenance costs for the ADSs (as described above), any applicable performance indicators relating to the ADS facility, underwriting fees and legal fees.

Further information for the investor **GRI 102-3**

We are organized as a publicly held corporation for an unlimited period of time under the laws of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil and our telephone number is +55 (11) 2794-3547. We are primarily governed by Brazilian Corporate Law and our Bylaws. Our Tax Payer's Registry (CNPJ) is 60.872.504/0001-23, and we are registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under NIRE 35300010230. Our corporate purpose, as set forth in Article 2 of our Bylaws, is to perform banking activity in all its authorized forms, including foreign exchange transactions. Our agent for service of process in the United States is the general manager of our New York branch, which is located at 767 Fifth Avenue, 50th floor, New York, NY 10153.

CONTACTS	
Shares program	
Bookkeeping service	Itaú Corretora de Valores S.A.
Phone	3003 9285 (capitals and metropolitan areas) or 0800 720 9285 (further areas) (Brazilian callers) or +55 11 3003 9285 (non-Brazilian callers)
E-mail	investfone@itau-unibanco.com.br
Site	www.itaucorretora.com.br
Specialized branches address	www.itaucustodia.com.br/agencia_enderecos.htm
ADS program	
Depositary bank	The Bank of New York Mellon
Phone	1 888 BNY ADRS (1 888 269 2377) (U.S. callers) or +1 201 680 6825 (non-U.S. callers)
E-mail	shrrelations@cpushareownerservices.com
Site	www.bnymellon.com/shareowner
Investor relations	
Phone	+55 11 2794 3547
E-mail	investor.relations@itau-unibanco.com.br
Site	www.itau.com.br/investor-relations
2018 corporate calendar	
Annual General Stockholders' Meeting	April 25, 2018
Earnings Release – First Quarter, 2018	May 1, 2018
Earnings Release – Second Quarter, 2018	July 30, 2018
Earnings Release – Third Quarter, 2018	October 29, 2018

Our commitment to best practices in corporate governance is directly related to our focus on stockholders and investors, transparency and accountability. We are particularly focused on platforms for communication with these groups and are continuously investing to upgrade channels and the quality of our services.

In 2017, to encourage communications with and further strengthen our relationship with our stockholders, capital market investors and analysts, we disclosed the organization's results, strategies and perspectives in 16 public meetings that drew approximately 2.2 thousand attendees in several cities and were held in partnership with the Association of Capital Markets Investment Analysts and Investment Professionals (APIMEC). We also took part in 30 conferences and seven road shows in Brazil and abroad.

We held four quarterly conference calls during 2017, in each case on the day after each quarterly earnings release. The calls are conducted in English and afterwards in Portuguese and may be accessed by telephone or on the internet.

Our corporate information is posted on our Investor Relations website (www.itau.com.br/investor-relations).

Credit ratings

We subscribe to independent credit rating agency reviews by Fitch Ratings, Moody's and Standard&Poor's (S&P). These ratings assess our credit worthiness and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance, in addition to government and/or group support.

Credit ratings ⁽¹⁾			
As of April 20, 2018	Fitch Ratings	S&P Global	Moody's
Itaú Unibanco Holding S.A.			
Short term	B	B	NP
Long term	BB	BB-	(P) Ba3 ⁽²⁾
Outlook	Stable	Stable	Stable
Itaú Unibanco S.A.			
Short term	B	B	NP
Long term	BB	BB-	(P) Ba2 ⁽³⁾
Outlook	Stable	Stable	Stable
Itaú BBA International plc⁽⁴⁾			
Short term	-	-	P-2
Long term	-	-	A3
Outlook	-	-	Negative

(1) International Scale Foreign Currency Ratings.

(2) Refers to Itaú Unibanco Holding S.A. Senior Unsecured Debt Rating. Moody's does not assess Deposit Ratings for Itaú Unibanco Holding.

(3) Refers to Itaú Unibanco S.A. Senior Unsecured MTN Rating. Itaú Unibanco S.A. Long Term Deposit Rating is Ba3.

(4) Itaú BBA International plc is not rated by Fitch Ratings or Standard & Poor's. Refers to Moody's deposit ratings.

Due to the methodology adopted by the rating agencies, Itaú Unibanco's ratings are in line with the ratings attributed to Brazil.

Therefore, in line with reviews on the sovereign risk outlook, since 2017, Moody's took the following changes in Itaú Unibanco S.A. and Itaú Unibanco Holding S.A.'s ratings outlook:

- In March 2017: to stable from negative;
- In May 2017: to negative from stable; and
- In April 2018: to stable from negative.

In both March and August 2017, Fitch affirmed the ratings of Itaú Unibanco Holding S.A. and Itaú Unibanco S.A. highlighting: controlled risk appetite, sound funding and liquidity position and adequate coverage ratio level. Additionally, this agency rated the bank as a "safe harbor" in times of crisis, with a diversified deposit base. In March 2018, Fitch downgraded Itaú Unibanco's Long Term ratings to BB from BB+, changing the outlook to stable from negative, due the previous rating action on Brazilian sovereign ratings made in February 2018 (BB- from BB).

In September 2017, S&P upgraded our short-term rating on national scale to brA-1+ from brA-1 and reaffirmed the ratings assigned to Itaú Unibanco and to Itaú Unibanco S.A., improving the "capital and results" position from moderate to adequate, with our companies thus outdoing their competition. In addition, S&P mentioned the bank's geographic diversification and commissions and fees as positive factors.

In May 2017, S&P placed Brazil's sovereign rating for review to downgrade and, consequently, the Itaú Unibanco's ratings, accordingly. The review was concluded in August 2017, and the ratings were affirmed. However, in January 2018, S&P downgraded the Brazilian sovereign rating to BB- from BB, which led to a downgrade of several financial institutions, including Itaú Unibanco Holding S.A. and Itaú Unibanco S.A.

Main differences between Brazilian and U.S. corporate governance practices

We have registered our ADSs on the New York Stock Exchange (NYSE) in the US as a foreign private issuer. As a result NYSE allows us to comply with certain corporate governance requirements established by applicable Brazilian legislation, rather than those set forth in the NYSE corporate governance listing rules applicable to US companies with securities traded on that exchange.

The following is a description of the main differences between our corporate governance practices and those required for US publicly traded companies. Our main rules and policies can be found at www.itau.com.br/investor-relations/corporate-governance/rules-and-policies.

NYSE REQUIREMENTS	OUR PRACTICES
INDEPENDENT DIRECTORS	
Companies listed on the NYSE must have a majority of independent directors (as defined in the relevant rules). However, controlled listed companies (companies with more than 50% of their capital held by an individual, group or company), are not obliged to comply with this requirement and are exempt from the rule.	Even though we fall under the exception to NYSE's rule and there is no similar requirement under Brazilian law, our Board of Directors has five directors considered independent pursuant to the criteria established in our Corporate Governance Policy. The criteria we use to determine independence are also different from the NYSE's criteria.
EXECUTIVE SESSIONS	
Non-management directors must meet at regularly scheduled executive sessions without the presence of directors who are also officers of the company.	Even though Brazilian legislation does not have a similar requirement, we hold such executive sessions at least once a year. Currently, only one out of twelve members of our Board of Directors is considered a management director.
NOMINATION AND CORPORATE GOVERNANCE COMMITTEE	
Listed companies have a nominating/corporate governance committee entirely comprised of independent directors and governed by a charter on the purposes and responsibilities of such committee. However, controlled listed companies of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with such requirement.	We have a Nomination and Corporate Governance Committee responsible for stimulating and overseeing discussions of matters related to the company's governance. Currently, one out of five members of our Nomination and Corporate Governance Committee is considered independent under our Corporate Governance Policy. Also, all members of our Nomination and Corporate Governance Committee are considered non-management directors.
COMPENSATION COMMITTEE	
Listed companies have a compensation committee entirely comprised of independent directors and governed by a charter on the purposes and responsibilities of such committee. However, controlled listed companies of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with such requirement.	CVM rules do not require listed companies to have a compensation committee. Nonetheless, we are required to establish a compensation committee pursuant to Brazilian banking regulation. In accordance with such regulations, our Compensation Committee reports to the Board of Directors and members of the Compensation Committee are not required to be independent. However, currently, three out of five members of our Compensation Committee are considered independent under our Corporate Governance Policy.
AUDIT COMMITTEE	
Listed companies are required to have an audit committee that (i) is composed of at least three independent members who are financially literate; (ii) complies with SEC rules related to the audit committee of companies registered with the NYSE; (iii) has at least one member who has accounting or financial management expertise; and (iv) is governed by a charter that expressly sets out the purposes and responsibilities of the committee and that establishes annual performance assessments.	The applicable Brazilian banking rules regulates independent audit services rendered to financial institutions and requires the establishment of an audit committee composed of at least three independent members, pursuant to the independence criteria of such rules. Our Audit Committee, formed on April 28, 2004, meets applicable Brazilian legal requirements, is elected annually by the Board of Directors and is composed of professionals with proven technical qualification compatible with the responsibilities of this committee. Under SEC rules, we are not required to have an Audit Committee constituted or operated in accordance with NYSE rules if we meet specified SEC requirements. We believe that our Audit Committee is compliant with the requirements of Rule 10A-3(c)(3) under the Exchange Act and that it is able to act independently when performing its responsibilities. Our Audit Committee, to the extent permitted by Brazilian legislation, performs all functions required to be performed by an audit committee by Rule 10A-3 under the Exchange Act.
STOCKHOLDERS' APPROVAL OF MANAGEMENT MEMBERS' COMPENSATION AND STOCK OPTION PLANS	
Stockholders have the opportunity to vote on all share-based compensation plans and significant changes thereto, including significant increases in the number of shares available to the plan, with a few exceptions.	Brazilian legislation sets forth a comparable requirement, as it establishes the need for approval of the aggregate annual compensation of management members (including shares) and stock option plans at General Stockholders' Meetings.
CORPORATE GOVERNANCE GUIDELINES	
Listed companies are required to adopt and disclose their corporate governance guidelines.	We have a Corporate Governance Policy that consolidates the corporate governance principles and practices that we adopt. We believe such corporate governance principles and practices, consistent with Brazilian legislation, are compatible with the guidelines established by the NYSE. We have adopted stricter rules than those required by Brazilian legislation, since we voluntarily adhere to B3's Level 1 of Corporate Governance and have granted tag-along rights to all stockholders, regardless of their voting rights.
CODE OF ETHICS	
NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for their directors, officers and employees. NYSE also requires that listed companies promptly disclose any waiver of the code provisions for directors or executive officers.	Brazilian legislation does not have a similar requirement. However, we have a Code of Ethics that, among other matters, governs the conduct of all directors, officers and employees of the Itaú Unibanco Group, detailing the principles that guide our attitudes and practices.
INTERNAL AUDIT	
NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and internal control systems.	Brazilian banking regulation establishes a similar requirement, since it requires that financial institutions have an internal audit function compatible with the nature, size, complexity, structure, risk profile and business model of the financial institution undertaken by a specific unit directly subordinated to the Board of Directors or an independent auditor (provided that such auditor is not in charge of the institutions financial or any other activity that may imply a conflict of interest). Our internal audit function is responsible for assessing the sufficiency and effectiveness of our operating and management controls, as well as the adequacy of our risk identification and risk management processes. In addition, our internal audit function is independent from management in carrying out its activities and has access to all places, information and people deemed necessary for it to carry out its duties. The internal audit function is administratively subordinated to the Co-chairman of the Board of Directors, and its activities are supervised by the Audit Committee.



4 Our risk management

GRI 102-15

We believe risk management is an essential tool to optimize the use of resources and selecting the best business opportunities to maximize value creation for shareholders.



Risk factors

This section addresses the risks we consider material to our business and to investment in our securities. Should any of the events described in such risks occur, our business and financial condition, as well as the value of the investments made in our securities, may be adversely affected. Accordingly, investors should carefully assess the risk factors described below and the information disclosed in this document.

Other risks that we currently deem not material or we are not aware of may give rise to effects similar to those discussed below should they actually occur.

Macroeconomic risk factors

International scenario

Changes in economic conditions may adversely affect us

Our operations are dependent upon the performance of the economies of the countries in which we do business, Latin American countries in particular. Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy and have a negative impact on our operations.

The demand for credit and financial services, as well as clients' ability to pay, is directly impacted by macroeconomic variables, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates. Therefore, any significant change in the economies of countries in which we do business, Latin American countries in particular, may affect our operations.

The disruptions and volatility in the global financial markets may have significant consequences in the countries in which we operate, such as volatility in the prices of equity securities, interest rates and foreign exchange rates. Higher uncertainty and volatility may result in a slowdown in the credit market and the economy, which, in turn, could lead to higher unemployment rates and a reduction in the purchasing power of consumers. In addition, such events may significantly impair our clients' ability to perform their obligations and increase overdue or non-performing loan operations, resulting in an increase in the risk associated with our lending activity.

The economic and market conditions of other countries, including the United States, countries of the European Union, and emerging markets, may affect the credit availability and the volume of foreign investments in Brazil and in the countries in which we do business, to varying degrees. Political uncertainty continues to pose a significant risk to the global economic scenario, particularly the possibility of a trade war between the U.S. and China. In the Eurozone, the formation of a new government coalition in Italy remains uncertain and Brexit negotiations are sources of uncertainty, although neither appears to pose an immediate risk to the region or to the global economy. Crises in these countries may decrease investors' interest in assets from Brazil and other countries in which we do business, which may materially and adversely affect the market price of our securities, making it more difficult for us to access capital markets and, as a result, to finance our operations in the future.

Banks that operate in countries considered to be emerging markets, including ours, may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which may have a material adverse impact on their operations. In particular, the availability of credit to financial institutions operating in emerging markets is significantly influenced by an aversion to global risk. In addition, any factor impacting investors' confidence, such as a downgrade in credit ratings, since the ratings of financial institutions, including ours, tend to be subject to a ceiling based on the sovereign credit rating, or an intervention by a government or monetary authority in one of such markets, may affect the price or availability of resources for financial institutions in any of these markets, which may affect us.

Thus, crises in these countries may decrease investors' interest in Brazilian assets, which may materially and adversely affect the market price of our securities, making it more difficult for us to access capital markets and, as a result, to finance our operations in the future. Global financial crises, in addition to the Brazilian macroeconomic environment, may also affect in a material and adverse way the market price of securities of Brazilian issuers or lead to other negative effects in Brazil and in the countries in which we operate and have a material adverse effect on us.

Please refer to the section entitled "Context, item Macroeconomic Context, Global Context and Brazilian Context" for further details about data and economic indicators.

Domestic scenario

Brazilian authorities exercise influence on the Brazilian economy. Changes in fiscal, monetary and foreign exchange policies as well as deterioration of government fiscal accounts, may adversely affect us

Our operations are highly dependent upon the performance of the Brazilian economy. The demand for credit and financial services, as well as our clients' ability to make payments when due, is directly impacted by macroeconomic variables, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates.

After a period of accelerated economic expansion, Brazil's growth rates began to slow down in 2011 and by 2015 the country was in recession. In 2016, GDP decreased by 3.5% and improved to 1.0% in 2017. Growth was impacted by high interest rates, low commodities prices, and high corporate leverage. In the long term, growth may be limited by a number of factors, including structural factors, such as inadequate infrastructure, which entail risks of potential energy shortages and deficiencies in the transportation sector, among others, and lack of qualified professionals, which can reduce the country's productivity and efficiency levels. Low levels of national savings require relatively large financial flows from abroad, which may falter if political and fiscal instability is perceived by foreign investors. Depending on their intensity, these factors could lead to decreasing employment rates and to lower income and consumption levels, which could result in increased default rates on loans we grant for individuals and non-financial corporations and, therefore, have a material adverse effect on us.



Brazilian authorities intervene from time to time in the Brazilian economy, through changes in fiscal, monetary, and foreign exchange policies, which may adversely affect us. These changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our client's ability to pay and, consequently, affecting us.

Fiscal

The Brazilian primary public budget result has been in deficit since 2014. If the deterioration of the Brazilian government fiscal accounts continues, it could generate a loss of confidence by local and foreign investors. Regional governments are also facing fiscal concerns due to their high debt burden, declining revenues and inflexible expenditures. The Brazilian Congress approved a ceiling on government spending that will limit primary public expenditure growth to the prior year's inflation for a period of at least 10 years. In the short term, the spotlight will remain on fiscal reforms that are critical for achieving future compliance with the spending limit. The pivotal Social Security reform is ready to be voted by Congress, however political uncertainty may postpone any progress in the theme to 2019, after the general elections. Diminished confidence in the Brazilian government's fiscal circumstances could lead to the downgrading of the Brazilian sovereign debt by credit rating agencies, and negatively impact the local economy, causing a depreciation of the Brazilian *real*, an increase in inflation and interest rates and a deceleration of economic growth, thus adversely affecting our business, results of operations and financial condition.

Monetary

Sudden increases in prices and long periods of high inflation may cause, among other effects, loss of purchasing power and distortions in the allocation of resources in the economy. Measures to combat high inflation rates include a tightening of monetary policy, with an increase in the SELIC interest rate, resulting in restrictions on credit and short-term liquidity, which may have a material adverse effect on us. Changes in interest rates may have a material effect on our net margins, since they impact our funding and credit granting costs. In addition, increases in the SELIC interest rate could reduce demand for credit and increase the costs of our reserves and the risk of default by our clients. Conversely, decreases in the SELIC interest rate could reduce our gains from interest-bearing assets, as well as our net margins.

Foreign exchange

Brazil has a floating foreign exchange rate system, pursuant to which the market establishes the value of the Brazilian *real* in relation to foreign currencies. However, the Central Bank may intervene in the purchase or sale of foreign currencies for the purpose of easing variations and reducing volatility of the foreign exchange rate. In spite of those interventions,

the foreign exchange rate may significantly fluctuate. In addition, in some cases, interventions made with the purpose of avoiding sharp fluctuations in the value of the Brazilian *real* in relation to other currencies may have the opposite effect, leading to an increase in the volatility of the applicable foreign exchange rate. Instability in foreign exchange rates could negatively impact our business. A potential depreciation of the Brazilian *real* could result in (i) losses on our liabilities denominated in or indexed to foreign currencies; (ii) a decrease in our ability to pay for obligations denominated in or indexed to foreign currencies, as it would be more costly for us to obtain the foreign currency required to meet such obligations; (iii) a decrease in the ability of our Brazilian borrowers to pay us for debts denominated in or indexed to foreign currencies; and (iv) negative effects on the market price of our securities portfolio. On the other hand, an appreciation of the Brazilian *real* could cause us to incur losses on assets denominated in or indexed to foreign currencies.

All these changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our clients' ability to pay. Uncertainty regarding future economic policies may, in the future, contribute to an increase in the volatility of the Brazilian capital markets, which, in turn, may have an adverse impact on us. Other political, diplomatic, social and economic developments in Brazil and abroad that affect Brazil may also affect us. To summarize, any significant change in the Brazilian economy may affect our operations.

Ongoing high profile anti-corruption investigations in Brazil may affect the perception of Brazil and domestic growth prospects

Certain relevant Brazilian companies in the energy, infrastructure and oil and gas sectors are facing investigations by CVM, SEC, the U.S. Department of Justice (DOJ), the Brazilian Federal Police and other Brazilian public entities who are responsible for corruption and cartel investigations, in connection with corruption allegations (so called Lava Jato investigations) and, depending on the outcome of such investigations and the time it takes to conclude them, they may face (as some of them already faced) downgrades from credit rating agencies, experience (as some of them already experienced) funding restrictions and have (as some of them already had) a reduction in revenues, among other negative effects. Such negative effects may hinder the ability of those companies to timely honor their financial obligations bringing losses to us as a number of them are our clients. The companies involved in the Lava Jato investigations, a number of which are our clients, may also be (as some of them already have been) prosecuted by investors on the grounds that they were misled by the information released to them, including their financial statements. Moreover, the current corruption investigations have contributed to reduce the value of the securities of several companies. The investment banks (including Itaú BBA Securities) that acted as underwriters on public distributions of securities of such investigated companies are also parties to certain lawsuits



in the U.S. and may be parties to other legal proceedings yet to be filed. We cannot predict how long the corruption investigations may continue, or how significant the effects of the corruption investigations may be for the Brazilian economy and for the financial sector that may be investigated for the commercial relationships it may have held with companies and persons involved in Lava Jato investigations. Other high profile investigation, besides Lava Jato, ongoing in Brazil is the so-called Zelotes operation. If the allegations of such investigations are confirmed they may also affect some of our clients and their credit trustworthiness. In March 2016, the Brazilian Internal Revenue Services (IRS) summoned us to account for certain tax proceedings related to BankBoston Brazil which came under investigation in relation to the Zelotes operations. We acquired BankBoston Brazil's operation from Bank of America in 2006. On December 1, 2016, the Brazilian Federal Police conducted searches at Itaú Unibanco's premises, to look for documents related to those proceedings, and documents related to payments made to lawyers and consultants that acted on those proceedings. We clarify that the agreement with Bank of America for the acquisition of BankBoston Brazil's operations included a provision whereby the seller would remain liable and responsible for the conduct of BankBoston's tax proceedings, including with regard to the retention of lawyers and consultants. Therefore, according to such agreement, any and all payments made by Itaú Unibanco to lawyers and consultants were made strictly on behalf of Bank of America. These investigations have not yet been concluded, and we remain fully available and will cooperate with the authorities should any further clarification be needed. After reviewing our control procedures and our monitoring systems, we believe we are in compliance with the existing standards, especially related to anti-money laundering standards; notwithstanding, due to the size and breadth of our operations and our commercial relationship with investigated companies or persons, and due to the several banks, both publicly and privately owned, that Itaú Unibanco acquired throughout the last 15 years, we may also come within the scope of investigations, which may ultimately result in reputational damage, civil or criminal liability. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may also lead to lower economic growth.

Legal and regulatory risks

Bank regulations

We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention on a consolidated basis

We operate in a number of credit and financial services related sectors through entities under our control. For purposes of regulation and supervision, the Central Bank treats us and our subsidiaries and affiliates as a single financial institution. While our consolidated capital base provides financial strength and flexibility to our subsidiaries and affiliates, their individual activities could indirectly put our capital base at risk. Any investigation or intervention by the Central Bank, particularly in the activities carried out by any of our subsidiaries and affiliates, could have a material adverse impact on our other subsidiaries and affiliates and, ultimately, on us. If we or any of our financial subsidiaries become insolvent, the Central Bank may carry out an intervention or liquidation process on a consolidated basis rather than conduct such procedures for each individual entity. In the event of an intervention or a liquidation process on a consolidated basis, our creditors would have claims on our assets and the assets of our consolidated financial subsidiaries. In this case, claims of creditors of the same nature held against us and our consolidated financial subsidiaries would rank equally in respect of payment. If the Central Bank carries out a liquidation or intervention process with respect to us or any of our financial subsidiaries on an individual basis, our creditors would not have a direct claim on the assets of such financial subsidiaries, and the creditors of such financial subsidiaries would have priority in relation to our creditors in connection with such financial subsidiaries' assets. The Central Bank also has the authority to carry out other corporate reorganizations or transfers of control under an intervention or liquidation process.

Changes in applicable law or regulations may have a material adverse effect on our business

Changes in the law or regulations applicable to financial institutions in Brazil may affect our ability to grant loans and collect debts in arrears, which may have an adverse effect on us. Our operations could also be adversely affected by other changes, including with respect to restrictions on remittances abroad and other exchange controls as well as by interpretations of the law by courts and agencies in a manner that differs from our legal advisors' opinions.

In the context of economic or financial crises, the Brazilian government may also decide to implement changes to the legal framework applicable to the operation of Brazilian financial institutions. For example, in response to the global financial crisis which began in late 2007, Brazilian national and intergovernmental regulatory entities, such as the Basel Committee on Banking Supervision, proposed regulatory reforms aiming to prevent the recurrence of similar crises, which included a new requirement to increase the minimum regulatory capital (Basel III). Please refer to section Our risk management, item Regulatory environment, Basel III Framework and Implementation of Basel III in Brazil for further details about regulatory capital requirements.

Moreover, the Brazilian Congress is considering enacting new legislation that, if signed into law as currently drafted, could have an adverse effect on us. For example, a proposed law to amend the Brazilian consumer protection code would allow courts to modify terms and conditions of credit agreements in certain circumstances, imposing certain difficulties for the collection of amounts from final consumers. Recently, the Superior Court of Justice has published a precedent which may have an impact on Brazilian banks' ability to collect amounts due under credit agreements with natural persons. However, the impacts of such precedent are currently unclear, as the scope of application of said precedent is under evaluation. In addition, local or state legislatures may from time to time consider bills intending to impose security measures and standards for customer services, such as limits in queues and accessibility requirements, that, if signed into law, could affect our operations. More recently, certain bills have passed (and others were proposed) in certain Brazilian states or municipalities that impose, or aim to impose, restrictions on the ability of creditors to include the information about insolvent debtors in the records of credit protection bureaus, which could also adversely affect our ability to collect credit outstanding.

We also have operations outside of Brazil, including, but not limited to, Argentina, Chile, Colombia, Paraguay, the United Kingdom, the United States, Uruguay and Switzerland. Changes in the laws or regulations applicable to our business in the countries where we operate, or the adoption of new laws, and related regulations, may have an adverse effect on us.

Increases in compulsory deposit requirements may have a material adverse effect on us

Compulsory deposits are reserves that financial institutions are required to maintain with the Central Bank. Compulsory deposits generally do not provide the same returns as other investments and deposits because a portion of these compulsory deposits does not bear interest; instead, these funds must be held in Brazilian federal government securities and used to finance government programs, including a federal housing program and rural sector subsidies. The Central Bank has periodically changed the minimum level of compulsory deposits.

Insurance regulations

Our insurance operation is subject to regulatory agencies, such as SUSEP (*Superintendência de Seguros Privados*) and ANS (*Agência Nacional de Saúde Suplementar*). Therefore, we may be affected negatively by the penalties applied by such regulators

Insurance companies are subject to SUSEP intervention and/or liquidation. In case of insufficient resources, technical reserves, or poor economic health with respect to a regulated entity, SUSEP may appoint an inspector to act within the relevant company. If such intervention does not remedy the issue, SUSEP will forward to CNSP a proposal to withdraw the applicable insurance license. In addition, insurance companies are subject to pecuniary penalties, warnings, suspension of authorization of activities and disqualification to engage in business activities as set in Law.

Health insurance companies are subject to ANS regulations. With respect to companies that are deemed to have financial imbalances or serious economic, financial or administrative irregularities, ANS may order the disposal of the applicable health insurance company's portfolio, or take other measures such as fiscal or technical direction regime for a period not exceeding 365 days, or extrajudicial liquidation. The penalties established for violations committed by health insurance companies and their directors and officers are: (i) warnings; (ii) pecuniary penalties; (iii) suspension of company's activities; (iv) temporary disqualification for the exercise of management positions in health insurance companies; (v) permanent disqualification for the exercise of management positions in health insurance companies as well as in open private pension funds, insurance companies, insurance brokers and financial institutions; and (vi) the cancellation of the company's authorization to operate and sale of its portfolio.

In this sense, our insurance operation may be affected negatively by the penalties applied by SUSEP or ANS, as described above.

Capital market and tax regulations

Holders of our shares and ADSs may not receive any dividends

Corporations in Brazil are legally required to pay their stockholders a minimum mandatory dividend at least on a yearly basis (except in specific cases provided for in applicable law). Our Bylaws determine that we must pay our stockholders at least 25% of our annual net income calculated and adjusted pursuant to Brazilian Corporate Law. Applicable Brazilian legislation also allows corporations to consider the amount of interest on capital distributed to their stockholders for purposes of calculating the minimum mandatory dividends. The calculation of net income pursuant to the Brazilian Corporate Law may significantly differ from our net income calculated under IFRS.

Brazilian Corporate Law also allows the suspension of the payment of the mandatory dividends in any particular year if our Board of Directors informs our general stockholders' meeting that such payment would be incompatible with our financial condition. Therefore, upon the occurrence of such event, the holders of our shares and ADSs may not receive any dividends. If this happens, the dividends that were not paid in the particular fiscal year shall be registered as a special reserve and, if not used to cover any losses of subsequent years, the amounts of unpaid dividends still available under such reserve shall be distributed when the financial condition of the corporation allows for such payment.

Furthermore, pursuant to its regulatory powers provided under Brazilian law and banking regulations, the Central Bank may at its sole discretion reduce the dividends or determine that no dividends will be paid by a financial institution if such restriction is necessary to mitigate relevant risks to the Brazilian financial system or the financial institution.

Please refer to section Our profile, item Our shares, Stockholders' Payment and section Our risk management, item Regulatory environment, Basel III Framework, Implementation of Basel III in Brazil for further details about CMN's capital requirements and to section Performance, item Complete Financial Statements (IFRS), Note 2.4t and Note 21, for further details about dividends and interest on capital.

Tax reforms may adversely affect our operations and profitability

The Brazilian government regularly amends tax laws and regulations, including by creating new taxes, which can be temporary, and changing tax rates, the basis on which taxes are assessed or the manner in which taxes are calculated, including in respect of tax rates applicable solely to the banking industry. Tax reforms may reduce the volume of our transactions, increase our costs or limit our profitability.

Risks associated with our business

Market risk factor

The value of our securities and derivatives is subject to market fluctuations due to changes in Brazilian or international economic conditions and may subject us to material losses

Market risk is the risk of losses due to movements in financial market prices. The losses may incur from fluctuations in the market value of positions held, including risks associated with transactions subject to variations in foreign exchange rates, interest rates, price indexes, equity and commodity prices.

The securities and derivative financial instruments in our portfolio may cause us to record gains and losses, when sold or marked to market (in the case of trading securities), and may fluctuate considerably from period to period due to domestic and international economic conditions.

We cannot predict the amount of realized or unrealized gains or losses for any future period. Gains or losses on our investment portfolio may not contribute to our net revenue in the future or may cease to contribute to our net revenue at levels consistent with more recent periods. We may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or in any assets of such portfolio.

Credit risk factors

Past performance of our loan portfolio may not be indicative of future performance. Changes in the profile of our business may adversely affect our loan portfolio. In addition, the value of any collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio

Our historical loan loss experience may not be indicative of our future loan losses. While the quality of our loan portfolio is associated with the default risk in the sectors in which we operate, changes in our business profile may occur due, among other factors, to our organic growth, merger and acquisition activity, changes in local economic and political conditions, a slowdown in customer demand, an increase in market competition, changes in regulation and in the tax regimes applicable to the sectors in which we operate and, to a lesser extent, other related changes in countries in which we operate and in the international economic environment. In addition, the market value of any collateral related to our loan portfolio may fluctuate, from the time we evaluate it at the beginning of the trade to the time such collateral can be executed upon, due to the factors related to changes in economic, political or sectorial factors beyond our control.

For example, in the early part of this decade, Brazilian banks have experienced an increase in loans to consumers, particularly in the automotive sector. However, this increased demand for vehicle loans has been followed by a significant rise in the level of consumer indebtedness, leading to high nonperforming loan rates. As a result, many financial institutions recorded higher loan losses due to an increased volume of provisions and a decrease in loans for vehicle acquisition.

Any changes affecting any of the sectors to which we have significant lending exposure, and changes in the value of the collateral securing our loans, may result in a reduction in the value we realize from collateral and in our loan portfolio. Consequentially, it may have an adverse impact on our results of operations and financial condition and it could also adversely affect the growth rate and the mix of our loan portfolio.

We may incur losses associated with counterparty exposure risks, including the Brazilian federal government

We routinely conduct transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Like most Brazilian banks, we also invest in debt securities issued by the Brazilian government. As of December 31, 2017, approximately 20.6% of all our assets and 72.3% of our securities portfolio were comprised of these public debt securities.

We may incur losses if any of our counterparties fail to meet their contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to our counterparties. As an example, failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value could negatively affect our results in

two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in countries in which we operate. This counterparty risk may also arise from our entering into reinsurance agreements or credit agreements pursuant to which counterparties have obligations to make payments to us and are unable to do so, or from our carrying out transactions in the foreign currency market (or other markets) that fail to be settled at the specified time due to non-delivery by the counterparty, clearing house or other financial intermediary. Their failure to meet their contractual obligations may adversely affect our financial performance.

A downgrade of our ratings may adversely affect our funding cost, our access to capital and debt markets, our liquidity and, as a result, our competitive position

Credit ratings represent the opinions of independent rating agencies regarding our ability to repay our indebtedness, and affect the cost and other terms upon which we are able to obtain funding. Each of the rating agencies reviews its ratings and rating methodologies on a periodic basis and may decide on a grade change at any time, based on factors that affect our financial strength, such as liquidity, capitalization, asset quality and profitability.

Under the criteria utilized by the rating agencies, ratings assigned to Brazilian financial institutions, including Itaú Unibanco, are constrained by the grades assigned to the Brazilian sovereign. Events that are not subject to our control, such as economic or political crises, may lead to a downgrade of the Brazilian sovereign rating and a corresponding downgrade of the ratings assigned to Itaú Unibanco.

Credit ratings are essential to our capability to raise capital and funding through the issuance of debt and to the cost of such financing. A downgrade or a potential downgrade in our credit ratings could have an adverse impact on our operations, income and risk weighting. This may affect net earnings, capital requirements and return on capital levels, causing a negative impact on our competitive position. Additionally, if our credit ratings were to be downgraded, rating trigger clauses in our financing agreements with other institutions could result in an immediate need to deliver additional collateral to counterparties or taking other actions under some of our derivative contracts, adversely affecting our interest margins and results of operations. Thus, a failure to maintain favorable ratings and outlooks can affect the cost and availability of our financing through the capital markets and other sources of financing, affecting our interest margins and capacity to operate.

Liquidity risk factor

Liquidity risk, as we understand it, is the risk that we will not have sufficient financial resources to meet our obligations by the respective maturity dates or that we will honor such obligations but at an excessive cost. This risk is inherent in the activities of any commercial or retail bank.

Our capacity and cost of funding may be impacted by a number of factors, such as changes in market conditions (e.g., in interest rates), credit supply, regulatory changes, systemic shocks in the banking sector, and changes in the market's perception of us, among others.

In scenarios where access to funding is scarce and/or becomes too expensive, and the access to capital markets is either not possible or is limited, we may find ourselves obliged to increase the return rate paid to deposits made to attract more clients and/or to settle assets not compromised and/or potentially devalued so that we will be able to meet our obligations. If the market liquidity is reduced, the demand pressure may have a negative impact on prices, since natural buyers may not be immediately available. Should this happen, we may have a significant negative goodwill on assets, which will impact the bank's results and financial position. The persistence or worsening of such adverse market conditions or rises in basic interest rates may have a material adverse impact on our capacity to access capital markets and on our cost of funding.

Concentration risk factor

Concentration risk is the risk associated with potential high financial losses triggered by significant exposure to particular component of risk, whether it be related to a particular counterparty, industry or geographic concentration. Examples of such risks include significant exposure to a single counterparty, to counterparties operating in the same economic sector or geographical region, or to financial instruments that depend on the same index or currency.

We believe that an excessive concentration with respect to a particular risk factor could generate a relevant financial loss for us, especially if the risk is one described in this annual report. We recognize the importance of this risk and the potential impacts that may affect our portfolio and results of operations.

Hedge risk factor

Our hedge strategy may not be able to prevent losses

We use diverse instruments and strategies to hedge our exposures to a number of risks associated with our business, but we may incur losses if such hedges are not effective.

We may not be able to hedge our positions, or do so only partially, or we may not have the desired effectiveness to mitigate our exposure to the diverse risks and market in which we are involved.

Operational risk factor

Operational risks, which may arise from errors in the performance of our processes, the conduct of our employees, instability, malfunction or outage of our IT system and infrastructure, or loss of business continuity, or comparable issues with respect to our vendors, may disrupt our businesses and lead to material losses. We face operational risk arising from errors, accidental or premeditated, made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for.

We are exposed to failures, deficiency or inadequacy of our internal processes, human error or misconducts and cyberattacks. Additionally, we rely on third-party services. All these factors may adversely affect us

Due to the high volume of daily processing, we are dependent on technology and management of information, which exposes us to potential unavailability of systems and infrastructure such as power outages, interruption of telecommunication services, and generalized system failures, as well as internal and external events that may affect third parties with which we do business or that are crucial to our business activities (including stock exchanges, clearing houses, financial dealers or service providers) and events resulting from wider political or social issues, such as cyberattacks or unauthorized disclosures of personal information in our possession. We manage and store certain proprietary information and sensitive or confidential data relating to our clients and to our operations. We may be subject to breaches of the information technology systems we use for these purposes. Additionally, we operate in many geographic locations and are frequently subject to the occurrence of events outside our control. Despite the contingency plans we have in place, our ability to conduct business in any of these locations may be adversely impacted by a disruption to the infrastructure that supports our business. We are strongly dependent on technology and thus are vulnerable to viruses, worms and other malicious software, including “bugs” and other problems that could unexpectedly interfere with the operation of our systems.

Operating failures, including those that result from human error or fraud, not only increase our costs and cause losses, but may also give rise to conflicts with our clients, lawsuits, regulatory fines, sanctions, interventions, reimbursements and other indemnity costs, all of which may have a material adverse effect on our business, reputation and results of operations. Ethical misconduct and non-compliance – ethical misconduct or breaches of applicable laws by our businesses or our employees could be damaging to our reputation too, and could result in litigation, regulatory action and penalties. Operational risk also includes: (i) legal risk associated with inadequacy or deficiency in contracts signed by us; (ii) penalties due to noncompliance with laws - such as anti-money laundering and embargo regulation; and (iii) punitive damages to third parties arising from the activities undertaken by us. Also, we have additional services for the proper functioning of our business and technology infrastructure, such as call centers, networks, internet and systems, among others, provided by external or outsourced companies. Impacts on the provision of these services, caused by these companies due to the lack of supply or the poor quality of the contracted services, can affect the conduct of our business as well as our clients. We also rely in certain limited capacities on

third-party data management providers whose possible security problems and security vulnerabilities.

Cyberattacks may cause loss of revenue and reputational harm through data security breaches that may disrupt our operations or result in the dissemination of proprietary or confidential information

We define cyberattack as any type of offensive maneuver employed by states, nations, individuals, groups or organizations that targets computer information systems, infrastructure, networks and/or personal devices, using varied means, for the purpose of stealing, altering or destroying a specific target by hacking into a technological susceptible system. Cyberattacks can range from the installation of viruses on a personal computer to attempts to destroy the infrastructure of entire nations.

We are exposed to this risk over the entire lifecycle of information, from the moment it is collected to its processing, transmission, storage, analysis and destruction.

A successful cyberattack may result in unavailability of our services, leak or compromise of the integrity of information, causing financial loss and damage to our image, directly affecting our customers and partners.

The loss of senior management, or our ability to attract and maintain key personnel, could have a material adverse effect on us

Our ability to maintain our competitive position and implement our strategy depends on our senior management. The loss of some of the members of our senior management, or our inability to maintain and attract additional personnel, could have a material adverse effect on our operations and our ability to implement our strategy.

Our performance and success are largely dependent on the talents and efforts of highly skilled individuals. Talent attraction and retention is one of the key pillars for supporting the results of our organization, which is focused on client satisfaction and sustainable performance. Our ability to attract, develop, motivate and retain the right number of appropriately qualified people is critical to our performance and ability to thrive globally. Concurrently, we face the challenge to provide a new experience to employees, so that we are able to attract and retain highly-qualified professionals who value environments offering equal opportunities and who wish to build up their careers in dynamic, cooperative workplaces, which encourage diversity and meritocracy and are up to date with new work models. Also, our current business scenario demands not only a careful look at traditional careers but also at those new ones indispensable for the corporation's future.

Our performance could be adversely affected if it were unable to attract, retain and motivate key talent. As we are highly dependent on the technical skills of our personnel, including successors to crucial leadership positions, as well as their relationships with clients, the loss of key components of our workforce could make it difficult to compete, grow and manage the business. A loss of such expertise could adversely affect our financial performance, future prospects and competitive position.

Misconduct of our employees or representatives may adversely affect us

Our business is based on institutional principles ("Our Way"), among which are "it's only good for us if it's good for the client" and "ethics are non-negotiable". However, part of the customer relationship depends on direct interaction with our employees or representatives. Although we have several managing and control tools to foster adequate conduct of our employees and representatives, deviations in behavior such as inappropriate sales and improper use of information may occur. These risks can give rise to customer attrition, need of compensation or reimbursements, litigation and, according to its extension, may expose the institution to reputation risk, financial and credibility losses with the market and regulators.

Strategy risk factors

Our business strategy may not provide us the results we expect

Our strategy and challenges are determined by management based on related assumptions, such as the future economic environment, and the regulatory, political and social scenarios in the regions in which we operate. These assumptions are subject to inaccuracies and risks that might not be identified or anticipated.

Accordingly, the results and consequences arising from any possible inaccurate assumptions may compromise our capacity to fully or partially implement strategies, as well as to achieve the results and benefits expected therefrom, which might give rise to financial losses and reduce the value creation to our stockholders.

Additionally, factors beyond our control, such as, but not limited to, economic and market conditions, changes in laws and regulations and other risk factors stated in this document may make it difficult or impossible to implement fully or partially our business model and also our achieving the results and benefits expected from our business plan.

Adverse changes to the political and economic scenario in Latin America may affect some of the challenges we have taken on, such as the internationalization of our business, since our strategy to strengthen our position in other countries is also dependent on the respective economic performance of these countries.

The integration of acquired or merged business involves certain risks that may have a material adverse effect on us

As part of our growth strategy in the Brazilian and Latin American financial sector, we have engaged in a number of mergers, acquisitions and partnerships with other companies and financial institutions in the past and may pursue further such transactions in the future. Until we have signed a definitive agreement, we usually do not comment publicly on possible acquisitions. When we do announce, our stock price may fall depending on the size of the acquisition. Even though we review the companies

we plan to acquire, it is generally not viable for these reviews to be complete in all respects. Any such transactions involve risks, such as the possible incurrence of unanticipated costs as a result of difficulties in integrating systems, finance, accounting and personnel platforms, failure in diligence or the occurrence of unanticipated contingencies, as well as the breach of the transaction agreements by counterparties. In addition, we may not achieve the operating and financial synergies and other benefits that we expected from such transactions in a timely manner, on a cost-effective basis or at all. There is also the risk that antitrust and other regulatory authorities may impose restrictions or limitations on the transactions or on the businesses that arise from certain combinations or impose fines or sanctions due to the interpretation by the authorities of irregularities with respect to a corporate merger, consolidation or acquisition.

If we are unable to take advantage of business growth opportunities, cost savings, operating efficiencies, revenue synergies and other benefits we anticipate from mergers and acquisitions, or if we incur greater integration costs than we have estimated, then we may be adversely affected.

Our controlling stockholder has the ability to direct our business

As of December 31, 2017, IUPAR, our controlling stockholder, directly owned 51.49% of our common shares and 26.10% of our total share capital, giving it the power to appoint and remove our directors and officers and determine the outcome of any action requiring stockholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of dividends.

In addition, IUPAR is jointly controlled by Itaúsa, which, in turn, is controlled by the Egydio de Souza Aranha family, and by Cia. E. Johnston, which in turn is controlled by the Moreira Salles family. The interests of IUPAR, Itaúsa and the Egydio de Souza Aranha and Moreira Salles families may be different from the interests of our other stockholders.

In addition, some of our directors are affiliated with IUPAR and circumstances may arise in which the interests of IUPAR and its affiliates conflict with the interests of our other stockholders. To the extent that these and other conflicting interests exist, our stockholders will depend on our directors duly exercising their fiduciary duties as members of our Board of Directors. Notwithstanding, according to Brazilian Corporation Law the controlling stockholders should always vote in the interest of the Company. In addition, they are prohibited from voting in cases of conflict of interest in the matter to be decided.



Litigation risk factors

Unfavorable court decisions involving material amount for which we have no provisions, or in the event that the losses estimated turn out to be significantly higher than the provisions made, may adversely affect our results and financial condition

As part of the ordinary course of our business, we are subject to, and party to various civil, tax and labor lawsuits, which involve substantial amounts of money. Our Complete Financial Statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. In the event of unfavorable court decisions involving material amount for which we have no provisions, or in the event that the losses estimated turn out to be significantly higher than the provisions made, the aggregate cost of unfavorable decisions may adversely affect our results and financial condition.

Decisions on lawsuits due to government monetary stabilization plans may have a material adverse effect on us

We are a defendant in lawsuits for the collection of understated inflation adjustment for savings resulting from the economic plans implemented in the 1980s and 1990s by the Brazilian government as a measure to combat inflation.

Itaú Unibanco Holding is a defendant in lawsuits filed by individuals, as well as class actions filed by (i) consumer protection associations; and (ii) the Public Prosecution Office (*Ministério Público*) on behalf of holders of savings accounts. In connection with these class actions, Itaú Unibanco Holding establishes provisions upon service of the individual claim requiring the enforcement of a judgment handed down by the judiciary, using the same criteria used to determine the provisions of individual actions.

The Brazilian Federal Supreme Court (STF) has issued a number of decisions in favor of the holders of savings accounts, but has not ruled regarding the constitutionality of economic plans and their applicability to savings accounts. Currently, the appeals on this issue are suspended by order of the STF, until there is a definitive decision by the STF regarding the constitutional issue.

In December 2017, under the mediation of the Federal Attorney's Office (AGU) and supervision of the Central Bank of Brazil (BCB), holders of savings accounts (represented by two civil associations, FEBRAPO and IDEC) and FEBRABAN entered into an agreement with the objective of ending the litigation related to economic plans against the Brazilian banks, including us. This agreement was ratified on a plenary session of the Federal Supreme Court (03/01/2018) and, in 90 days, the holders of saving accounts may adhere to its terms for a period of 24 months to conclude the legal proceedings.

Tax assessments may adversely affect us

As part of the normal course of business, we are subject to inspections by federal, municipal and state tax authorities. These inspections, arising from the divergence in the understanding of the application of tax laws may generate tax assessments which, depending on their results, may have an adverse effect on our financial results.

Please refer to section Performance, item Financial performance, Liabilities, Litigation for further information.

Management risk factor

Our policies, procedures and models related to risk control may be ineffective and our results may be adversely affected by unexpected losses

Our risk management methods, procedures and policies, including our statistical models and tools for risk measurement, such as value at risk (VaR), and default probability estimation models, may not be fully effective in mitigating our risk exposure in all economic environments or against all types of risks, including those that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based on our observations of the historical market behavior. In addition, due to limitations on information available in Brazil, to assess clients' creditworthiness, we rely largely on credit information available from our own databases, on certain publicly available consumer credit information and other sources. We apply statistical and other tools to these observations and data to quantify our risk exposure. These tools and metrics may fail to predict all types of future risk exposures. These risk exposures, for example, could arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses, therefore, could be significantly greater than indicated by historical measures. In addition, our quantified modeling may not take all risks into account. Our qualitative approach to managing those risks could prove insufficient, exposing us to material unexpected losses.

Our results of operations and financial position depend on our ability to evaluate losses associated with risks to which we are exposed and on our ability to build these risks into our pricing policies. We recognize an allowance for loan losses aiming at ensuring an allowance level compatible with the expected loss, according to internal models credit risk measurement. The calculation also involves significant judgment on the part of our management. Those judgments may prove to be incorrect or change in the future depending on information as it becomes available. These factors may adversely affect us.

Financial reporting risk factors

We make estimates and assumptions in connection with the preparation of our financial statements, and relevant changes to those estimates and assumptions could have a material adverse effect on our operating results

In connection with the preparation of our financial statements, we use certain estimates and assumptions based on historical experience and other factors. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, our reported operating results could be materially adversely affected.

As a result of the inherent limitations in our disclosure and accounting controls, misstatements due to error or fraud may occur and not be detected

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file with or submit to SEC under the Exchange Act is accumulated and communicated to management, recorded, processed summarized and reported within the time periods specified in SEC rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, including related accounting controls, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls.

Any failure by us to maintain effective internal control over financial reporting may adversely affect investor confidence in our company and, as a result, the value of investments in our securities

We are required under the Sarbanes-Oxley Act of 2002 to furnish a report by our management on the effectiveness of our internal control over financial reporting and to include a report by our independent registered public accounting firm attesting such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent auditors determine that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market prices of our shares and ADSs could decline, and we could be subject to sanctions or investigations by SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies subject to SEC regulation, also could restrict our future access to the capital markets.

Underwriting risk factor

Inadequate pricing methodologies for insurance, pension plan and premium bond products may adversely affect us

Our insurance and pension plan subsidiaries establish prices and calculations for our insurance and pension products based on actuarial or statistical estimates. The pricing of our insurance and pension plan products is based on models that include a number of assumptions and projections that may prove to be incorrect, since these assumptions and projections involve the exercise of judgment with respect to the levels and timing of receipt or payment of premiums, contributions, provisions, benefits, claims, expenses, interest, investment results, retirement, mortality, morbidity, and persistence. We could suffer losses due to events that are contrary to our expectations directly or indirectly based on incorrect biometric and economic assumptions or faulty actuarial bases used for contribution and provision calculations.

Although the pricing of our insurance and pension plan products and the adequacy of the associated reserves are reassessed on a yearly basis, we cannot accurately determine whether our assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for the payment of benefits, claims, and expenses. Accordingly, the occurrence of significant deviations from our pricing assumptions could have an adverse effect on the profitability of our insurance and pension products. In addition, if we conclude that our reserves and future premiums are insufficient to cover future policy benefits and claims, we will be required to increase our reserves and record these effects in our financial statements, which may have a material adverse effect on us.

Competition risk factor

We face risks associated with the increasingly competitive environment, and recent consolidations in the Brazilian banking industry, as well as competition based on technological alternatives to traditional banking services

The Brazilian market for financial and banking services is highly competitive. We face significant competition from other Brazilian and international banks, in addition to other non-financial companies competing in markets other than the banking industry in which we operate. These latter competitors may not be subject to the same regulatory and capital requirements that we are and, therefore, may be able to operate with less stringent regulatory requirements. Competition has increased as a result of recent consolidations among financial institutions in Brazil and of regulations that increase the ability of clients to switch business between financial institutions. Furthermore, digital technologies are changing the ways customers access banking services and the competitive environment with respect to such services. The use of digital channels has risen steadily over the past few years. In this context, new competitors are seeking to disrupt existing business models through technological alternatives to traditional banking services. If we are not successfully able to compete with these disruptive business models and

markets, we may lose market share and, consequently, lower our margins and profitability. Such increased competition may also adversely affect us by, among other things, limiting our ability to retain or increase our current client base and to expand our operations, or by impacting the fees and rates we adopt, which could reduce our profit margins on banking and other services and products we offer.

Please refer to section Our risk management, item Regulatory environment, Antitrust regulation for further information about competition in the Brazilian Markets.

Reputational risk factor

Damages to our reputation could harm our business and outlook

We are highly dependent on our image and credibility to generate business. A number of factors may tarnish our reputation and generate a negative perception of the institution by our clients, counterparties, stockholders, investors, supervisors, commercial partners and other stakeholders, such as noncompliance with legal obligations, making irregular sales to clients, dealing with suppliers with questionable ethics, unauthorized disclosure of client data, inappropriate behavior by our employees, and third-party failures in risk management, among others. In addition, certain significant actions taken by third parties, such as competitors or other market participants, may indirectly damage our reputation with clients, investors and the market in general. If we are unable, or are perceived unable, to properly address these issues we may be subject to penalties, fines, class actions, and regulatory investigations, among others. Damage to our reputation among clients, investors and other stakeholders may have a material adverse effect on our business, financial performance and prospects.

Environmental and social risk factor

We may incur financial losses and damages to our reputation from environmental and social risks

Environmental and social factors are considered one of the most relevant topics for the business, since they can affect the creation of shared value in the short, medium and long terms, from the standpoint of the organization and its main stakeholders. In addition, we also understand environmental and social risk as the risk of potential losses due to exposure to environmental and social events arising from the performance of our activities. For more information about our Environmental and social risk management please refer to section Risk and capital management.

Financial institutions are subject to specific guidelines about the management of environmental and social risks, due to CMN Resolution No. 4,327, as of April 25, 2014, that provided for the implementation by financial institutions of environmental and social responsibility policies containing certain minimum requirements. These rules also provide an obligation for registering environmental and social losses, analysis of the environmental risk in the approval of products and services, among other provisions. The Brazilian Central Bank is responsible for the inspection of the corresponding filings and information and for the implementation of the provisions of such regulation.

We understand that environmental and social issues may affect our activities and the revenue of our clients, causing delays in payments or default, especially in the case of significant environmental and social incidents.

Environmental and social risks become more evident when we finance projects. Should there be environmental damage caused by projects in which we were involved with respect to the financing thereof, we could be deemed to be indirectly responsible for such damage and could consequently be held liable for certain damage.

We also recognize that climate change is one of the major challenges for us, because climate events may affect our activities in our administrative buildings, network of branches and data processing centers and are taken into consideration for all geographical regions where we operate in Brazil.

Finally, we could suffer damage to our image and brand if we do not fully comply with voluntary commitments, such as in applying the Equator Principles, Principles for Responsible Investment and National Pact for the Eradication of Slave Labor.



Risk management

Assuming and managing risks is essential to our business and a responsibility of all employees. For this reason, we must have well established objectives with respect to risk management.

In this context, risk appetite determines the nature and the level of the risks that are acceptable for our organization, and the culture of risks guides the necessary attitudes to manage them. In 2018, we will continue our efforts to fully comply with the risk appetite guidelines set out by the Board of Directors. Additionally, we will focus on addressing the priorities for 2018, as follows:

- **Risk appetite:** Our challenge is to monitor the progress of traditional risk areas (market risk, credit risk and operational risk), and seek, through risk culture tools, to engage all employees in the risk management day-to-day and, consequently, to comply with our risk appetite guidelines.
- **Business risk:** Client centricity is a principle of ours, prioritizing the sustainability of our relationships. We monitor the evolving profile of our clients and competition creating new products and services focused on client satisfaction.
- **Technology risk:** We are committed to managing our digitalization process, preventing platforms or systems from becoming obsolete and failing to meet the business needs, in addition to increasing our IT department productivity.
- **People risk:** We are committed to improving mechanisms to attract, motivate and retain the best professionals, in addition to preventing teams with knowledge concentrated on key personnel. We seek to continuously improve our evaluation models to be increasingly perceived as fair and meritorious.
- **Regulatory risk:** We understand that we should always be attentive to specific changes in laws and regulations that may affect our business and the offering of products or services. Therefore, we are committed to having a proactive attitude and monitor regulatory changes.

Risk management principles

We pursue sound risk management processes that permeate throughout the entire organization and are the basis of strategic decisions so as to ensure the sustainability of our business.

The principles below establish the fundamentals of risk management, risk appetite and the way our employees work on a daily basis for decision making:

1. **Sustainability and customer satisfaction:** We want to be a leading bank with sustainable performance and customer satisfaction. We are concerned about creating shared value for employees, customers, stockholders and society, ensuring the longevity of our business. We will only do business that is good for the customer and the bank.

2. **Risk culture:** Our risk culture goes beyond policies, procedures and processes and strengthens the individual and collective responsibility of all employees so that they can do the right thing, at the right time and in the right way, respecting our ethical way of doing business. Please refer to item Risk culture below for further information about our Risk culture.

3. **Price for risk:** We operate and take risks in business that we know and understand and we avoid risks that we do not know or in which we do not have a competitive advantage, carefully assessing risk-adjusted return.

4. **Diversification:** We have a low appetite for volatility in our results and, for this reason, we work with a diversified client, product and business base, seeking the diversification of the risks to which we are exposed and prioritizing lower-risk business.

5. **Operational excellence:** We want to be an agile bank, with a robust and stable infrastructure so as to offer a high-quality service.

6. **Ethics and respect for regulation:** For Itaú Unibanco, ethics are non-negotiable. We promote a fair institutional environment, guiding employees to cultivate ethics in relationships and business, and the respect for rules, taking care to protect our reputation.

Risk appetite

Our risk appetite policy, which was established and approved by the Board of Directors and guides our business strategy, is based on the following statement of the Board of Directors:

"We are a universal bank, operating predominantly in Latin America. Supported by our risk culture, we operate based on rigorous ethical and regulatory compliance standards, seeking high and growing results, with low volatility, by means of the long-lasting relationship with clients, correctly pricing risks, well-distributed fund-raising and proper use of capital."

Based on this statement, we have implemented five dimensions to our risk appetite framework, each of them composed of a set of metrics associated with the main risks involved, combining additional forms of measurement and seeking a broad view of our exposures:

- **Capitalization:** establishes that we must have enough capital to protect us against a severe recession or a stress event without the need to adapt our capital structure in unfavorable circumstances. This is monitored through the follow up of our capital ratios, in normal and stress situations, and of our debt issuer ratings.
- **Liquidity:** establishes that our liquidity must support long periods of stress. This is monitored through the follow up of our liquidity ratios.

- **Composition of results:** determines that our business will be focused mainly on Latin America, where we will have a variety of customers and products, with low appetite for volatility of results and for high risks. This dimension comprises aspects of business and profitability, market and credit risks. Metrics monitored seek to ensure, by means of limits of exposure concentration, such as industry sectors, quality of counterparties, countries and geographical regions, and risk factors, the proper composition of our portfolios, aimed at the low volatility of our results and the sustainability of our business.

- **Operational risk:** focuses on the control of operational risk events that may negatively affect our business and operational strategy, and is monitored through the follow up of the main operational risk events and losses incurred.

- **Reputation:** addresses risks that may affect the value of our brand and our reputation with customers, employees, regulators, investors and the general public. The risks in this dimension are monitored through the follow up of client satisfaction or dissatisfaction, our exposure in the media, in addition to the observance of our conduct.

The Board of Directors is responsible for approving the guidelines and limits of risk appetite, performing its duties with the support of the Risk & Capital Management Committee (CGRC) and our CRO.

Risk appetite is regularly monitored, analyzed and reported to executive levels and to the Board of Directors. In case the monitoring of some metric points to a level above the risk appetite, in normal or projected situations, there is a pre-established governance with authority of reporting, including to the Board of Directors, which organizes necessary discussions and actions to be made to retake the exposures to the desirable levels of risk appetite.

Risk culture

With the aim of strengthening our values and aligning our employees, behavior with the guidelines established in risk management, we have adopted a number of initiatives to disseminate the risk culture. Our Risk Culture is based on four basic principles illustrated on the right side of this text.

These principles are our guidance, which aim to help our employees to understand, identify, measure, manage and mitigate risks in a conscious way.

In addition to policies, procedures and processes, risk culture strengthens the individual and collective responsibility of employees in the management of risks inherent in the activities performed individually, respecting the ethical way of managing business.

We promote our risk culture, stressing behavior which will help people at every level of the organization to consciously assume and manage risk. With these principles disseminated throughout the institution, there is an incentive for risk to be understood and openly debated, to be kept within the levels indicated by the risk appetite, and to be taken as the individual responsibility of each employee of Itaú Unibanco, irrespective of their position, area or function.

We also provide channels to report operating failures, internal or external fraud, workplace concerns or cases that may cause disorders and/or losses to us or harm clients. All employees or third parties have the responsibility to communicate problems timely, as soon as they become aware of the situation.



Governance and organizational structure

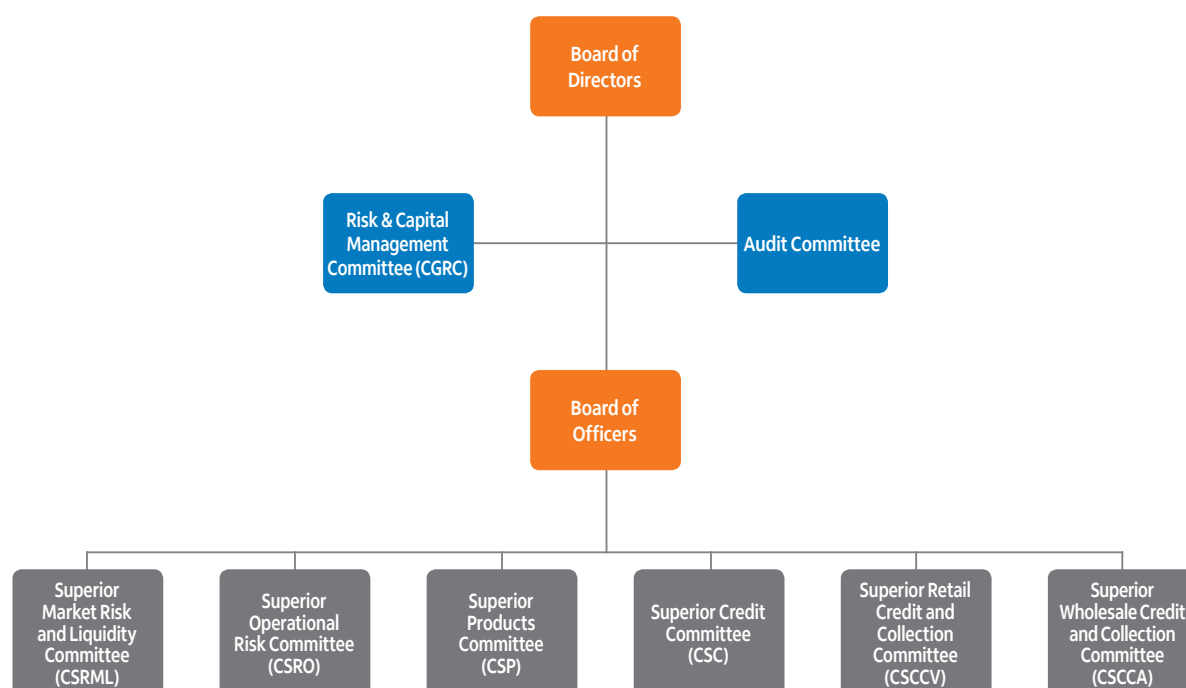
GRI 103-2 | 103-3 Risk and capital management

Our risk management organizational structure complies with Brazilian and international regulations in place and is aligned with best market's practices. Responsibilities for our risk management are structured according to three lines of defense, namely:

- In the first line of defense, the business and corporate support areas manage risks they give rise to, by identifying, assessing, controlling and reporting risks.
- In the second line of defense, an independent unit provides central control, so as to ensure that our risk is managed according to our risk appetite, and established policies and procedures. This centralized control provides the Board and executives with a global overview of our exposure, in order to ensure correct and agile up corporate decisions.
- In the third line of defense, internal audit provides an independent assessment of the institution's activities, so that senior management can see that controls are adequate, risk management is effective and institutional standards and regulatory requirements are being complied with.

In order to provide the Board with data required, management reports are prepared to inform the institution's capital adequacy, as well as capital level forecasts under usual and stress conditions. There is a structure in place for coordination and consolidation of information and related processes, which are all subject to verification by independent validation, internal controls and audit areas.

CGRC is responsible for supporting the Board of Directors in performing its duties related to our capital and risk management. At the executive level we established sub-committees, chaired by our CEO, that are responsible for risk and capital management and report directly to the Risk and Capital Management Committee. The Board of Directors is the main authority with respect to risk and capital management decisions. The following committees are part of our risk and capital management governance structure:



Risk & Capital Management Committee (CGRC): supports the Board of Directors in performing its duties related to our risk and capital management by meeting, at least, four times annually, and submitting reports and recommendations to assist the Board of Directors in its decision-making with respect to:

- Decisions regarding the risk appetite of the institution, in terms of capital, liquidity, results, operational risk and reputation, ensuring these aspects are in alignment with our strategy and including: acceptable levels of capital and liquidity; types of risk to which we could be exposed as well as aggregate limits for each type of risk; tolerance with respect to volatility of results and risk concentrations; and general guidelines on tolerance regarding risks that may have an impact on the value of our brand (i.e., image risk);
- Supervision of our risk management and control activities in order to ensure their suitability to the risk levels assumed and to the complexity of the operations as well as compliance with regulatory requirements;
- Review and approval of policies and strategies for capital management, which establish mechanisms and procedures for maintaining capital compatible with the risks that are taken by us;
- Establishing our minimum expected return on capital as a whole and for our lines of business as well as monitoring performance;
- Supervision of our incentive structures, including compensation, seeking to ensure their alignment with risk control and value creation objectives; and
- Fostering improvement in our Risk Culture.

Please refer to section Our governance, item Management structure for further details about the Audit Committee responsibilities and for complementary information about CGRC.

Superior Market Risk and Liquidity Committee (CSRML): meets on a monthly basis and is responsible for setting guidelines and governance for investments and market and liquidity risks regarding our consolidated positions and business lines.

Superior Operational Risk Committee (CSRO): meets on a bimonthly basis and is responsible for understanding the risks of our processes and business, defining guidelines for operational risks management and assessing the results achieved by our Internal Controls and Compliance System. This is our main decision-making committee for all operational risk management matters, while defining the operational risk framework and related policies for identification, measurement, assessment, reporting and monitoring of operational risk.

Superior Products Committee (CSP): meets on a weekly basis and is responsible for evaluating products, operations, services and processes that are beyond the authority of the Products Committees that report to it or that involve image risk to us.

Superior Credit Committee (CSC): meets on a weekly basis and is responsible for analyzing and deciding on credit proposals that are beyond the authority of the Credit Committees that report to it, and analyzing decisions which were not made due to a lack of consensus at the committee

immediately subordinate to it or cases where, due to the relevance or characteristics of the topic or other features, these Credit Committees decide to submit to its review.

Superior Retail Credit and Collection Committee (CSCCV): meets on a monthly basis and is responsible for approving credit policies and assessing the performance of Retail Credit and Collection portfolios and strategies.

Superior Wholesale Credit and Collection Committee (CSCCA): meets on a monthly basis and is responsible for approving credit policies and assessing the performance of Wholesale Credit and Collection portfolios and strategies.

Additionally, we have sub-committees, chaired by our CRO and CFO, which are also responsible for risk and capital management. They can report directly to the Risk and Capital Management Committee or to the sub-committees mentioned above.

To support this structure, we have the Risks & Finance Control and Management Area, structured with specialized departments and subordinated to our CRO and CFO, intending to independently and in a centralized manner ensure that the institution's risks and capital are managed in accordance with established policies and procedures.

Risk management policy

We have a defined standard for policy review, applicable to our Brazilian operations as well as to international units. Institutional guidelines, methodologies and processes, how to address regulatory requirements and best practices are primarily determined by our policies⁽¹⁾. The institution has an internal policy that provides guidelines and establishes governance for risk management:

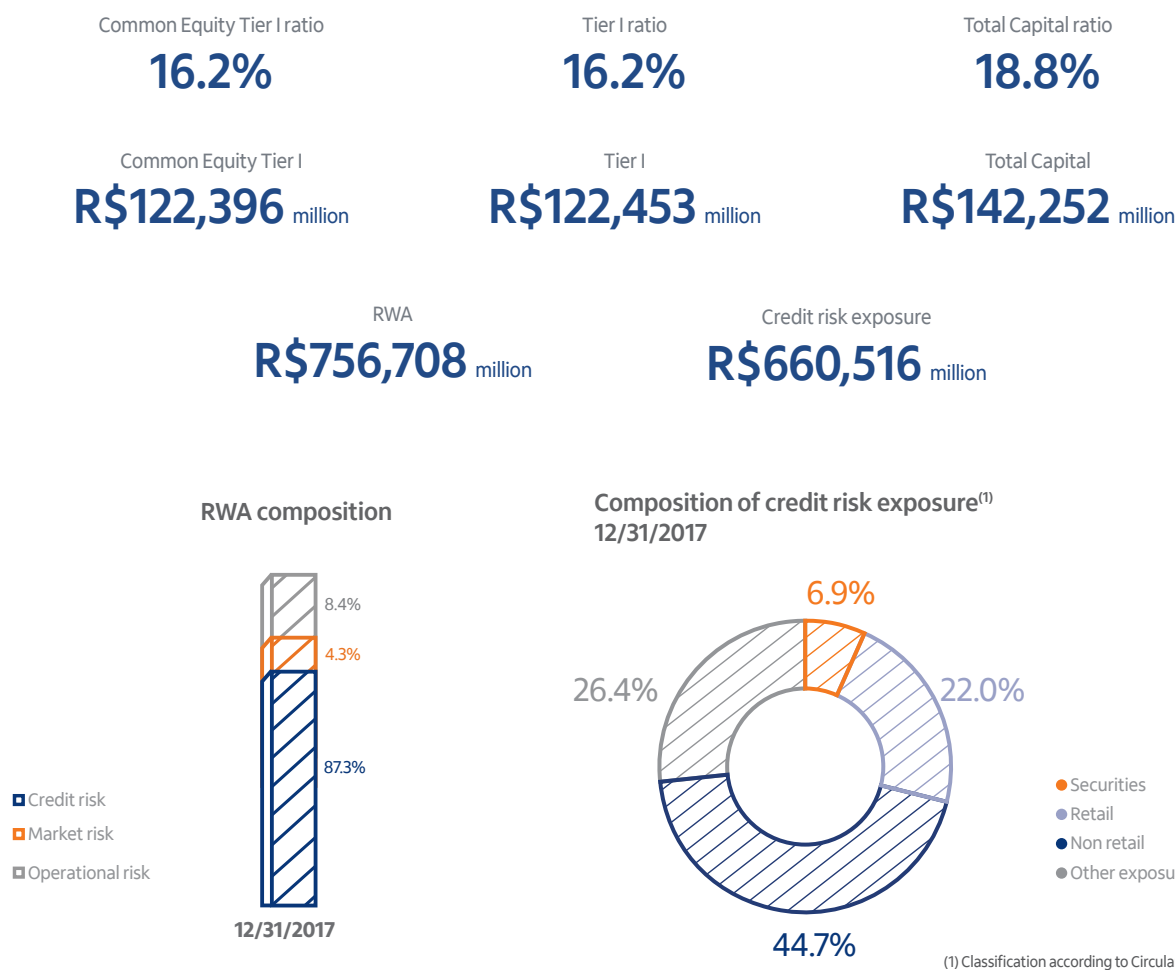
Policy	Approving body	Approval date
Risk Management	Board of Directors	02/23/2017

(1) Available for consultation on website www.itaubank.com.br/investor-relations under Corporate Governance, Rules and Policies.

Capital management

Key indicators

Our risk and capital management focus on maintaining our business in line with the risk strategy approved by our Board of Directors. The key indicators based on the Prudential Consolidation, on December 31, 2017, are summarized below.



The Board of Directors is the main body responsible for our capital management and is responsible for approving the institution's capital management policies and guidelines regarding the institution's capitalization level. The Board is also responsible for approving the ICAAP report, a process which is intended to assess our capital adequacy. At the executive level, corporate bodies are responsible for approving risk assessment and capital calculation methodologies, as well as reviewing, monitoring and recommending capital-related documents and topics to the Board of Directors. There is a structure in place for coordination and consolidation of information and related processes, all of which subject to verification by the independent validation, internal controls and audit areas.

For our annual assessment of capital adequacy, our procedure is as follows:

- Identification of the risks to which we are exposed and analysis of their materiality;
- Assessment of the need for capital to cover the material risks;
- Development of methods for quantifying additional capital;

- Quantification of capital and internal capital adequacy assessment;
- Capital and Contingency Plan; and
- Submission of report to the Central Bank.

In compliance with CMN and Central Bank regulations, we have implemented a capital management structure and the Internal Capital Adequacy Assessment Process (ICAAP), taking a prospective stance in relation to capital management.

The result of the last ICAAP – dated as of December 2016 – showed that, in addition to having enough capital to face all material risks, we have a significant cushion, thus ensuring the soundness of our equity position.

Please refer to section Our Risk management, item Regulatory environment, for further details about the implementation of Basel III in Brazil.

Minimum requirements

Our minimum capital requirements follow the set of resolutions and circulars disclosed by the Central Bank that implemented, in Brazil, the global capital requirement standards known as Basel III. These are expressed as ratios of the capital available stated by the Total Capital, composed by the Tier I Capital (which comprises the Common Equity and Additional Tier I Capital) and Tier II Capital, and the risk-weighted assets (RWA).

For purposes of calculating these minimum capital requirements, the total RWA is determined as the sum of the risk-weighted asset amounts for credit, market, and operational risks. Itaú Unibanco uses the standardized approaches to calculate credit and operational risk-weighted asset amounts.

From September 1, 2016, the Central Bank has authorized our institution to use internal market risk models to determine the total amount of regulatory capital (RWA_{MINT}), replacing the portion RWA_{MPAD} as set out in the Central Bank Circular No. 3,646.

The standardized approach continues to be used for external units. Accordingly, use of the internal models does not apply to the following units: Argentina, Chile, Itaú BBA International, Itaú BBA Colombia, Paraguay and Uruguay.

From January 1, 2017 to December 31, 2017, the minimum Total Capital ratio required was 9.25%, and following the scheduled for a gradual reduction, it will be 8% on January 1, 2019.

Beyond the minimum requirement, the Central Bank rules call for Additional Common Equity Tier I Capital (ACP), corresponding to the sum of the components $ACP_{Conservation}$, $ACP_{Countercyclical}$ and $ACP_{Systemic}$, which, in conjunction with the requirements mentioned, increase capital requirements over time. Under the applicable CMN regulation, the values of the components $ACP_{Conservation}$ and $ACP_{Countercyclical}$ will increase gradually from 0.625%, as from January 1, 2016, to 2.5% as from January 1, 2019. The amount of each component and the minimum regulatory requirements, is provided for in CMN Resolution No. 4,193.

Capital composition

The Total Capital, used to monitor our compliance with the operational limits imposed by the Central Bank, is the sum of three items, namely:

- Common Equity Tier 1: sum of social capital, reserves and retained earnings, less deductions and prudential adjustments;
- Additional Tier 1 Capital: consists of instruments of perpetual nature, that meet certain eligibility requirements. Together with Common Equity Tier I it makes up Tier I capital; and
- Tier 2 Capital: consists of subordinated debt instruments with defined maturity dates that meet certain eligibility requirements. Together with Common Equity Tier I and Additional Tier I Capital, it makes up Total Capital.

In accordance with applicable Brazilian regulations, we must maintain our Regulatory Capital, Tier 1 Capital and Common Equity Tier 1 Capital ratios above the minimum regulatory requirements established at all times. The RWA used for assessing these minimum regulatory requirements can be determined by adding the following portions:

$$RWA = RWA_{CPAD} + RWA_{MINT} + RWA_{OPAD}$$

RWA_{CPAD} = portion related to exposures to credit risk, calculated using standardized approach.

RWA_{MINT} = portion related to the market risk capital requirement, made up of the maximum between the internal model and 80% of the standardized model, and regulated by Central Bank Circulars No. 3,646 and 3,674.

RWA_{OPAD} = portion related to the operational risk capital requirement, calculated using standardized approach.

Capital adequacy

Through our Internal Capital Adequacy Assessment Process (ICAAP), we assess the adequacy of our capital to face the incurred risks. For ICAAP, capital is composed by regulatory capital for credit, market and operational risks, and by the necessary capital to face other risks.

In order to ensure our capital soundness and availability to support business growth, we maintain capital levels above the minimum requirements, according to the Common Equity Tier I, Additional Tier I Capital, and Tier II minimum ratios. On December 31, 2017, our Total Capital (PR) reached R\$142,252 million, an increase of R\$2,775 million when compared to December 31, 2016, mainly impacted by the result and the effect of foreign exchange variations during the period.

Capital Composition

	As of December 31, Prudential Conglomerate			Variation	
	2017	2016	2015	2017-2016	2016-2015
	(In millions of R\$)			(%)	
Tier I Capital ⁽¹⁾	122,453	115,940	101,001	5.6	14.8
Common Equity Tier I Capital ⁽²⁾	122,396	115,408	100,955	6.1	14.3
Additional Tier I Capital ⁽³⁾	57	532	46	(89.3)	1.056.5
Tier II Capital ⁽⁴⁾	19,799	23,537	27,464	(15.9)	(14.3)
Referential Equity (Tier I + Tier II)	142,252	139,477	128,465	2.0	8.6
Minimum Referential Equity Required	69,995	72,210	79,471	(3.1)	(9.1)
Surplus Capital in relation to the Minimum Referential Equity Required	72,257	67,267	48,994	7.4	37.3
Referential equity calculated for covering the interest rate risk on operations not classified in the trading portfolio (RBAN)	2,470	2,264	1,275	9.1	77.6
Risk weighted assets (RWA)	756,708	731,240	722,468	3.5	1.2

(1) Comprised of the Common Equity Tier I Capital, as well as the Additional Tier I Capital.

(2) Sum of social capital, reserves and retained earnings, less deductions and prudential adjustments.

(3) Comprised of instruments of a perpetual nature, which meet eligibility requirements.

(4) Comprised of subordinated debt instruments with defined maturity dates, which meet eligibility requirements.

Our BIS ratio (calculated as the ratio between our Regulatory Capital and the total amount of RWA) reached 18.8%, on December 31, 2017, a decrease compared to December 31, 2016, when it was 19.1%. Such decrease is mainly explained by an increase of Risk Weighted Assets. Our BIS ratio on December 31, 2017 consisted of 16.2% of Tier 1 Capital and 2.6% of Tier 2 Capital.

Capital ratios	As of December 31, Prudential Conglomerate		
	2017	2016	2015
BIS ratio	18.8	19.1	17.8
Tier I Capital	16.2	15.9	14
Common Equity Tier I Capital	16.2	15.8	14
Additional Tier I Capital	0	0.1	0
Tier II Capital	2.6	3.2	3.8

Our Total Capital, Tier 1 Capital and Common Equity Tier 1 Capital ratios are calculated on a consolidated basis, applied to institutions included in our Prudential Conglomerate which comprises not only financial institutions but also collective financing plans ("consórcios"), payment entities, factoring companies or companies that directly or indirectly assume credit risk, and investment funds in which our Itaú Unibanco Group retains substantially all risks and rewards.

Please refer to section Our risk management, item Regulatory environment, Implementation of Basel III in Brazil, for further details about minimum capital ratios.

Please refer to section Performance, item Complete Financial Statements in IFRS, Note 33 – Regulatory capital for further details about regulatory capital.

Please refer to section Our risk management, item Regulatory environment, Basel III Framework, Implementation of Basel III in Brazil.

Credit risk

Overview GRI 103-2 | 103-3 Credit and default

We define credit risk as the risk of loss associated with: failure by a borrower, issuer or counterparty to fulfill their respective financial obligations as defined in the contracts; value loss of a credit agreement resulting from a deterioration of the borrower's, issuer's or counterparty's credit rating; reduction of profits or income; benefits granted upon subsequent renegotiation; or debt recovery costs.

Our credit risk management is intended to preserve the quality of the loan portfolio at levels compatible with our risk appetite, for each market segment in which we operate.

Governance

Our credit risk governance is managed through corporate bodies, which report to the Board of Directors or to our executive structure. Such corporate bodies act primarily by assessing the competitive market conditions, setting our credit limits, reviewing control practices and policies, and approving these actions at the respective authority levels. The risk communication and reporting processes, including disclosure of institutional and supplementary policies on

credit risk management, are responsibility of this structure. We manage the credit risk to which it is exposed during the entire credit cycle, from before approval, during the monitoring process and up to the collection or recovery phase.

Our credit risk management and control structure is centralized and independent of the business units and defines operational limits, risk mitigation mechanisms and processes, and instruments to measure, monitor and control credit risk inherent to all products, portfolio concentrations and impacts to potential changes in the economic environment. Our credit's portfolio, policies and strategies are continuously monitored so as to ensure compliance with the rules and laws in effect in each country.

Procedures and key indicators

The key assignments of the business units are (i) monitoring the portfolios under their responsibility, (ii) granting credit, taking into account approval levels, market conditions, macroeconomic prospects, changes in markets and products, and (iii) credit risk management aimed at making the business sustainable.

Our credit policy is based on internal factors, such as: client rating criteria, performance and evolution of our portfolio, default levels, return rates and allocated economic capital, among others. It also takes into account external factors such as: interest rates, market default indicators, inflation and changes in consumption, among others.

With respect to our individuals, small and medium companies, credit ratings are assigned based on statistical models (in the early stages of our relationship with a customer) and behavior score (used for customers with whom we already have a relationship) models. For large companies, classification is based on information such as the counterparty's economic and financial situation, its cash-generating capacity, and the business group to which it belongs, the current and prospective situation of the economic sector in which it operates. Credit proposals are analyzed on a case-by-case basis through the approval governance.

The concentrations are monitored continuously for economic sectors, and largest debtors, allowing preventive measures to be taken to avoid the violation of the established limits.

We also strictly control our credit exposure to clients and counterparties, acting to reverse occasional limit breaches. We may use contractual covenants for these purposes, such as the right to demand early payment or require additional collateral.

To measure credit risk, we take into account the probability of default by the borrower, issuer or counterparty, the estimated amount of exposure in the event of default, past losses from default and concentration of borrowers. Quantifying these risk components is part of the lending process, portfolio management and definition of limits.

The models used by us are independently validated, to ensure that the databases used in constructing the models are complete and accurate, and that the method of estimating parameters is adequate, so as to reduce the modeling risk and keep the models calibrated, in such a way they reflect risk parameters more accurately.

In compliance with the principles of the CMN Resolution No. 3,721, our credit risk management structure and institutional policy are approved by our Board of Directors and are applicable to all companies and subsidiaries in Brazil and abroad.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 36 – Management risks for further details about credit risk.

Loan approval process

Extensions of credit are approved based on policies at the business unit level, determined in accordance with the assumptions of each department and our bank's risk appetite. The decision to extend credit may be granted by means of a pre-approval process or the traditional approval mechanism, which is applied on a client by client basis. In both cases, the decisions are made based on principles of credit quality such as credit rating supported by statistical models, percentage of income committed by/leverage of the client and credit restrictions determined by us and the market.

The business units prepare and keep updated the policies and procedures of the credit cycle.

The credit granting process encompasses the use of credit protection services with the purpose of checking whether a client's credit history includes information that could be considered an obstacle to granting a loan, such as assets blocked by court orders, invalid tax payer identification numbers, prior or pending debt restructuring or renegotiation processes and checks not honored due to insufficient funds.

The policy assessment process allows for the identification of potential risks and is intended to ensure that credit decisions make sense from both an economic and a risk perspective.

Individuals

Credit products offered at our branch network and through our electronic channels include, among others, overdraft protection, credit cards, personal loans, payroll loans, vehicle financing and mortgage loans.

In all cases, an internal credit score is applied and a cut-off threshold is defined for each product line. Documentation required at the moment the client decides to open an account with us or when we grant a loan includes an application form with the client's signature, personal identification and proof of income.

In the case of pre-approved credit, if a client's risk profile is within the cut-off threshold and parameters established under our credit policy, the credit is considered pre-approved and is automatically available to the client. In the cases where credit is not pre-approved, credit review is carried out through a traditional process under which proposals are assessed on an individual basis by a credit expert. Under this process, approvals are decided by a credit desk, since commercial managers do not have authority to approve individual applications.



Credit cards

Our credit card business is comprised of Itaucard and Hipercard credit cards, as well as credit cards from associations and commercial agreements with significant retailers. Our credit cards are available to account-holding or non-account holding clients, and can be applied for by telephone, internet or points of service at our partner institutions.

The credit granting process for credit cards includes a pre-qualification phase in which internal or market restrictive filters are applied. For eligible clients, the maximum credit amount offered takes into consideration the client's risk, based on statistical models specifically designed for credit cards (application score) and on the applicants' income. A fixed interest rate is applied to revolving credit transactions.

Personal loans

Our decision on whether to grant loans to our account holders takes into account the client's income level and our internal client credit rating, which is based on internally developed statistical models. Through these models, we determine which clients will receive credit offers and in which amounts, the maximum number of installments and the maximum amount for monthly installments, based on fixed interest rates.

Payroll loans

Our payroll loan products are available to account-holding or non-account holding clients. Fixed installments are directly deducted from the borrower's payroll to the bank's account without being recorded in the debtor's account.

The maximum percentage of installments to income is defined by law and is limited to 35% of a payroll loan borrower's net income (public sector employees), of which 5% should be devoted exclusively to credit cards. For private sector employees, the maximum percentage is 30%, with no additional limit for credit cards.

Documentation required to receive a payroll loan includes personal identification, proof of payroll and residence and proof of the bank account where the client receives payroll benefits. If the salary is deposited with us, this documentation is not necessary.

Vehicle financing

Vehicle financing proposals are submitted through (i) partner car dealers throughout Brazil for all types of clients (whether account holders or not) or (ii) directly at our branches or through electronic channels for account holders.

A client's internal credit rating and the terms and conditions of the proposed transaction are taken into account before approving the proposal. If the proposed transaction meets all of our credit policy requirements, which determine maximum installment amounts, loan to value (LTV) and maturity, and the client's personal information is validated by credit protection services, the loan is automatically approved.

A fixed interest rate is set based on the credit rating and the characteristics of the transaction. All vehicle financing transactions are secured by the asset itself, and the maximum LTV is defined to support any possible stress periods.

Mortgage loans

In addition to real estate loans provided through our branch network, we have entered into partnerships with large real estate brokers in Brazil, which originate real estate financing transactions for us on an exclusive basis and in different cities across the country.

The approval of real estate loans is based on assumptions involving the portion of a client's income to be committed to loan repayments, the client rating according to our internal rating system and the maximum LTV, so that even under a stress scenario LTV is kept at adequate levels. Interest rates are fixed.

The data included in the financing proposal is analyzed, validated and confirmed by supporting documentation provided by the client. The proposal may be rejected if the information provided to us is found to be inconsistent, the proposal fails to meet our current policy requirements or any requested information fails to be provided.

Credit to very small and small companies

We offer products such as working capital financing and discount of trade receivables to very small and small companies.

Credit limits to very small and small companies are assigned according to a client's revenues and are based on a business risk assessment, as well as on other criteria such as the financial condition of the company's stockholders or partners, the identification of possible credit restrictions and an evaluation of the economic sector in which the company operates. Documentation required includes the company's governing documents, proof of revenues and information on the partners or stockholders.

Similarly to our procedures for granting loans to individuals, credit may be granted to very small and small companies pursuant to a pre-approved limit or subject to an individual analysis by a credit desk.

Much of the credit we extend to companies in this segment requires the provision of collateral or guarantees. Transactions to finance the production of goods usually require machinery and equipment as collateral. Working capital financing may be collateralized by trade receivables, checks receivable or credit cards receivable or may be collateralized by the company's partners or stockholders and/or third parties.

Interest rates can be fixed or variable depending on the product that is chosen by the client.



Credit to middle-market and large companies

The credit analysis process for middle market and large companies is carried out based on the financial condition of such companies and any corporate groups to which they belong. The credit analysis takes into account the company's history, financial capacity and adequacy of the requested transaction to the client's needs. This analysis is based on the company's financial statements (balance sheet, statement of income, statement of cash flows), on-site meetings with the company, market conditions, analysis of the economic sector in which the company operates and inquiries into credit protection services.

A commensurate environmental and social assessment is undertaken for every company with whom we keep a credit relationship. As appropriate, an action plan may be created as a result of this analysis in order to bring the client into compliance with our internal policies. A recommendation for credit denial may also be issued as an outcome of such assessment.

The proposed maximum credit amount extended and the client internal rating, with a defined cut-off, are submitted to the appropriate credit authorization levels depending on the amount involved, term of the transaction and available security or guarantees, in accordance with our governance policies. Interest rates can be fixed or variable depending on the product that is chosen by the client within the credit limit approved.

Foreign units

The individual and legal entities of foreign units follow procedures similar to those applied to individuals and the corporate segments mentioned above. For the individuals segment, lending is mainly based on income level, internal credit score and internal credit rating. In the corporate segment, the granting of credit is based on the economic and financial analysis of the client.

Credit granting in our subsidiaries operating outside Brazil follows the same corporate governance and policies described above. All subsidiaries are subject to a corporate monitoring of credit portfolios, in Brazil, as well as credit granting rules according to the characteristics of each subsidiary, including appropriate approval authority levels in Brazil, and is responsible for the corporate governance related to credit granting.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 36 – Management risks, Credit risk, 3. Collateral and policies for mitigating credit risk, for further details about our risk mitigating instruments.

Operational risk

Overview

Operational risk is defined as the possibility of losses arising from failure, deficiency or inadequacy of internal processes, people or systems or from external events that affect the achievement of strategic, tactical or operational objectives. It includes legal risk associated with inadequacy or deficiency in contracts signed by us, as well as penalties due to noncompliance with laws and punitive damages to third parties arising from the activities undertaken by us.

Internally, we classify its risks events in:

- Internal fraud;
- External fraud;
- Labor claims and deficient security in the workplace;
- Inadequate practices related to clients, products and services;
- Damages to our own physical assets or assets in use;
- Interruption of our activities;
- Failures in information technology systems; and
- Failures in the performance, compliance with deadlines and management of our activities.

Operational risk management includes conduct risk, which is subject to mitigating procedures to assess product design (suitability) and incentive models. The inspection area is responsible for fraud prevention. Irrespective of their origin, specific cases may be handled by risk committees and integrity and ethics committees.

Governance

We have a governance process that is structured through forums and corporate bodies composed of senior management, which report to the Board of Directors, with well-defined roles and responsibilities in order to segregate the business and management and control activities, ensuring independence between the areas and, consequently, well-balanced decisions with respect to risks. This is reflected in the risk management process carried out on a decentralized basis under the responsibility of the business areas and by a centralized control carried out by the internal control compliance and operational risk department, by means of methodologies, training courses, certification and monitoring of the control environment in an independent way.

The managers of the executive areas use corporate methods constructed and made available by the internal control, compliance and operational risk area. Among the methodologies and tools used are the self-evaluation and the map of our prioritized risks, the approval of processes, products, and system development products and projects, the monitoring of key risk indicators and the database of operational losses, guaranteeing a single conceptual basis for managing processes, systems, projects and new products and services.

Within the governance of the risk management process, the consolidated reports on risk monitoring, controls, action plans and operational losses are regularly presented to the business area executives.

Procedures and key indicators

Crisis management and business continuity

The purpose of our Business Continuity Program is to protect our employees, ensure the continuity of the critical functions of our business lines, safeguard revenue and sustain both a stable financial market in which we operate and the trust of our clients and strategic partners in providing our services and products.

Our Business Continuity Program is composed of procedures for relocating and/or recovering operations in response to a variety of interruption levels and encompasses the following plans:

- Disaster Recovery Plan: focused on the recovery of our primary data center, ensuring the continuity of the processing of critical systems within minimum pre-established periods;
- Workplace Contingency Plan: employees responsible for carrying out critical business functions have alternative facilities from which to perform their activities in the event the buildings in which they usually work become unavailable. There are approximately 2,000 contingency dedicated seats that are fully equipped to meet the needs of critical business units in emergency situations;
- Emergency Plan: procedures aimed at minimizing the effects of emergency situations that may impact our facilities, with a preventive focus; and
- Processes Contingency Plan: alternatives (Plan B) to carry out the critical processes identified in the business areas.

In order to keep the continuity solutions aligned with the business requirements, the program applies the following tools to understand the institution:

- Business Impact Analysis (BIA): evaluates the criticality and resumption requirement of the processes that support the delivery of products and services. Through this analysis the businesses' resumption priorities are defined; and
- Threats and Vulnerabilities Analysis (AVA): identification of threats to the locations where our buildings are located.

In addition, we have a corporate-wide Crisis Management Program, which is aimed at managing business interruption events, natural disasters, impacts of environmental, social, and infrastructure/operational (including information technology) nature or of any other nature that jeopardize the image and reputation and/or viability of Itaú Unibanco's processes with its employees, clients, strategic partners and regulators, with timely and integrated responses.

Please refer to www.itaubank.com.br/arquivosstaticos/RI/pdf/en/Corporate_Business_Continuity_Policy.pdf for further details about our Corporate Business Continuity Policy.

Liquidity risk

Overview

Liquidity risk is defined as the likelihood that an institution will not be able to effectively honor its expected and unexpected obligations, current and future, including those from guarantees commitment, without affecting its daily operations or incurring significant losses.

Governance

Our liquidity risk control is carried out by an area that is independent of our business areas, and which is responsible for defining the composition of the reserve, estimating

cash flow and exposure to liquidity risk over different time horizons, and monitoring the minimum limits for absorbing losses in stress scenarios in the countries where we operate. All activities are subject to assessment by our independent validation, internal controls and audit departments.

Additionally, and pursuant to the requirements of CMN and Central Bank regulations, we make monthly delivery of our Liquidity Risk Statements (DLR) to the Central Bank and the following items are regularly prepared and submitted to the senior management for monitoring and decision support:

- Different scenarios for liquidity projections;
- Contingency plans for crisis situations;
- Reports and charts to enable monitoring risk positions;
- Assessment of funding costs and alternatives; and
- Tracking, and monitoring of funding sources considering counterparty type, maturity and other aspects.

Please refer to section Performance, item Financial performance, Results, for further details about liquidity and capital resources.

Procedures and key indicators

As from the second quarter of 2016, we started to report the average of our liquidity coverage ratio (LCR) for the period, which is calculated based on the methodology defined by Central Bank regulation, which is in line with the international guidelines. In 2017, the minimum required by the Central Bank is 80%. The average ratio for the fourth quarter was 190.2%. We have diversified sources of funding, of which a significant portion comes from the retail segment. Our principal sources of funds are deposits, savings, issuance of securities and funds from acceptances.

Please refer to section Performance, item Financial performance, Liabilities, for further details about funding and results and item Complete Financial Statements (IFRS), Note 17 – Deposits, Note 19 – Securities sold under Repurchase agreements and Interbank and Institutional market debts, and Note 36 – Management risks for further details.

Please refer to section Our risk management, item Regulatory environment, for further details about the implementation of Basel III in Brazil.

Market risk

Overview

Market risk is the possibility of losses resulting from fluctuations in the market value of positions held by a financial institution, including the risk of operations subject to variations in foreign exchange rates, interest rates, price indexes, equity and commodity prices.

Governance

Our policies and general market risk management framework are in line with the principles set forth by CMN regulation and the subsequent amendments. These principles guide the institution's approach to market risk control and management across the Itaú Unibanco Group.

Our market risk management strategy is aimed at balancing corporate business goals, taking into account, among other factors:

- Political, economic and market conditions;
- The profile of our portfolio; and
- Capacity to act in specific markets.

The key principles underlying our market risk control structure are as follows:

- Provide visibility and comfort for all senior management levels that market risks assumed must be in line with our risk-return objectives;
- Provide disciplined and informed dialogue on the overall market risk profile and its evolution over time;
- Increase transparency as to how the business works to optimize results;
- Provide early warning mechanisms to facilitate effective risk management, without obstructing the business objectives; and
- Monitor and avoid concentration of risks.

Market risk is controlled by an area independent of the business units, which is responsible for the daily activities: (i) measuring and assessing risk; (ii) monitoring stress scenarios, limits and alerts; (iii) applying, analyzing and stress testing scenarios; (iv) reporting risk to the individuals responsible in the business units, in compliance with our governance; (v) monitoring the measures needed to adjust positions and/or levels of risk to make them viable; and (vi) supporting the secure launch of new financial products.

CMN has regulations establishing the segregation of exposure to market risk into risk factors, such as: interest rates, exchange rates, stocks and commodities. Brazilian inflation indices are also treated as a group of risk factors and follow the same governance structure for risk limits.

Our structure of limits and alerts is in alignment with the Board of Directors guidelines, being reviewed and approved on an annual basis. This structure extends to specific limits and is aimed at improving the process of risk monitoring and understanding as well as preventing risk concentration. Limits and alerts are calibrated based on projections of future balance sheets, stockholders' equity, liquidity, complexity and market volatility, as well as our risk appetite.

Procedures and key indicators

In an attempt to fit the transactions into the defined limits, we hedge transactions with clients and proprietary positions, including investments overseas. Derivatives are the most commonly used instruments for carrying out these hedging activities, and can be characterized as either accounting or economic hedge, both of which are governed by our institutional regulations.

Our market risk framework categorizes transactions as either part of our trading book ("Trading Book") or banking book ("Banking Book"), in accordance with general criteria established by specific regulation.

Our Trading Book is composed of all trades with financial and commodity instruments (including derivatives) undertaken with the intention of trading.

Our Banking Book is predominantly characterized by portfolios originated from the banking business and operations related to balance sheet management, and intended to be either held to maturity, or sold in the medium or long term.

Market risk management is based on the following key metrics:

- Value at Risk (VaR): a statistical metric that quantifies the maximum potential economic loss expected in normal market conditions, considering a defined holding period and confidence interval;
- Losses in Stress Scenarios (Stress Testing): a simulation technique to evaluate the impact, in the assets, liabilities and derivatives of the portfolio, of various risk factors in extreme market situations (based on prospective and historic scenarios);
- Stop Loss: metrics that trigger a management review of positions, if the accumulated losses in a given period reach specified levels;
- Concentration: cumulative exposure of certain financial instruments or risk factors calculated at market value (mark to market); and
- Stressed VaR: a statistical metric derived from VaR calculation, aimed at capturing the biggest risk in simulations of the current portfolio, taking into consideration the observable returns in historical scenarios of extreme volatility.

In addition to the risk metrics described above, sensitivity and loss control measures are also analyzed. They include:

- Gap Analysis: accumulated exposure of cash flows by risk factor, which are marked-to-market and positioned by settlement dates;
- Sensitivity (DV01 – Delta Variation Risk): impact on the market value of cash flows when a one basis point change is applied to current interest rates or on the index rates; and
- Sensitivities to Various Risk Factors (Greek): partial derivatives of a portfolio of options on the prices of the underlying assets, implied volatilities, interest rates and time.

Please refer to our Complete Financial Statements (IFRS), Note 36 – Management risks for further details about Market Risk.

VaR – consolidated Itaú Unibanco Holding

Our consolidated VaR is calculated through Historical Simulation. The assumption underlying Historical Simulation is that the expected distribution for the possible gains and losses (P&Ls – Profit and Loss Statement) for a portfolio over a desired time horizon can be estimated based on the historical behavior of the returns of the market risk factors to which this portfolio is exposed. For the VaR calculation of non-linear instruments, a full re-pricing is carried out (full valuation), without any potential simplifications in the calculation.

The VaR is calculated with a confidence interval of 99%, a historical period of four years (1000 working days) and a holding period that varies in accordance with the portfolio's market liquidity, considering a minimum horizon of 10 working days. Also, under a conservative approach, the VaR is calculated on a daily basis with and without volatility weighting, with the final VaR being the most restrictive value between the two methodologies.

As from the third quarter of 2016, we have been calculating VaR for the regulatory portfolio (exposure of the trading portfolio and exposure to foreign currency and commodities of the banking portfolio) according to internal models approved by BACEN. The Consolidated Total VaR table provides an analysis of our portfolio exposure to market risk.

(In millions of R\$)

Global VaR (Historical Simulation approach) ⁽¹⁾	Average	Minimum	Maximum	December 31, 2017	Average	Minimum	Maximum	December 31, 2016
Group of Risk Factor								
Interest rate	721.0	583.6	1,311.9	764.7	482.5	323.7	607.4	607.4
Currencies	20.4	6.5	50.2	11.9	18.4	6.8	33.2	17.0
Equities	45.4	38.5	54.9	46.4	45.2	34.0	63.3	44.3
Commodities	1.5	0.7	4.0	0.8	1.7	0.7	4.0	0.8
Diversification effect ⁽²⁾				(451.5)				(339.7)
Total	409.9	304.8	874.0	372.3	236.6	155.1	341.5	329.8

(1) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

(2) Reduction of risk due to the combination of all risk factors.

On December 31, 2017, our average global VaR (Historical Simulation) was R\$409.9 million, or 0.28% of our consolidated stockholders' equity on December 31, 2017, compared to our average global VaR (Historical Simulation) of R\$236.6 million on December 31, 2016, or 0.18% of our consolidated stockholders' equity on December 31, 2016.

VaR – trading portfolio

The table below presents risks arising from all positions with the intention of trading, following the criteria defined above for our Trading Portfolio. Our total average Trading Portfolio VaR was R\$52.0 million on December 31, 2017, compared to R\$38.6 million on December 31, 2016 and R\$23.6 million on December 31, 2015.

(In millions of R\$)

Trading Portfolio VaR ⁽¹⁾	Average	Minimum	Maximum	December 31, 2017	Average	Minimum	Maximum	December 31, 2016
Group of Risk Factor								
Interest rate	52.8	13.8	100.4	58.3	41.0	15.6	69.5	49.1
Currencies	14.6	3.9	43.6	8.8	8.9	3.5	20.8	11.0
Equities	11.7	3.5	22.0	13.6	7.9	3.3	23.8	4.0
Commodities	1.3	0.3	4.0	0.8	1.6	0.5	5.3	0.8
Diversification effect ⁽²⁾				(34.2)				(18.3)
Total	52.0	15.3	102.8	47.3	38.6	16.2	69.4	46.6

(1) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

(2) Reduction of risk due to the combination of all risk factors.

Sensitivity analyses (Trading and Banking Portfolios)

As required by Brazilian regulation, we conduct sensitivity analysis for market risk factors considered important. The highest resulting losses are presented below, with impact on result, by risk factor, in each such scenario and are calculated net of tax effects, providing a view of our exposure under different circumstances.

The sensitivity analyses of the Trading Portfolio and Banking Portfolio presented here are based on a static assessment of the portfolio exposure. Therefore, such analyses do not consider the dynamic response capacity of management (e.g., treasury and market risk control unit) to initiate mitigating measures, whenever a situation of high loss or risk is identified, minimizing the possibility of significant losses. In addition, the analysis is intended to assess risk exposure and the respective protective actions, taking into account the fair value of financial instruments, regardless of whether or not financial instruments are accounted for on an accrual basis.

(In thousands of R\$)

Exposures		Trading Portfolio ⁽¹⁾ December 31, 2017			Trading and Banking Portfolios ⁽¹⁾ December 31, 2017		
Risk Factors	Risk of change	Scenario I	Scenario II	Scenario III	Scenario I	Scenario II	Scenario III
Interest Rate	Fixed Income Interest Rates in reais	(677)	(181,412)	(293,515)	(8,313)	(1,653,629)	(3,179,360)
Foreign Exchange Linked	Foreign Exchange Linked Interest Rates	(464)	(38,269)	(79,140)	(1,759)	(264,749)	(505,366)
Foreign Exchange Rates	Prices of Foreign Currencies	1,720	126,269	392,106	1,832	123,518	387,645
Price Index Linked	Prices Indexes Linked Interest Rates	(586)	(44,720)	(82,604)	(3,198)	(251,703)	(474,026)
TR	TR Linked Interest Rates	-	(1)	(1)	479	(121,136)	(307,836)
Equities	Prices of Equities	168	(1,885)	(30,632)	4,569	(110,354)	(244,940)
Other	Other relevant market rates or prices	8	1,238	2,671	(4)	7,521	16,726
Total		169	(138,780)	(91,115)	(6,394)	(2,270,532)	(4,307,157)

(1) Amounts net of tax effects.

- Scenario I: Addition of one basis point to fixed interest rates, currency coupon, inflation and interest rate indexes and one percentage point to currency and equity prices;
- Scenario II: Shocks of 25% in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor; and
- Scenario III: Shocks of 50% in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor.

Interest rate sensitivity

Interest rate sensitivity is the relationship between market interest rates and net interest income arising from the maturity or the characteristics of the renegotiation of prices of interest-bearing assets and liabilities.

Our strategy for interest rate sensitivity considers the return rates, the underlying risk level and the liquidity requirements, including our minimum regulatory cash reserves, mandatory liquidity ratios, withdrawals and maturity of deposits, capital costs and additional demand for funds.

The pricing structure is matched when equal amounts of these assets or liabilities mature or are renegotiated. Any mismatch of interest-bearing assets and liabilities is known as a gap position. The interest rate sensitivity may vary in the renegotiation periods presented due to the different renegotiation dates within the period. Also, variations among the different currencies in which the interest rate positions are denominated may arise.

These relationships are material for a particular date, and significant fluctuations may occur on a daily basis as a result of both market forces and management decisions. Our Superior Market Risk and Liquidity Committee (CSRML) analyzes Itaú Unibanco Group's mismatch position on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions.

Please refer to section Performance, item Complete Financial Statements in IFRS, Note 36 – Management risks for further details about the position of our interest-bearing assets and liabilities as of December 31, 2017. Note 36 to our complete financial statements provides a snapshot view, and accordingly, does not reflect the interest rate gaps that may exist at other times, due to changing asset and liability positions, and management's actions to manage the risk in these changing positions.

Exchange rate sensitivity

Most of our banking operations are denominated in or indexed to Brazilian *reais*. We also have assets and liabilities denominated in foreign currency, mainly in U.S. dollars, as well as assets and liabilities that, although denominated in Brazilian *reais*, are indexed to U.S. dollars and, therefore, expose us to exchange rate risk. The Central Bank regulates our foreign currency positions. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 36 – Management risks for further details.

The gap management policy adopted by the Superior Market Risk and Liquidity Committee (CSRML) takes into consideration the tax effects with respect to our foreign exchange positions. Since the gains from the foreign exchange rate variation on investments abroad are not taxed, we set up a hedge (a liability in foreign currency derivative instruments) in an amount sufficient so that our total foreign exchange exposure, net of tax effects, is consistent with our low risk exposure strategy.

Our foreign exchange position on the liability side is composed of various elements, including the issuance of securities in international capital markets, credit from foreign banks used to finance import and export transactions, dollar-linked

on-lendings from government financial institutions and deposits in currencies from Latin American countries. The proceeds of these financial operations are usually invested in loans and in the purchase of dollar-linked securities.

The information set forth below was prepared on a consolidated basis, eliminating transactions between related parties. Our investments abroad, which are eliminated when we consolidate the accounting information, represented R\$79.8 billion as of December 31, 2017, under the gap management policy adopted, as mentioned above. Note that we apply either economic hedges or hedge accounting to those net investments abroad.

(In millions of R\$, except percentages)

As of December 31, 2017					
Exchange rate sensitivity	Brazilian currency	Denominated in foreign currency ⁽¹⁾	Indexed to foreign currency ⁽¹⁾	Total	% of amounts denominated in and indexed to foreign currency of total
Assets	1,123,686	288,219	23,064	1,434,969	21.7
Cash and deposits on demand	6,869	10,475	1,405	18,749	63.4
Central Bank compulsory deposits	98,837	-	-	98,837	-
Interbank deposits	6,369	22,684	-	29,053	78.1
Securities purchased under agreements to resell	243,917	790	-	244,707	0.3
Held-for-trading financial assets	256,557	10,747	2,817	270,121	5.0
Financial assets designated at fair value through profit or loss	-	1,746	-	1,746	100
Derivatives	12,024	9,303	1,516	22,843	47.4
Available-for-sale financial assets	64,753	36,824	707	102,284	36.7
Held-to-maturity financial assets	26,501	10,059	-	36,560	27.5
Loan operations and lease operations portfolio	312,989	170,192	10,186	493,367	36.6
Allowance for loan and lease losses	(21,587)	(6,069)	(239)	(27,895)	22.6
Other financial assets	47,304	5,779	6,485	59,568	20.6
Investments in associates and joint ventures	5,169	2	-	5,171	-
Goodwill	3,461	7,255	-	10,716	67.7
Fixed assets, net	6,530	829	-	7,359	11.3
Intangibles assets, net	6,165	2,502	-	8,667	28.9
Tax assets	39,221	2,706	-	41,927	6.5
Assets held for sale	524	212	-	736	28.8
Other assets	8,083	2,183	187	10,453	22.7
Percentage of total assets	78.3	20.1	1.6	100.0	
Liabilities and Stockholders' Equity	1,130,480	289,713	14,776	1,434,969	21.2
Deposits	259,933	142,641	364	402,938	35.5
Securities sold under repurchase agreements	295,612	17,022	-	312,634	5.4
Financial liabilities held for trading	-	465	-	465	100.0
Derivatives	16,953	8,538	1,255	26,746	36.6
Interbank market debt	92,400	36,595	621	129,616	28.7
Institutional market debt	21,216	74,127	3,139	98,482	78.5
Other financial liabilities	68,517	3,737	5,359	77,613	11.7
Reserves for insurance and private pension	181,035	197	-	181,232	0.1
Liabilities for capitalization plans	3,301	-	-	3,301	-
Provisions	19,627	109	-	19,736	0.6
Tax liabilities	6,968	871	-	7,839	11.1
Other liabilities	16,912	5,411	4,038	26,361	35.8
Non-controlling interests	13,166	-	-	13,166	-
Total stockholders' equity attributed to the owners of the parent Company	134,840	-	-	134,840	-
Percentage of total liabilities and stockholders' equity	78.8	20.2	1.0	100.0	

(1) Predominantly U.S. dollar.

Note that the information presented in the table above is not prepared on the same basis as presented in the Consolidated Financial Statements.

Backtesting

The effectiveness of the VaR model is validated by the use of backtesting techniques, which compares hypothetical and effective daily results with the estimated daily VaR. The number of exceptions to the VaR pre-established limits should be consistent, within an acceptable margin, with the hypothesis of 99% confidence level considering a period of 250 business days. Confidence levels of 97.5% and 95%, and periods of 500 and 750 business days are also considered. The backtesting analysis presented below considers the ranges suggested by the Basel Committee on banking supervision. The ranges are divided into:

- Green (0 to 4 exceptions): corresponds to backtesting results that do not suggest any problems with the quality or accuracy of the adopted models;
- Yellow (5 to 9 exceptions): refers to an intermediate range group, which indicates an early warning and/or monitoring and may indicate the need of reviewing the model; and
- Red (10 or more exceptions): demonstrate the need for improvement action.

According to Central Bank Circular No. 3,646, hypothetical testing consists of applying market price variations for a specific day to the portfolio balance at the end of the preceding business day. The effective test is the variation in the portfolio value up to the end of the day, including intraday transactions and excluding amounts not related to market price variations, such as fees, brokerage fees and commissions.

The Backtesting with Confidence level of 99%, and period of 250 business days did not show failures in relation to effective and hypothetical results in the period.

Other risks

Insurance products, pension plan and premium bonds risks

Products that compose portfolios of our insurance companies are related to life and elementary insurance, as well as pension plans and premium bonds. Accordingly, we understand that the main risks inherent to these products are:

- Underwriting risk (the possibility of losses arising from insurance products, pension plans and premium bonds that go against our expectations, directly or indirectly associated with technical and actuarial bases used for calculating premiums, contributions and technical provisions);
- Market risk;
- Credit risk;
- Operational risk; and
- Liquidity risk.

In line with domestic and international practices, we have a risk management structure which ensures that risks resulting from insurance, pension and special savings products are properly assessed and reported to the relevant forums.

The process of risk management for insurance, pensions and premium bond plans is independent and focuses on the special nature of each risk.

As part of the risk management process, there is a governance structure where decisions may be escalated to sub-committees, thus ensuring compliance with several regulatory and internal requirements, as well as balanced decisions relative to risks.

Our objective is to ensure that assets serving as collateral for long-term products, with guaranteed minimum returns, are managed according to the characteristics of the liabilities, so that they are actuarially balanced and solvent over the long term.

Environmental and social risk GRI 102-11

We understand environmental and social risk as the risk of potential losses due to exposure to environmental and social events arising from the performance of our activities.

Mitigation actions of environmental and social risk are carried out through processes mappings, internal controls, monitoring new regulations on the subject, and recording occurrences in internal databases.

In addition, risks identified, prioritized and actions taken are reported to our management of environmental and social risk.

Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/en/POLICY_FOR_SUSTAINABILITY_RI_2015_ING.pdf for further details about our Sustainability and Environmental and Social Responsibility Policy.

The environmental and social risk management is carried out by the first line of defense in its daily operations, supplemented by a technical support of our legal and risk control area, which has a team specialized in environmental and social management. Business units also have their governance for the approval of new products, including assessing the environmental and social risks, which ensures compliance in all new products and processes employed by the institution. Governance also includes the Environmental and Social Risk Committee, which is primarily responsible for guiding institutional views of environmental and social risk exposure related to our activities and operations.

We consistently seek to evolve in the management of environmental and social risk, always attentive to challenges so as to monitor the changes and demands of society. Therefore, among other actions, we have assumed and incorporated into our internal processes a number of national and international voluntary commitments and pacts aimed at integrating social, environmental and governance aspects into our business. The main ones are the Principles for Responsible Investment (PRI), the Charter for Human Rights – Ethos, the Equator Principles (EP), the Global Impact, the Carbon Disclosure Project (CDP), the Brazilian GHG Protocol Program, the *Pacto Nacional para Erradicação do Trabalho Escravo* (National Pact for Eradicating Slave Labor), among others. Our efforts to increase the knowledge of the assessment of the environmental and social criteria have been recognized as models in Brazil and abroad, as shown by the recurring presence of the institution in the major sustainability

indexes abroad, such as the Dow Jones Sustainability Index, and recently, in Sustainability Index Euronext Vigeo – Emerging 70, and in Brazil, for example, in the Corporate Sustainability Index, as well as the numerous prizes which we have been awarded.

Regulatory risk

We consider regulatory risk as the risk arising from losses due to fines, sanctions and other penalties applied by regulatory agencies resulting from lack of compliance with regulatory requirements. The regulatory risk is managed through a structured process aimed at identifying changes in the regulatory environment, analyzing their impacts on the institution and monitoring the implementation of actions directed at adherence to the regulatory requirements.

We have a structured process for addressing rules, covering the stages of recognition, distribution, monitoring and compliance, and all of these processes are established in internal policies. The process for handling regulatory risk involves various areas of the institution, and consists of: (i) structuring lines of defense; (ii) monitoring draft legislation, public notices and public hearings; (iii) monitoring new rules and defining action plans; (iv) building relationships with regulators and professional organizations; (v) monitoring action plans; and (vi) controlling compliance with legal decisions and TAC (conduct adjustment agreements), executed in public civil actions. In addition, the institution's risks are classified and prioritized according to our internal control methodology.

Model risk

Model risk is the risk that arises from the models used by us not reflecting, on a consistent basis, the relationships of variables of interest, creating results that systematically differ from those observed. This risk may materialize due to the use of models in different situations from those modeled.

The best practices that mark the model risk control at the institution include: (i) certification of the quality of the database used; (ii) application of a check-list of essential steps to be taken during the development of the model in question; (iii) use of conservative estimates in judgmental models; (iv) use of external benchmarks; (v) approval of results generated in model implementation; (vi) independent technical validation of models; (vii) validation of use of models; (viii) assessments of the impact on the use of models; (ix) monitoring of performance of models; and (x) monitoring of the distribution of the explanatory variables and final score.

Country risk

Country risk is the risk of losses arising from noncompliance with obligations in connection with borrowers, issuers, counterparties or guarantors as a result of actions taken by the government of the country where the borrower, issuer, counterparty or guarantor is located.

We have a specific structure for the management and control of country risk, consisting of corporate bodies and dedicated teams, with responsibilities defined in policies. The institution has a structured and consistent procedure for managing and controlling country risk, including: (i) the establishment of country

ratings; (ii) the determination of limits for countries; and (iii) the monitoring of limits.

Business and strategy risk

We define business and strategy risk as the risk of a negative impact on our financial results or capital as a consequence of a faulty strategic planning, adverse strategic decisions, and our inability to implement the proper strategic plans and/or changes in business environment. We have implemented many mechanisms that ensure that both business and strategic decision making processes follow proper governance standards, have the active participation of executives and the Board of Directors, are based on market, macroeconomic and risk information and are aimed at optimizing the risk-return ratio. Decision-making and the establishment of business and strategy guidelines, count on the full engagement of the Board of Directors, primarily through the Strategy Committee, and of the executives, through the Executive Committee. In order to handle risk adequately, we have governance and processes that involves the Risks & Finance Control and Management Area in business and strategy decisions, so as to ensure that risk is managed and decisions are sustainable in the long term. They are: (i) qualifications and incentives of board members and executives; (ii) budgetary process; (iii) product assessment; (iv) evaluation and prospecting of proprietary mergers and acquisitions; and (v) risk appetite framework which, for example, restricts the concentration of credit and exposure to specific and material risks.

Reputational risk GRI 103-2 | 103-3 Ethics and transparency | GRI 103-2 | 103-3 Brand and reputation

We understand reputational risk to be the risk arising from internal practices, risk events and external factors that may generate a negative perception of our bank among clients, counterparties, stockholders, investors, supervisors, commercial partners, among others, and could affect the value of our brand and financial losses, in addition to adversely affecting our capability to maintain our existing commercial relations, start new businesses and continue to have access to financing sources.

We believe that our reputation is extremely important for achieving our long-term goals. This is why we try to align our speech with ethical and transparent practice and work, which is essential to raise the confidence of our stakeholders. Our reputation depends on our strategy (vision, culture and skills) and derives from direct or indirect experience of the relationship we maintain with our stakeholders.

Since reputational risk directly or indirectly permeates all of our operations and processes, we have a governance that is structured in a way to ensure that potential reputational risks are identified, analyzed and managed in the initial phases of operations and the analysis of new products.

The treatment given to reputational risk is structured by means of many processes and internal initiatives, which, in turn, are supported by internal policies. Their main purpose is to provide mechanisms for the monitoring, management, control and mitigation of the main reputational risks. Among those processes and internal initiatives are (i) risk appetite statement; (ii) processes for the prevention and fight

against the use of Itaú Unibanco in unlawful acts; (iii) crisis management processes and business continuity procedures; (iv) processes and guidelines with respect to governmental and institutional relations; (v) corporate communication processes; (vi) brand management processes; (vii) ombudsman office initiatives and commitment to customer satisfaction; and (viii) ethics guidelines and the prevention of corruption.

Money laundering prevention

GRI 103-2 | 103-3 Combat against corruption and illegal activities

Financial institutions play a key role in preventing and fighting illicit acts, which includes money laundering, terrorism financing and fraud.

The challenge is to identify and prevent increasingly sophisticated operations that seek to conceal the source, ownership and transfer of goods and assets, derived from illegal activities.

We have established a corporate policy to prevent our involvement in illicit activities, protecting our reputation and image among employees, customers, strategic partners, suppliers, service providers, regulators and the society, through a governance structure focused on transparency, strict compliance with the rules and regulations and cooperation with police and judicial authorities. We also continuously seek to align ourselves with local and international best practices to prevent and fight illicit acts, through investments and training of our employees on an ongoing basis.

In order to be compliant with the corporate policy guidelines, we have established a program to prevent and fight illicit acts, which includes the following pillars:

- Customer Identification Process;
- “Know Your Customer” Process (KYC);
- “Know your Partner” Process (KYP);
- “Know Your Supplier” Process (KYS);
- “Know Your Employee” Process (KYE);
- Risk Assessment on New Products and Services;
- Transaction Monitoring;
- Reporting Suspicious Transactions to Regulators and Authorities; and
- Training.

This program is applicable to us and our controlled entities in Brazil and abroad. The oversight of prevention and detection of illegal activities is carried out by the Board of Directors, the Audit Committee, Compliance and Operational Risk Committees, and the Anti-Money Laundering Committee.

Please refer to section Our risk management, item Regulatory environment for further details about money laundering regulation and to [www.itaubr.com.br/arquivosstaticos/RI/pdf/en/ANTI_CORRUPTION_CORPORATE_POLICY.pdf?title=Anti-Corruption Corporate Policy](http://www.itaubr.com.br/arquivosstaticos/RI/pdf/en/ANTI_CORRUPTION_CORPORATE_POLICY.pdf?title=Anti-Corruption%20Corporate%20Policy), for more details about our Illicit Acts Prevention and Combat Corporate Policy.

Politically exposed persons

Our commitment to the compliance with applicable law and to the adoption of the best practices for prevention and detection of money laundering activity is also reflected in the identification, assessment and monitoring of politically exposed persons (PEPs), whether as individuals or entities.

As per our policies related to PEPs, we apply enhanced due diligence with respect to these customers and we require a higher level of approval (at a minimum at the director level), prior to establishing any relationship with such PEPs.

Please refer to section Our risk management, item Regulatory environment for further details about politically exposed persons.

Regulatory environment

We are subject to regulation by, and supervision of, several entities, in the countries and for the segments in which we operate. The supervisory activities of these entities are essential to the structure of our business, and they directly impact our growth strategies. Below we describe the main entities that regulate and supervise our activities in Brazil:

- CMN: the highest authority responsible for establishing monetary and financial policies in Brazil, overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies, for regulating the conditions for organization, operation and inspection of financial institutions, as well as supervising the liquidity and solvency of these institutions. CMN is also responsible for the general guidelines to be followed in the organization and operation of the securities market and the regulation of foreign investments in Brazil.
- Central Bank: responsible for implementing the policies established by CMN, authorizing the establishment of financial institutions and supervising financial institutions in Brazil. It establishes minimum capital requirements, limits for permanent assets, credit limits and requirements for compulsory deposits, in accordance with the policies established by the CMN.
- CVM: responsible for regulating, sanctioning and inspecting the Brazilian securities market (which in Brazil includes derivatives) and its participants, as well as overseeing exchange and organized over-the-counter markets.
- CNSP: responsible for establishing the guidelines and directives for insurance and premium bond companies and open private pension entities.
- SUSEP: responsible for regulating and supervising the insurance, open private pension funds and capitalization markets in Brazil and their participants.
- ANS: responsible for regulating and supervising the health insurance market in Brazil and its participants.

Outside Brazil, we have main operations subject to oversight by local regulatory authorities in the following jurisdictions: South America, in particular Argentina, Colombia, Chile, Uruguay and Paraguay; Europe, in particular, the United Kingdom and Switzerland; Central America in particular Panama, and the Caribbean, in particular Bahamas and Cayman Islands; and the United States of America.

Financial institutions are subject to a number of regulatory requirements and restrictions, among which the following are noteworthy:

- Prohibition against operating in Brazil without the prior approval of the Central Bank;
- Prohibition against acquiring real estate that are not for the financial institution's own use, except real estate received for settlement of loan losses, in which case such real estate must be sold within one year, extendable by the Central Bank;
- Prohibition against acquiring interests in companies without the prior approval of the Central Bank, except for ownership interest typical of investment portfolios held by investment banks or universal banks with investment portfolios;
- Prohibition against granting loans that represent more than 25% of the financial institution's regulatory capital to only one person or group;
- Restrictions on borrowing and lending, as well as granting advances and guarantees, to certain related individuals and legal entities. Please refer to the section Our Risk Management, item Regulatory Environment, item Lending Limits to more information about these individuals and legal entities;
- Obligation to deposit a portion of the deposits received from clients with the Central Bank (compulsory deposit); and
- Obligation to maintain sufficient capital reserves to absorb unexpected losses, pursuant to the rules proposed by the Basel Committee and implemented by the Central Bank.

Basel III framework

The Basel III framework increases minimum capital requirements, creates new conservation and countercyclical buffers, changes risk-based capital measures, and introduces a new leverage limit and new liquidity standards in comparison to the former framework. The new rules will be phased in gradually and each country is expected to adopt such recommendations in laws or regulations applicable to local financial institutions.

The Basel III framework requires banks to maintain minimum capital levels corresponding to the following percentages of risk-weighted assets: (i) a minimum common equity capital ratio of 4.5% composed of common shares; (ii) a minimum Tier 1 Capital ratio of 6.0%; and (iii) a minimum total capital ratio of 8.0%. In addition to the minimum capital requirements, Basel III requires a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. Basel III also introduces a new leverage ratio, defined as Tier 1 Capital divided by the bank's total exposure.

Basel III implemented a liquidity coverage ratio (LCR), and a net stable funding ratio (NSFR). LCR requires affected banks to maintain sufficient high-quality liquid assets to cover the net cash outflows that could occur under a potential liquidity disruption scenario over a thirty-day period. NSFR establishes a minimum amount of stable sources of funding that banks will be required to maintain based on the liquidity profile of the banks' assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year period.

Additional requirements apply to non-common equity Tier 1 Capital or Tier 2 Capital instruments issued by internationally active banks. To be included in Additional Tier 1 Capital or Tier 2 Capital, an instrument must contain a provision that requires that, at the discretion of the relevant authority, such instrument be either written-off or converted into common shares upon a "trigger event". A "trigger event" is the decision of a competent authority pursuant to which, for a bank to remain a feasible financial institution, it is necessary (i) to write-off an instrument, or (ii) to inject government funds, or equivalent support, into such bank, whichever occurs first. The requirements are applicable to all instruments issued after January 1, 2013. The instruments qualified as capital issued before that date that do not comply with these requirements will be phased out of banks' capital over a 10-year period, beginning on January 1, 2013.

Additional regulatory capital requirements apply to systemically important financial institutions (G-SIFIs). The Basel Committee's assessment methodology to determine which financial institutions are G-SIFIs is based on indicators that reflect the following aspects of G-SIFIs: (i) size; (ii) interconnectedness; (iii) lack of readily available substitute or financial institution infrastructure for the services provided; (iv) global or cross-jurisdictional activity; and (v) complexity. Each of these factors receives an equal weight of 20.0% in the assessment.

The Basel Committee has also issued a framework for the regulation of domestic systemically important banks, or D-SIBs, which supplements the G-SIFI framework by focusing on the impact that the distress or failure of systemically important banks would have on the domestic economy of each country.



Implementation of Basel III in Brazil

Brazilian banks' minimum total capital ratio is calculated as the sum of two components: Regulatory Capital (*patrimônio de referência*); and Additional Core Capital (*adicional de capital principal*).

Brazilian banks' Regulatory Capital is comprised of Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is further divided into two elements: Common Equity Tier 1 Capital (common equity capital and profit reserves, or *capital principal*) and Additional Tier 1 Capital (hybrid debt and equity instruments authorized by the Central Bank, or *capital complementar*).

In order to qualify as Additional Tier 1 Capital or Tier 2 Capital, all instruments issued after October 1, 2013 by a Brazilian bank must contain loss-absorbency provisions, including a requirement that such instruments be automatically written off or converted into equity upon a "trigger event". A "trigger event" is the earlier of: (i) Common Equity Tier 1 Capital being less than 5.125% of the risk-weighted assets for Additional Tier 1 Capital instruments and 4.5% for Tier 2 Capital instruments; (ii) the execution of a firm irrevocable written agreement for the government to inject capital in the financial institution; (iii) the Central Bank declaring the beginning of a special administration regime (RAET) or intervention in the financial institution; or (iv) a decision by the Central Bank, according to criteria established by CMN, that the write-off or conversion of the instrument is necessary to maintain the bank as a viable financial institution and to mitigate relevant risks to the Brazilian financial system. Specific procedures and criteria for the conversion of shares and the write-off of outstanding debt related to funding instruments eligible to qualify as regulatory capital are established by CMN regulation. The legal framework applicable to financial bills (*letras financeiras*) was adapted to allow Brazilian financial institutions to issue Basel III-compliant debt instruments in the Brazilian market.

Existing hybrid instruments and subordinated debt previously approved by the Central Bank as eligible capital instruments may continue to qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, provided that they comply with the above requirements and a new authorization from the Central Bank is obtained. Instruments that do not comply with these requirements will be phased out as eligible capital instruments by deducting 10.0% of their book value per year from the amount that qualifies as Additional Tier 1 Capital or Tier 2 Capital. The first deduction occurred on October 1, 2013, and subsequent deductions will take place annually starting January 1, 2014 until January 1, 2022.

The Additional Core Capital requirement is subdivided into three elements: the capital conservation buffer (*Adicional de Capital Principal Conservação*), the countercyclical capital buffer (*Adicional de Capital Principal Contracíclico*) and the higher loss absorbency requirement for domestic systemically important banks (*Adicional de Capital Principal Sistêmico*). The capital conservation buffer is aimed at increasing the loss absorption ability of financial institutions. The countercyclical capital buffer can be imposed within a range by the Central Bank if it judges that credit growth is increasing systematic risk. The higher loss absorbency requirement for domestic systemically important banks seeks to address the impact that the distress or failure of Brazilian banks may have on the local economy. In the event of non-compliance with the Additional Core Capital requirement, certain restrictions will apply, including the inability of the financial institution to: (i) pay officers and directors their share of variable compensation; (ii) distribute dividends and interest on capital to stockholders; and (iii) repurchase its own shares and effect reductions in its share capital.

From October 1, 2015, a minimum LCR in a standardized liquidity stress scenario is required for banks with total assets in excess of R\$100 billion, individually or at the consolidated enterprise level (*conglomerado prudencial*), as the case may be. The calculation of LCR follows the methodology set forth by the Central Bank which is aligned with the international guidelines. During periods of increased need for liquidity, banks may report a lower LCR than the minimum required ratio, provided that they also report to the Central Bank the causes for not meeting the minimum requirement, the contingent sources of liquidity it has available, and the measures it plans to adopt to be in compliance with LCR requirement. Banks will also be required to effect public disclosures of their LCR on a quarterly basis after April 1, 2016.

In January 2017, the Central Bank enacted a new rule amending the provisions regarding calculation methods and procedures for the disclosure of LCR information. The new regulation establishes a new possible stress scenario and indicates that, for LCR purposes, cash and time deposits are considered retail funding components.

The following table presents the schedule for phased-in implementation by the Central Bank of the capital adequacy and liquidity coverage ratio requirements under Basel III, as applicable to Itaú Unibanco Holding. The figures presented below refer to the percentage of our risk-weighted assets.

From January 1,

Basel III – Schedule

	2015	2016	2017	2018	2019
					(%)
Common equity Tier 1	4.5	4.5	4.5	4.5	4.5
Tier 1 Capital	6.0	6.0	6.0	6.0	6.0
Total regulatory capital	11.0	9.875	9.25	8.625	8.0
Additional common equity Tier 1 (ACP)	-	0.625	1.5	2.375	3.5
Capital conservation buffer	-	0.625	1.25	1.875	2.5
Countercyclical capital buffer ⁽¹⁾	-	-	-	-	-
Systemic	-	-	0.25	0.5	1.0
Common equity Tier 1 + ACP	4.5	5.1	6.0	6.9	8.0
Total regulatory capital + ACP	11.0	10.5	10.8	11.0	11.5
Liquidity coverage ratio	0.6	0.7	0.8	0.9	1.0
Prudential adjustments deductions	40.0	60.0	80.0	100.0	100.0

(1) According to Circular No. 3,769 of Central Bank, the ACP countercyclical requirement is zero.

Banks are required to prepare public disclosures of their leverage ratios on a quarterly basis after October 1, 2015.

In November 2017, CMN established a minimum limit for the Net Stable Funding Ratio (NSFR) and the Leverage Ratio (LR) to be observed by Brazilian Financial institutions classified as Segment 1 and Segment 2 under the segmentation of financial institutions created in 2017, and the terms for compliance with such requirements. NSFR corresponds to the ratio between the Available Stable Funds (ASF) and the Required Stable Funds (RSF) of the financial institution. Such new rule for NSFR, which shall become effective on October 1st, 2018, determines that the minimum limit for NSFR for Segment 1 financial institutions (which is our case) is 1%. The L.R., which calculation method was established by the Central Bank in 2015, consists of the ratio between the sum of the Core Capital and the Supplementary Capital and the total exposure of the financial institution ascertained as established by the applicable regulation. The L.R. rule enacted in November 2017 became effective on January 1st, 2018, and determines that the minimum requirement for the L.R. for a Segment 1 financial institution (which is our case) is 3%.

CMN regulation also defines the entities that compose the consolidated enterprise level (*conglomerado prudencial*) of a Brazilian financial institution, and establishes the requirement that a financial institution prepare and file with the Central Bank monthly complete financial statements at the consolidated enterprise level (*conglomerado prudencial*) pursuant to the parameters defined therein. Such financial statements should also be audited by external auditors on a semi-annual basis. As of January 1, 2015, minimum capital and ratio requirements apply at the consolidated enterprise level.

In addition to the rules issued in accordance with the criteria set forth in Basel III, in July, 2013, Law No. 12,838 was issued, allowing the determination of deemed credit based on deferred tax assets arising from temporary differences

resulting from allowances for loan losses, which, in practice, exempts financial institutions from deducting this type of credit from its core capital. The law also changes the rules for the issue of subordinated debt, requiring the inclusion of clauses for the suspension of the stipulated compensation and the extinction of the credit right or its conversion into shares, and conditions stockholders' remuneration to compliance with the prudential requirements established by CMN.

Brazilian financial institutions are also required to implement a capital management structure compatible with the nature of its transactions, the complexity of the products and services it offers, as well as with the extent of its exposure to risks. In February 2017, the CMN enacted a new rule which unifies and expands Brazilian regulation on risk and capital management. The rule provides that risk management must be conducted through an integrated effort by the relevant entity and sets out different structures for risk and capital management which are applicable for different risk profiles.

According to Brazilian regulation, capital management is defined as a process that includes: (i) monitoring and controlling the financial institution's capital; (ii) assessing capital needs in light of the risks to which the financial institution is subject; and (iii) setting goals and conducting capital planning in order to meet capital needs due to changes in market conditions. Financial institutions should publish a report describing the structure of their capital management at least on an annual basis. Disclosure and reporting of risk management matters, risk-weighted asset calculation, and adequate compliance with regulatory capital requirements are regulated by the Central Bank and reflect the so-called "Pillar 3" of regulatory capital recommended under Basel III, aimed at improving governance and disclosure.

G-SIFI assessment in Brazil

The Central Bank has adopted the same indicators set out by the Basel Committee to determine if Brazilian financial institutions qualify as G-SIFIs. Please refer to section Our risk management, item Regulatory environment, Basel III framework, for further details. This assessment is required for banks with total exposure – the denominator for the leverage ratio – in excess of R\$500 billion, individually or at the consolidated enterprise level (conglomerado prudencial), as the case may be. However, no additional loss absorbency requirements for Brazilian G-SIFIs have been established. We were not included on the latest list of G-SIFIs issued on November 21, 2017. The next update is expected in November 2018.

Recovery plans for systematically important financial institutions

On June 30, 2016, CMN enacted a rule providing stricter guidelines for recovery plans (*Planos de Recuperação*) for Brazil's systemically important financial institutions. The new rule, which incorporated recommendations from the Financial Stability Board, requires financial institutions to prepare recovery plans that aim to re-establish adequate levels of capital and liquidity and to preserve the viability of such institutions under stress scenarios. The guidelines require, among other things, that subject financial institutions must identify their critical functions for the National Financial System (*Sistema Financeiro Nacional*) and their core business lines, monitor indicators and their critical levels, adopt stress-testing scenarios, predict recovery strategies, assess possible risks and barriers related to the strategies and define clear and transparent governance procedures, as well as effective communication plans with key stakeholders. The rule provides for a phase-in implementation period from October 2016 to December 2017 to allow the relevant financial institutions to adapt their recovery plans to the new requirements. We have filed our recovery plan with the Central Bank within the deadline established by the new rule.

Segmentation for the proportional application of the prudential regulation

On January 30, 2017, CMN enacted a resolution establishing segmentation for financial institutions, financial institution groups and other institutions authorized to operate by the Central Bank for proportional application of the prudential regulation, considering the size, international activity and risk profile of members of each segment. According to such resolution, the segments are qualified as follows:

(i) Segment 1, in which we are classified, is composed of multiservice banks, commercial banks, investment banks, foreign exchange banks and saving banks that (a) have a size equivalent of superior to 10% of the Gross Domestic Product (GDP); or (b) perform relevant international activities, independently of the magnitude of the institution.

(ii) Segment 2 is composed of multiservice banks, commercial banks, investment banks, foreign exchange banks and savings banks with (a) size below 10% of GDP; and (b) other institutions of same magnitude equivalent or superior to 1% of GDP.

(iii) Segment 3 is composed of institutions with a size below 1% and equivalent or superior to 0.1% of GDP.

(iv) Segment 4 is composed of institutions a size below 0.1% of GDP.

(v) Segment 5 is composed of (a) institutions with size below 0.1% of GDP that applies a simplified optional method for the verification of reference equity's minimum requirements, except for multiservice banks, commercial banks, investment banks, foreign exchange banks and savings bank; and (b) institutions not subject to the verification of reference equity.

On October 19, 2017, CMN published a new regulation, which sets forth the criteria and method for the application of simplified capital requirements (Regulatory Capital – *Patrimônio de Referência*) by non-banking financial institutions that classify as segment 5 (the segment that is comprised of financial institutions with the most simplified risk profile). In January 2018, the Central Bank also enacted a rule establishing new criteria and methods for evaluation and application of capital requirements for institutions that classify as segments 1 and 2.

CMN is expected to also issue new rules establishing criteria and methods for application of capital requirements for financial institutions that classify as segments 4 and 3.

Secured real estate bill

In 2015, Law No. 13,097 was enacted to create the secured real estate bill (*Letra Imobiliária Garantida* – LIG), a new debt instrument for funding Brazilian financial institutions that follows the covered bonds structure. The law provides that CMN shall regulate the provisions of Law No. 13,097, including as regards issuing conditions and terms, financial institutions authorized to issue LIGs, conditions of redemption and early maturity of LIGs, eligibility requirements, composition, sufficiency, maturity and liquidity of the related portfolio of assets, conditions of replacement and reinforcement of such assets, requirements for financial institutions to act as fiduciary agent and the assumptions, conditions and manner of their removal or replacement and related attributions.

In August 2017, CMN issued a new rule regulating the provisions of Law No. 13,097. In December 2017, CMN enacted two new rules applicable to the issuance of LIGs. The first rule establishes the procedures for accounting and disclosure of information by the issuers of LIG, as portfolio managers of assets subject to the fiduciary regime provided in Law No. 13,097. The second rule establishes minimum information in respect of LIGs to be provided by the issuers to investors.

Passive provision for financial guarantees

On July 28, 2016 CMN enacted a new rule, establishing specific accounting procedures for the assessment and registration of passive provisions (*provisão passiva*) that financial institutions must create in respect of financial guarantees. The accounting procedures established by this regulation seek to align the Brazilian standards with IFRS. Such resolution is effective since January 1, 2017.

Foreign currency transactions and exposure

Transactions involving the sale and purchase of foreign currency in Brazil may only be conducted by institutions authorized to do so by the Central Bank. There are no limits for long or short positions in foreign currency for banks authorized to carry out transactions on the foreign exchange market. Currently there is no compulsory deposit requirement rate on the foreign currency short position held by financial institutions.

In accordance with CMN regulation, financial institutions in Brazil may raise funds abroad, either through direct loans or through the issuance of debt securities. Funds raised accordingly may be freely invested in Brazil, including but not limited to on-lending to Brazilian companies and financial institutions. Brazilian banks authorized to operate in foreign currency markets which hold regulatory capital higher than R\$5 billion may also use these funds to grant loans abroad to Brazilian companies, their offshore subsidiaries and foreign companies controlled by Brazilians or to acquire securities issued or guaranteed by such companies in the primary market. Cross-border loans, in which one party is in Brazil and the other party is abroad, require previous registration with the Central Bank, which may establish limits on the conditions of such foreign currency loan transactions. Please refer to item Taxation for further details about tax on foreign exchange transactions.

Financial institutions may also grant loans in or indexed to a foreign currency to their clients' trade-related activities, such as by granting advances on foreign exchange contracts (*Adiantamento sobre Contrato de Câmbio*), advances on delivered export register (*Adiantamento sobre Cambiais Entregues*), or export or import prepayment agreements (*Pré-Pagamento de Exportação e Financiamento à Importação*), all in accordance with Brazilian regulations on foreign exchange markets and international capital flows.

The Central Bank and the Brazilian government frequently change rules and regulations applicable to foreign currency borrowing and loans in accordance with the economic scenario and Brazilian monetary policy.

Beside legislation sets forth that the total exposure in gold and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions (including their offshore branches), and their direct and indirect subsidiaries, on a consolidated basis, may not exceed 30.0% of their regulatory capital.

Liquidity and fixed assets investment regime

In accordance with CMN regulation, financial institutions may not hold, on a consolidated basis, permanent assets, including investments in unconsolidated subsidiaries, real estate, equipment and intangible assets, exceeding 50.0% of the adjusted regulatory capital.

Lending limits

Furthermore, we are legally prevented from granting loans or advances, and guarantees, including derivative transactions, underwriting or holding in our investment portfolio securities of any clients or group of affiliated clients that, in the aggregate, give rise to exposure to such client or group of affiliated clients that exceeds 25.0% of our regulatory capital. In this respect, on February 9, 2018 the Central Bank submitted to public consultation a draft rule which intends to change the basis for calculation of the lending limits applicable to financial institutions classified as Segment 1 (under the segmentation of financial institutions created in 2017, which is our case) as regards Tier 1 Regulatory Capital. According to the proposed rule, the maximum exposure to any one individual client of a Segment 1 financial institution shall be 25% of its Tier 1 Regulatory Capital and the maximum exposure to concentrated individual clients of such Segment 1 financial institution of 600% of its Tier 1 Regulatory Capital (a concentrated individual client would mean, for the purpose of the proposed rule, as any one client to which exposure is equal to or higher than 10% of its Tier 1 Regulatory Capital). The proposed rule is still subject to changes.

Credit exposure limits

For the purpose of this limit, the following public sector entities are to be considered as separate customers: (i) the Brazilian government; (ii) an entity controlled directly or indirectly by the Brazilian government which is not financially dependent on another entity controlled directly or indirectly by the Brazilian government; (iii) entities controlled directly or indirectly by the Brazilian government which are financially dependent among themselves; (iv) a State or the Federal District, jointly with all entities directly or indirectly controlled by it; and (v) a municipal district, jointly with all entities directly or indirectly controlled by it. Such definition is also subject to change under the public consultation submitted by the Central Bank on February 9, 2018 mentioned above. The proposed rule establishes additional criteria for the identification of separate customers: (i) the Brazilian government, including the Central Bank; (ii) an entity with 50% or more of its voting capital held directly by the Brazilian Government, jointly with its controlled entities; (iii) a State of the Federative Republic of Brazil or the Federal District, jointly with its controlled entities and with entities which are financially dependent on a State, Federal District or its controlled entities; (iv) each Brazilian municipal district, jointly with its controlled entities and with entities which are financially dependent on a municipality or its controlled entities; (v) each central government of a foreign jurisdiction; (vi) each central bank of a foreign jurisdiction; (vii) each entity with 50% or more of its voting capital held directly by a central government of a foreign jurisdiction, jointly with its controlled entities and with entities that are financially dependent on it; (viii) a governmental

body of a foreign jurisdiction, jointly with its controlled entities and with entities that are financially dependent on it or its controlled entities; and (ix) any other entity, public or private, which share the credit risk calculated by the financial institution according to CMN regulations. As mentioned above, such proposed rule is still subject to changes.

Risk weighted asset calculation

The calculation of risk exposure is based on several factors set forth by the Central Bank regulations and impacts the capital requirements. The components take into consideration the type of risk and include the parameters and procedures for calculation of the risk weighted asset (RWA) to determine the capital requirements resulting from each risk exposure. The Central Bank has been frequently changing and updating the rules and regulations for calculation of RWA.

Financial bills

Law No. 12,838 of July 9, 2013 adapted financial bills (*letras financeiras*) to the Basel III framework and granted the Central Bank power to limit the payment of dividends and interest on capital by financial institutions that do not comply with CMN capital requirements. With the changes enacted by Law No. 12,838, Brazilian financial institutions will likely issue Basel III-compliant hybrid or subordinated debt instruments under the regulatory framework of financial bills. The main characteristics of financial bills changed by Law No. 12,838 are:

- Possibility of issuance of financial bills convertible into equity. The conversion may not be requested by the investor or the issuer financial institution;
- Suspension of payment of interest in case of non-compliance with capital requirement rules in case the financial bills are part of the regulatory capital of the financial institution. Additionally, in order to preserve the regular functioning of the Brazilian financial system, the Central Bank may determine that financial bills be converted into equity or written-off. These determinations will not be considered a default by the financial institution and will not accelerate the maturity of its other debts; and
- Financial bills may include, as early maturity events, default on the payment of the interest of the financial bill or the dissolution of the financial institution.

Establishment of a succession policy

On November 24, 2016, CMN enacted a new resolution requiring that financial institutions and other institutions authorized to operate by the Central Bank establish a succession policy for their management. The new regulation requires that the Board of Directors of the institutions approves, supervises and controls the process of planning such policy, which must expressly assign the positions conditioned to the succession policy, taking into consideration the institution's structure, risk profile and business model. The succession policy shall cover recruiting, promotion, election and retention processes, based on rules that regulate the identification, evaluation and training of senior management positions considering the following aspects: (i) conditions required by Brazilian law to exercise such

position; (ii) technical capacity; (iii) management capacity; (iv) interpersonal skills; (v) legislation and regulation knowledge regarding liability for their actions; and (vi) experience.

On March 25, 2017, our Board of Directors approved our Management Succession Policy in accordance with CMN's resolution. Our succession policy aim to consolidate the internal procedures and practices of the Itaú Unibanco Conglomerate regarding the succession of our management team.

Code of Corporate Governance

In 2016, the Brazilian Corporate Governance Code for publicly-held companies (*Código Brasileiro de Governança Corporativa – Companhias Abertas*) was edited. It sets forth corporate governance-related principles, guidelines and actions applicable to publicly-held companies and determines that companies adopt the "apply or explain" model in respect of their principles, guidelines and actions. As a result of the edition of this Code, in June 2017 CVM published a new ruling whereby companies must submit the report on the Brazilian Corporate Governance Code to CVM within 7 (seven) months as of the closing date of the fiscal year. The implementation of the Corporate Governance Code was integrated in the local regulatory framework in 2017 by means of CVM Ruling No. 586/17.

In addition, in April 2017, CMN issued a new resolution aimed at including the principles and criteria of corporate governance of financial institutions established by the Basel Committee in the Brazilian regulatory framework, through the "Core Principles for Effective Banking Supervision".

The new rule establishes the terms for the remittance to the Central Bank of information on the management of financial institutions, controlling group and relevant shareholders, including the obligation to communicate to the regulator any information that may affect the reputation of any person classified in one of such categories. For this purpose, financial institutions must provide a communication channel which allows employees, contributors, clients, users, associates, or services providers to anonymously report situations indicating illegal acts of any nature related to the institution. Financial institutions must also determine the internal body responsible for receiving the information and complying with the reporting obligations.



Anti-corruption law GRI 205-2 | GRI 103-2 | 103-3 Combat against corruption and illegal activities

In January 2014, a new Brazilian anti-corruption law came into force. The new law establishes that legal entities will have strict liability (regardless of fault or willful misconduct) if they are involved in any form of bribery. Although known as an anti-corruption law, it also encompasses other injurious acts contrary to the Brazilian or foreign public administration including bid rigging and obstruction of justice. The law provides for heavy penalties, both through administrative and judicial proceedings including determination of dissolution of a company, prohibition against undertaking to finance with public entities and prohibition against participating in public biddings.

In addition, the law authorizes the public administrative authorities responsible for the investigation to enter into leniency agreements. The self-disclosure of violations and cooperation by legal entities may result in the reduction of fines and other sanctions as determined by the new federal regulation issued in March 2015.

The new regulation also provides parameters for the application of the anti-corruption law including with respect to penalties and compliance programs. Please refer to:

- (i) www.itaub.com.br/arquivosstaticos/RI/pdf/en/POLITICA_CORPORATIVA_DE_PREVENCAO_A_CORRUPCAO_ENGL.pdf further details about our Anti-corruption Corporate Policy.
- (ii) [www.itaub.com.br/arquivosstaticos/RI/pdf/en/HF5_DOC_RI_2016_\(ingles\).pdf](http://www.itaub.com.br/arquivosstaticos/RI/pdf/en/HF5_DOC_RI_2016_(ingles).pdf) further details about our Integrity and Ethics Corporate Policy and guidelines for situations of conflicts of interests.

Compensation of directors and officers of financial institutions GRI 102-35

According to rules set forth by CMN, Brazilian financial institutions are required to have a compensation policy. If variable compensation is to be paid to management, at least 50% of the total compensation should be paid in shares or share-based instruments and at least 40% of the total compensation should be deferred for future payment for at least three years. If the institution records a significant decrease in the realized recurring profit or a negative result during the deferral period, the deferred and unpaid portions

of the compensation should be reversed proportionally to the decrease in result, in order to minimize the loss incurred by the financial institutions and their stockholders.

Our compensation policy, applicable to directors and officers in Brazil (constituting the major part of the management population of the Itaú Unibanco Group), complies with CMN's regulatory requirements. Our compensation principles and practices worldwide comply with each local regulation and seek to increase alignment between the interests of our stockholders and our management.

For further information, refer to section Our governance, item Compensation and benefits.

Antitrust regulation

The Brazilian Antitrust Law requires that transactions resulting in economic concentration should be submitted for prior approval to CADE, the Brazilian antitrust regulator, if the transactions meet the following criteria: (i) the economic group of any of the parties to a transaction recorded, in the fiscal year prior to that of the transaction, minimum gross revenues of R\$750 million; and (ii) at least one of the other economic groups involved in the transaction recorded, for the same time period, minimum gross revenues of R\$75 million. The closing of a transaction prior to CADE's approval subjects the parties to fines ranging from R\$60,000 to R\$60 million, the nullity of the relevant agreement and potential administrative proceedings. In addition to submitting such transactions to CADE's approval, financial institutions are required by Circular No. 3,590/2012 of the Central Bank (updated by Circular No. 3,800/2016) to submit to the Central Bank's antitrust approval any concentration acts involving two or more financial institutions in the following cases: (i) acquisition of corporate control; (ii) merger; (iii) transfer of the business to another financial institution; and (iv) other transactions which result in increased market share in the market segments they operate.

With respect to the conflict of jurisdiction to review and approve concentration acts involving financial institutions, the matter remains undefined. The uncertainty concerning whether CADE or the Central Bank should review and approve concentration acts involving financial institutions has resulted in financial institutions submitting for antitrust approval concentration acts in the banking sector not only to the Central Bank but also to CADE.

Please refer to www.itaub.com.br/arquivosstaticos/RI/pdf/en/ANTITRUST_CORPORATE_POLICY_RI_2015.pdf for further details about our Antitrust Corporate Policy.

Treatment of past due debts

Brazilian financial institutions are required to classify their credit transactions (including leasing transactions and other transactions characterized as credit advances) at different levels and recognize provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the clients the terms and conditions of the transaction, and the period of time during which the transaction is past due, if any. For purposes of Central Bank requirements, transactions are classified as level AA, A, B, C, D, E, F, G or H, with AA being the highest classification. Credit classifications must be reviewed on a monthly basis and, apart from additional provisions required by the Central Bank which are deemed necessary by the management of financial institutions, each level has a specific allowance percentage that is applied to it and which we use to calculate our allowance for loan losses, as specified in more detail in the table below:

Classification ⁽¹⁾	AA	A	B	C	D	E	F	G	H
Allowance (%)	0	0.5	1	3	10	30	50	70	100
Past due (in days)	-	-	15 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	Over 180

(1) Our credit classification also takes into account the client's credit profile, which may negatively impact the past due classification.

Under IFRS, the allowance for loan losses is based on our internally developed incurred loss models, which calculate the allowance for loan losses by multiplying the probability of default by the clients or counterparty (PD) by the potential for recovery on defaulted credits (LGD) for each transaction, as described in Note 2.4(d) X to our complete financial statements under IFRS. The risk levels are categorized as "lower risk", "satisfactory", "higher risk", and "impaired" based on the probability of default, following an internal scaling, as set out in Note 36 to our complete financial statements under IFRS.

Bank insolvency

The insolvency of financial institutions is handled pursuant to applicable laws and regulations by the Central Bank, which initiates and monitors all applicable administrative proceedings. There are three types of special regimes that may be imposed to either private-sector financial institutions or state-owned (other than federal government-owned) financial institutions or similar institutions: (i) temporary special administration regime (RAET), (ii) intervention, and (iii) extrajudicial liquidation. Financial institutions may also be subject to the bankruptcy regime.

In the course of the special regimes described below, the steering committee, the intervenor, and the liquidator may, when authorized by the Central Bank: (i) dispose of assets and rights of the financial institution to third parties; and (ii) proceed with corporate restructuring processes in the financial institution or its subsidiaries, among other possible measures of similar effect.

RAET

RAET is a less severe special regime which allows financial institutions to continue to operate. Its main effect is that the whole management loses its offices and is replaced by a steering committee appointed by the Central Bank with broad management powers. Its duration is limited and its main objective is the adoption of measures aimed at the resumption of the financial institution's regular activities. If resumption is not possible, this regime may be turned into an extrajudicial liquidation.

Intervention

Under this regime, the Central Bank appoints an intervenor that takes charge of the financial institution's management, suspending its regular activities and dismissing the financial institution's management. In general, the intervention is aimed at preventing the continuation of certain irregularities and the aggravation of the financial situation of the financial institution, which can put assets at risk and harm the financial institution's creditors. The intervention is also time-limited and may be followed by the resumption of the financial institution's regular activities or the declaration of extrajudicial liquidation or bankruptcy.

The intervention suspends all actions related to payment obligations of the financial institution, prevents the early settlement or maturity of its obligations and freezes pre-existing deposits.

Extrajudicial liquidation

Extrajudicial liquidation generally corresponds to the process of dissolution of the company in cases of unrecoverable insolvency or severe violations of the rules that regulate a financial institution's activities. The extrajudicial liquidation aims at promoting the liquidation of the existing assets for the payment of creditors, with the return of any amounts left to stockholders. Controlling stockholders may be held responsible for remaining liabilities.

The extrajudicial liquidation (i) suspends actions and executions related to the financial institution, (ii) accelerates the maturity of the financial institution's obligations; and (iii) interrupts the statute of limitations of the financial institution's obligations. In addition, the debt of the estate under liquidation will no longer accrue interest until all obligations to third parties are settled.

Deposit insurance

In the event of intervention, extrajudicial liquidation or liquidation of a financial institution in a bankruptcy proceeding, the Credit Insurance Fund (FGC), a deposit insurance system, guarantees the maximum amount of R\$250,000 for certain deposits and credit instruments held by an individual, a company or another legal entity with a financial institution (or financial institutions of the same economic group). Such deposits and credit instruments contracted as of December 22, 2017 are subject to an additional limit: the total coverage of the referred guarantee is R\$1,000,000 per investor regardless of the number of accounts held in different financial groups and such limit is valid for a period of four years. The resources of FGC come primarily from mandatory contributions from all Brazilian financial institutions that receive deposits from clients, currently at a monthly rate of 0.0125% of the amount of the balances of accounts corresponding to the financial instruments that are the subject matter of the ordinary guarantee, even if the related credits are not fully covered by FGC, and certain special contributions. Deposits and funds raised abroad are not guaranteed by FGC. As from February 2016, credits of financial institutions and other institutions authorized to operate by the Brazilian Central Bank, complementary welfare entities, insurance companies, capitalization companies, investment clubs and investment funds, as well as those representing any interest in or financial instrument held by such entities, are not protected by the ordinary guarantee of FGC.

Payment of creditors in liquidation

In the event of extrajudicial liquidation of a financial institution or liquidation of a financial institution in a bankruptcy proceeding, the salaries of employees and the related labor claims up to a certain amount, secured credits and tax charges have priority in any claims against the entity in liquidation. The payment of unsecured credits, including deposits from regular retail clients that are not guaranteed by FGC, is subject to the prior payment of preferred credits. Additionally, upon the payment of the deposits guaranteed by FGC, FGC becomes an unsecured creditor of the estate in liquidation.

Insurance regulation

With governmental approval, insurance companies in Brazil may offer all types of insurance, except for workers' compensation insurance, directly to clients or through qualified brokers.

Insurance companies must set aside reserves to be invested in specific types of securities. As a result, insurance companies are among the main investors in the Brazilian securities market and subject to CMN regulations regarding the investment of technical reserves.

In the event an insurance company is declared bankrupt, the insurance company will be subject to a special procedure administered by SUSEP or by ANS. If an insurance company is declared bankrupt and (i) its assets are not sufficient to guarantee at least half of the unsecured credits or (ii) procedures relating to acts that may be considered bankruptcy-related crimes are in place, the insurance company will be subject to ordinary bankruptcy procedures.

There is currently no restriction on foreign investments in insurance companies in Brazil.

Brazilian legislation establishes that insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under the rules of the regulatory body (CNSP and SUSEP), and reinsurance contracts may be entered into through a direct negotiation between the insurance and reinsurance companies or through a reinsurance broker authorized to operate in Brazil.

Insurance companies, from January 1, 2017, when transferring their risks in reinsurance, must transfer 30.0% of each facultative or automatic contract to local reinsurers (companies domiciled in Brazil).

From January 1, 2018, this percentage reduced to 25%, and will reduce annually until it reaches 15% on January 1, 2020.

In addition, from January 1, 2017, risk assignment between insurers and reinsurers belonging to the same economic group based abroad is limited to 30.0% of the premiums pertaining to each facultative or automatic contract.

From January 1, 2018, this percentage increased to 45%, and annually will increase until it reaches 75% on January 1, 2020.



Anti-money laundering regulation

The Brazilian anti-money laundering law establishes the basic framework to prevent and punish money laundering as a crime. It prohibits the concealment or dissimulation of origin, location, availability, handling or ownership of assets, rights or financial resources directly or indirectly originated from crimes, subjecting the agents of these illegal practices to imprisonment, temporary disqualification from managing enterprises up to 10 years and monetary fines.

The Brazilian anti-money laundering law also created the Financial Activities Control Council, or COAF, which is the Brazilian financial intelligence unit that operates under the jurisdiction of the Ministry of Finance. COAF performs a key role in the Brazilian anti-money laundering and counter-terrorism financing system, and its legal responsibility is to coordinate the mechanisms for international cooperation and information exchange.

In compliance with the Brazilian anti-money laundering law and related regulations enacted by the Central Bank, including the rules applicable to procedures that must be adopted by financial institutions to prevent and combat money laundering and terrorism financing, as well as in response to the recommendation of the Financial Action Task Force (FATF) and United Nations Security Council, financial institutions in Brazil must establish internal control and procedures aiming at:

- Identifying and knowing their clients, which includes determining if they are PEPs, and also identifying the ultimate beneficial owners (UBO) of the transactions. These records should be kept up-to-date;
- Checking the compatibility between the movement of funds of a client and such client's economic and financial capacity;
- Checking the origin of funds;
- Carrying out a prior analysis of new products and services, under the perspective of money laundering prevention;
- Keeping records of all transactions carried out or financial services provided on behalf of a certain client or for that client;
- Reporting to COAF, within one business day, any transaction deemed to be suspicious by the financial institution, as well as all transactions in cash equivalent to or higher than R\$50,000, without informing the involved person or any third party;
- Applying special attention to (i) unusual transactions or proposed transactions with no apparent economic or legal bases; (ii) transactions involving PEPs, (iii) indication of evading client identification and transaction registering procedures; (iv) client and transactions for which UBO cannot be identified; (v) transactions originated from or destined to countries that do not fully comply with the recommendations of the Financial Action Task Force (FATF); and (vi) situations in which it is not possible to keep the clients' identification records duly updated;
- Determining criteria for hiring personnel and offering anti-money laundering training for employees;
- Establishing procedures to be complied with by all branches and subsidiaries of a Brazilian financial institutions located abroad with respect to anti-money laundering;

- Establishing that, any institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify whether the foreign financial institution is physically located in the jurisdiction where it was organized and licensed, and that it is subject to effective supervision;
- Monitoring transactions and situations which could be considered suspicious for anti-money laundering purposes;
- Reporting to COAF the occurrence of suspicious transactions, as required under applicable regulations, and also, at least once a year, whether or not suspicious transactions are verified, in order to certify the non-occurrence of transactions subject to reporting to COAF (negative report);
- Requiring clients to inform the financial institution, at least three business days in advance, of their intention to withdraw amounts equal to or exceeding R\$50,000;
- Ensuring that policies, procedures and internal controls are commensurate with the size and volume of transactions; and
- Unavailability of goods, values and rights of possession or ownership and all other rights, real or personal, owned, directly or indirectly, of natural or legal persons subject to sanctions by the resolutions of the United Nations Security Council.

Non-compliance with any of the obligations above subjects the financial institution and its officers to penalties ranging from: (i) formal notice, (ii) fines (from 1.0% to 200.0% of the amount of the transaction, 200.0% of the profit generated thereby, or a fine of up to R\$20,000,000), (iii) rendering executive officers ineligible for holding any management position in financial institutions, to (iv) the cancellation of the financial institution's license to operate.

In August 2013, the Brazilian Federation of Banks (FEBRABAN) enacted an anti-money laundering and terrorism financing self-regulation. The purpose of the document is to improve the contribution of the Brazilian financial system to the prevention of money laundering and make consistent the practices adopted by all banks, encouraging them to reinforce their preventive procedures.

On July 28, 2017, the Central Bank enacted a new rule including additional requirements with respect to anti-money laundering, that it came into force on December 27, 2017. The recent changes to the regulation include the obligation to maintain specific records of transactions in cash (deposit, withdrawal, withdrawal by means of a prepaid card, request of provision for withdrawal or Electronic Available Transfer – TED) by financial institutions in an amount equal to or greater than R\$50,000 per transaction. The rule also includes provision establishing that, among others, all commercial banks, multiple banks and credit cooperatives must require from their clients a minimum of three business days prior communication for withdrawals and cash payments of an amount equal to or greater than R\$50,000 per withdrawal.

Politically Exposed Persons (PEPs)

According to Central Bank, PEPs are public agents who hold or have held a relevant public position, as well as their representatives, family members or other close associates, over the past five years, in Brazil or other countries, territories and foreign jurisdictions. It also includes their legal entities. Financial institutions must develop and implement internal procedures to identify PEPs and obtain special approval from a more senior staff member, such as an officer, than otherwise would be required to approve relationships prior to establishing any relationship with those individuals. They should also adopt reinforced and continuous surveillance actions regarding transactions with PEPs and report all suspicious transactions to COAF.

Portability of credit transactions

The portability of credit transactions is regulated by the Central Bank since 2013. Portability consists of the transfer of a credit transaction from the original creditor to another institution, at the request of the debtor, maintaining the same outstanding balance and payment conditions. The regulation establishes standard procedures and deadlines for the exchange of information and the mandatory use of an electronic system authorized by the Central Bank for the transfer of funds between financial institutions, prohibiting the use of any alternative procedure to produce the same effects of the portability, including so-called "debt purchases".

Rules governing the charge of fees on banking and credit card operations

Banking fees and credit card operations are extensively regulated by CMN and the Central Bank. According to Brazilian legislation, we must classify the services we provide to individuals under pre-determined categories and are subject to limitations on the collection of fees for such services.

Brazilian financial institutions are generally not authorized to charge fees from individuals for providing services classified as "essential" with respect to checking and savings accounts, such as supplying debit cards, check books, withdrawals, statements and transfers, among others.

Brazilian legislation also authorizes financial institutions to charge fees related to "priority services", a standard set of services defined by Central Bank regulation. Financial institutions must offer to their individual clients "standard packages" of priority services. Clients may also choose between these or other packages offered by the financial institution, or use and pay for services individually instead of selecting a package.

Current rules also authorize financial institutions to charge fees for specific services called "additional services" (*serviços diferenciados*), provided that the account holder or user is informed of the use and payment conditions relating to such services, or that fees and collection methods are defined in the contract.

CMN also establishes rules applicable to credit cards, determining the events that allow for the collection of fees by issuers, as well as the information that must be disclosed in credit card statements and in the credit card agreement. There is also a list of priority services. The rules define two types of credit cards: (i) basic credit cards, with simpler services, without rewards programs; and (ii) "special credit cards", with benefits and reward programs. A minimum of 15% of the total outstanding credit card balance must be paid monthly by credit card holders.

A minimum 30-day prior notice to the public must precede the creation or increase of a fee, whereas fees related to priority services may only be increased 180 days after the date of a previous increase (while the reduction of a fee can take place at any time). With respect to credit cards, a 45-day prior notice to the public is required for any increase or creation of fees and such fees may only be increased 365 days after a previous increase. The period of 365 days is also subject to changes in the rules applicable to benefit or reward programs.

At the end of 2016 and the beginning of 2017, two major changes occurred in the Brazilian payment market. In December 2016 a provisional measure was published authorizing the surcharge by payment instrument as a way to stimulate retail sales, allowing retailers to charge different prices depending on the payment method. In January 2017 the Central Bank published a new resolution establishing that revolving credit for the financing of credit card bills may only be extended to clients until the due date of the following credit card bill. After such term, the credit provider must offer the client another type of financing with conditions more favorable than the ones that are provided in the credit card market. In addition, the credit provider shall no longer offer this type of credit to clients that already contracted revolving credit for the financing of credit card bills which were not repaid on time.



Leasing regulation

Although leasing transactions are not classified as credit transactions under Brazilian legislation, the Central Bank of Brazil regulates and oversees leasing transactions. The parties involved in a leasing transaction are the “lessor” (the bank) and “lessee” (our client). The leased asset, owned by the lessor, is delivered to be used by the lessee until the end of the contract, when the lessee may opt to either acquire or return it to the lessor or renew the contract for a new period.

Brazilian legislation establishes a specific methodology to account for the profits or losses in leasing transactions and all information that should be included in a lease agreement. The guaranteed residual amount paid by a lessee should correspond to a minimum return required for the transaction to be viable for the lessor, whether the purchase option is exercised or not. The laws and regulations applicable to financial institutions, such as those related to reporting requirements, capital adequacy and leverage, assets composition limits and allowance for losses, are also generally applicable to leasing companies.

Correspondent agents

We may engage other entities to provide certain services to our clients, including customer service. These entities are generally called correspondents, and our relationship with correspondents is regulated by the Central Bank. Among other requirements, the Central Bank establishes that employees of all correspondent agents must hold a technical certification authorizing them to serve customers involved in credit and leasing operations.

Banking secrecy

Brazilian financial institutions must maintain the secrecy of banking transactions and services provided to their clients. The only circumstances in which information about clients, services or transactions by Brazilian financial institutions or credit card companies may be disclosed to third parties are the following:

- The disclosure of information with the express consent of the interested parties;
- The exchange of information between financial institutions for record purposes;
- The disclosure of information to credit reference agencies based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors;
- The disclosure of information to the competent authorities relating to the actual or suspected occurrence of criminal acts or administrative wrongdoings, including the disclosure of information on transactions involving funds related to any unlawful activities;
- The disclosure of some information established by law to tax authority; and
- The disclosure of information in compliance with a judicial order.

Except as permitted under the Brazilian legislation or by judicial order, a breach of bank secrecy is a criminal offense.

Digitalization of documents and record keeping

On March 31, 2016, CMN enacted a new resolution regulating the digitization of documents with respect to transactions carried out by financial institutions and other institutions authorized to operate by the Central Bank. The regulation authorizes those institutions to maintain digital documents, instead of paper documents, for recordkeeping purposes, if certain requirements to ensure the documents authenticity, validity and protection are met. It also permits the disposal of original paper documents provided that this measure will not prejudice the institution's ability to exercise any rights or to commence any proceeding or exercise any protective remedy related to the relevant document.

Ombudsman

Itaú Unibanco's Ombudsman has three different pillars as its objective:

- Last resource resolving clients demands;
- Improving every internal process; and
- Compliance with regulatory obligations.

The main duties of the Ombudsman's Office are to act as a last resource within the company to resolve demands between clients and the institution and to solve complaints not resolved in our primary channels.

Clients can get in touch with our Ombudsman's Office through the telephone number that is disclosed on our website, as requested by Central Bank regulation.

Our Ombudsman's Office also gets involved in every process of clients, demand resolution. These processes are subject to regulatory institutions, such as the Central Bank and SUSEP, and consumer defense institutions, such as Procon, consumidor.gov.br platform. It ensures better solutions to clients' demands.

Improvements Driver: Ombudsman's Office works in partnership with business, product, operation, quality and customer service departments to reduce complaints numbers through case studies to improve processes and services so we can guarantee principles of ethics and transparency.

Our Ombudsman's Office is constantly monitoring performance through specific procedures committee and ombudsman's office committee.

As from July 2018, additional changes introduced to ombudsman regulations will become effective. Among such changes are the requirements to implement a direct client evaluation tool of the ombudsman office's quality of service and to give full disclosure of the existence of the Ombudsman's Office through its communication channels.

As part of the strategy to be a benchmark and improve our services, we establish a relationship schedule with the National System of Consumer Defense, Normative Regulation Institutes and Civil Entities. These agendas are instruments to ensure the internal regulatory practices and contribute to market evolution and customer's satisfaction.

Every six months, our Ombudsman's Office prepares a report about the most critical complaints, case studies and action plans to improve customer experience. This report is submitted to upper management and audit committee, as well as the Central Bank. Our Ombudsman's Office publishes a biannual public report with the main evolution on the customer relations front, on our institutional website (www.itaub.com.br).

Our Ombudsman's Office is also engaged in the project's validation process, the creation of new products and customer services using a General Risk Assessment System, which is a necessary governance model for crisis management. This is a tool complaint with the Consumer Defense Code that guarantees customer satisfaction.

Regulation of the Brazilian securities market

According to the Brazilian Corporate Law, a company is considered publicly-traded or closely-held depending on whether the securities issued by it are accepted for trading in the securities market or whether they are not. All publicly-held companies, such as our company, are registered with CVM, are subject to specific regulations and are also subject to information disclosure and reporting requirements.

Disclosure requirements

Under CVM rules, publicly-traded companies are subject to disclosure requirements and rules governing the use of material information. Any decision that may reasonably influence the price of the securities issued by a publicly-held company or the decision of investors to buy, sell, or hold these securities, is considered material.

CVM improved the quality of the information that must be presented in periodic filings by securities issuers by requiring such issuers to file a "Reference Form" with CVM. This form was modeled after IOSCO's shelf registration system in gathering all of the issuer's information in a single document.

In 2018, some publicly-held companies, like us, will also have to file a form in connection with the "Brazilian Corporate Governance Code", as mentioned above, in the "apply or explain" format.

Asset management regulation

The Brazilian asset management regulation requires a previous registration with CVM to perform the services of portfolio management and fund administration.

Itaú Unibanco Group provides several services in the capital markets and, in particular, performs activities related to fund administration and portfolio management under CVM registration and in accordance with CVM regulation.

By providing these services, our entities engaged in the asset management business can be held civilly and administratively liable for losses arising from either intentional acts or negligence in conducting their activities.

CVM has regulatory powers to oversee these activities, including powers to impose fines and other sanctions on registered asset managers.

Funds of foreign investors

Individuals or legal entities domiciled outside Brazil may invest in companies or other assets in Brazilian financial and capital markets, according to the restrictions and requirements set forth in the local regulation. All foreign investments in Brazil shall be registered with the Central Bank and/or CVM, depending on the type of the investment.

Foreign direct investments (RDE-IED) enable non-resident investors to hold stock of companies in Brazil, whereas the portfolio investment (RDE – Portfolio) entitles investments in almost all financial assets and transactions available in the Brazilian financial and capital markets, being subject to some restrictions by the Brazilian regulation.

In March 2015 a new regulatory framework regarding RDE – Portfolio became effective. The most significant changes in the rules applicable to foreign investments in the Brazilian financial and capital markets introduced by the new regulation were: (i) a requirement that only financial institutions authorized to operate in Brazil may act as legal representatives of non-resident investors in Brazil for purposes of any investments made within the purview of such rule; (ii) clarification of requirements regarding simultaneous foreign exchange transactions (without the effective transfer of money) related to foreign investments; and (iii) clarification about the types of investments that can be made through a foreign investor account (*conta de domiciliado no exterior*) maintained at a bank in Brazil.

The new regulation also amended the rules applicable to depositary receipts, by allowing the issuance of depositary receipts based on (i) any security issued by Brazilian companies registered with CVM (*companhias abertas*), in contrast to the previous rules which limited the issuance of depositary receipts to equity securities, and (ii) credit instruments issued by financial institutions and other types of institutions registered with CVM and authorized by the Central Bank, and eligible to be included in the financial institution's regulatory capital (*Patrimônio de Referência*).

Some of the changes implemented by CVM rules on registry, operations and disclosure of information related to foreign investment in the Brazilian financial and capital markets were made to detail the activities of legal representatives, to enlarge the scope of non-resident investors' private transactions and to determine the exceptions of transfer between non-resident investors prohibited by CMN.

Internet and e-commerce regulation

Certain aspects of electronic commerce are regulated, including the validity of electronic documents in Brazil and electronic commerce transactions from the consumer protection standpoint. Current regulation on electronic commerce is intended to: (i) clearly identify the supplier and the product sold on the Internet; (ii) provide an electronic service channel to clients; and (iii) guarantee cancellation and return of internet orders.

In addition, computer hacking offenses were criminalized in Brazil in 2012.

In light of the increased use of electronic channels in the Brazilian banking industry, CMN has enacted a number of resolutions over the past few years in order to provide or establish:

- That Brazilian residents may open deposit bank accounts by electronic means, which includes the internet, ATMs, telephone and other communication channels, provided that transfers of amounts from such accounts are allowed only between accounts of the same account holder or in the event of liquidation of investment products and funds of an account, of the same account holders who own the investment products or funds;
- The requirements related to the verification of a client's identity;
- That all financial institutions that offer products and services through electronic means must guarantee the security, secrecy and reliability of all electronic transactions and disclose, in clear and precise terms, the risks and responsibilities involving the product or service acquired through these channels; and
- The opening of deposit bank and savings accounts that can be used exclusively through electronic means.

On April 25, 2016, CMN enacted a regulation on the opening and closing of banking accounts by electronic means, without the restrictions described above. The Banks must adopt procedures and controls to confirm and guarantee the client's identity and the authenticity of the information required to open an

account. The regulation permits the use of digital signatures and the collection of signatures through electronic devices. The procedures and technologies used in the opening and closing of electronically deposit accounts must observe:

- I – Integrity, authenticity and confidentiality of the information and electronic documents used.
- II – Protection against access, use, modification, reproduction and unauthorized destruction of information and electronic documents.
- III – Backup production of information and electronic documents.
- IV – Tracking and auditing procedures and technologies used in the process.

Under the new regulation, customers must be afforded the option of closing banking accounts electronically.

Federal Law No. 12,965/2014 and Federal Decree No. 8,771/2016 establish the regulatory framework for internet services in Brazil and set forth principles and rules to be observed by internet providers and users, including the protection of privacy and personal data and the preservation and safeguard of net neutrality.

FEBRABAN has issued a regulation on extending credit through remote channels (such as ATM's, call centers and internet banking), setting forth minimum guidelines and procedures to ensure reliability, quality, transparency and efficiency.

Regulation on payment agents and payment arrangements

A Brazilian law enacted in October 2013 establishes the legal framework for "payment arrangements" (i.e. the set of rules governing a payment scheme, such as a credit or debit card transaction), and "payment agents" (i.e., any agent that issues a payment instrument or acquires a merchant for payment acceptance), which became part of the Brazilian Payments System and subject to oversight by the Central Bank. Payment agents, in spite of being regulated by the Central Bank, are not deemed to be financial institutions and are prohibited from engaging in activities that are exclusive of financial institutions.

CMN and the Central Bank published rules in November 2013 regulating payment arrangements and payment agents. This regulation establishes, among other matters: (i) consumer protection and anti-money laundering compliance and loss prevention rules that should be followed by all entities supervised by the Central Bank when acting as payment agents and payment arrangers; (ii) the procedures for the incorporation, organization, authorization and operation of payment agents, as well for the transfer of control, subject to the Central Bank's prior approval; (iii) capital requirements; (iv) definition of arrangements excluded from the Brazilian Payments System; (v) payment accounts, which are divided into prepaid and post-paid accounts; and (vi) a liquidity requirement for prepaid accounts that



demands the allocation of their balance to a special account at the Central Bank or to be invested in government bonds, starting at 20% in 2014 and raising gradually up to the totality of the total account balance in 2019.

In October 2015, a regulation was published by the Central Bank regulating limitations on closed payment arrangements, the concept of domicile institution, the obligation of centralized clearing and settlement for the payment arrangements, and transparency of interoperability rules within an arrangement and between arrangements.

Provision of financial services through electronic channels

On April 25, 2016, CMN enacted a new regulation, altering the exceptions to the general rule that obligates financial institutions to provide client access to traditional banking services channels, establishing that it is not required for collection and receipt services based on agreements that demand exclusively electronic channels.

Credit performance information

CMN regulates a database known as Credit Information System (SCR - *Sistema de Informações de Crédito*), which comprises information regarding credit operations sent to the Central Bank. SCR's purpose is to provide information for the Central Bank to monitor and supervise credit in the financial system, and also to enable information exchange among financial institutions.

Consumer Protection Code

The Brazilian Consumer Protection Code, or CDC, sets forth consumer defense and protection rules applicable to consumers' relationships with suppliers of products or services. Brazilian higher courts understand that the CDC is also applicable to financial institutions.

The basic consumer rights dealing with financial institutions are as follows:

- Reverse burden of proof in court;
- Proper and clear information provided with respect to the different products and services offered, with accurate specifications for quantity, characteristics, composition, quality, and price, as well as on any risks such products pose;
- Interest charged in connection with personal credit and consumer directed credit transactions must be proportionally reduced in case of early payment of debts;
- Amounts charged improperly may in limited circumstances have to be returned in an amount equal to twice what was paid in excess of due amounts. Such rule does not apply to cases of justifiable mistakes, such as systemic failure or operational error;
- Collection of credits cannot expose the client to embarrassment or be performed in a threatening manner;
- Financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services, as well as promoting overbearing or disloyal commercial practices; and

- Financial institutions are liable for any damages caused to their consumers by misrepresentations in their publicity or information provided.

The Brazilian Congress is considering enacting legislation that, if signed into law as currently proposed, could have an adverse effect on us. For example, a proposed law to amend the Brazilian Consumer Protection Code would allow courts to modify terms and conditions of credit agreements in certain circumstances, imposing specified restrictions on the collection of amounts from final consumers.

In addition, there are some local and state bills and laws governing banking operations, by imposing security measures, standards for customer service and accessibility requirements (such as limits with respect to queues, folding screens, security guards, braille statements, receipt notice in debt collection and strict charging schedule). However, due to illegality or lack of reasonability in the provisions, some of those laws are judicially questioned.

Late payment and default

On February 23, 2017, CMN enacted a new regulation providing that in case of delay or non-payment of credit operations, the financial institutions may only charge customers the following: (i) the interest rate established in the agreement; (ii) default interest and late payment fine in accordance with the law. This regulation entered into force on September, 1st, 2017.

Regulation of independent auditors

In accordance with CMN regulations establishing the rules that govern external audit services provided to financial institutions, the financial statements and financial information of financial institutions must be audited by independent auditors who are (i) duly registered with CVM; (ii) qualified as specialists in audit of banks by CFC and the IBRACON; and (iii) meet the requirements that ensure auditor independence.

After issuing audit reports for five consecutive fiscal years, the responsible audit partner and audit team members with management responsibilities must rotate-off and cannot be part of the audit team of such institution for three consecutive fiscal years.

CMN regulations also prohibits the engagement and maintenance of independent auditors by financial institutions in the event that: (i) any of the circumstances of impediment or incompatibility for the provision of audit services provided for in the rules and regulations of CVM, CFC or IBRACON arise; (ii) ownership of shares of or entering into financial transactions (either asset or liability) with the audited financial institution by the audit firm or members of the audit team involved in the

audit work of the financial institution; and (iii) fees payable by the institution represent 25% or more of the total annual fees of the audit firm. Additionally, the audited financial institution is prohibited from hiring partners and members of the audit team with managerial responsibilities who were involved in the audit work at the financial institution during the preceding 12 months.

In addition to the audit report, the independent auditor must prepare the following reports, as required by CMN regulation.

- An assessment of the internal controls and risk management procedures of the financial institution, including its electronic data processing system;
- A description of non-compliance with legal and regulatory provisions that have, or may have, a significant impact on the audited financial statements or operations of the audited financial institution; and
- Other reports required by Central Bank.

These reports, as well as working papers, correspondence, service agreements and other documents related to the audit work must be retained and made available to the Central Bank for at least five years.

Under Brazilian law, our financial statements must be prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank. We also prepare financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by IASB. Please refer to Context, item Context of this report, About our financial information for further details. Financial institutions must have their financial statements audited every six months. Quarterly financial statements filed with the CVM must be reviewed by independent auditors of the financial institutions. CVM rules require publicly-held companies, including financial institutions, to disclose information related to non-audit services provided by independent auditors when they represent more than 5% of the fees for audit services. Such information should include the type of service, the amount paid and the percentage that they represent of the fees for the audit of financial statements. Please refer to Our Governance, item Audit Committee, for further details about fees and services of the Main auditors.

Self regulators

We are signatories of self-regulation codes that establish principles, rules and recommendations of best corporate governance practices and certain activities, as applicable. Some of the self-regulatory entities that we are subject to are Brazilian Association of Publicly-Held Companies (ABRASCA), Brazilian Association of Credit Cards and Services Companies (ABECS), Brazilian Financial and Capital Markets Association (ANBIMA), Brazilian Federation of Banks (FEBRABAN), among others.

Late payment fees

In early 2017, CMN enacted a new rule on default payment fees charged by financial institutions, consumer credit companies (*financeiras*), and leasing companies, which expressly limits late payment fees charged by such entities to compensatory interest per day on the amount that is overdue, interest on arrears and fines on arrears. The new regulation became effective in September 2017, and is applicable to transactions originated starting on such date.

Centralized registration and deposit of financial assets and securities

On August 28, 2017, the Brazilian Congress converted Provisional Measure No. 775, issued by the President of Brazil in April 2017, into Law No. 13,476. The new law consolidates the provisions on the creation of liens over financial assets and securities. On the same day, CMN issued a new rule to regulate the provisions of Law No. 13,476 and to consolidate the regulation on centralized deposit and the registry of financial assets and securities issued or owned by financial institutions and other institutions authorized to operate by the Central Bank. CMN established a term of 180 days for this rule to become effective.

On February 1, 2018, the Central Bank submitted for public consultation the draft of a new rule to amend the existing rule on centralized registration and deposit of financial assets and securities and the creation of liens on deposited financial assets, and establish the terms for the creation of liens over financial assets registered with registering entities. According to the draft proposed by the Central Bank, the proposed rule shall establish the moment of effectiveness of such liens. The public consultation is expected to be concluded in March 2018, but, as of this date, there is no indication of the effective date of such proposed rule.



Labor law overhaul

Law No. 13,467/2017 (known as the Labor Law Overhaul), became effective on November 11, 2017. It amends several articles of the Brazilian Consolidated Labor Statutes (CLT). Among the changes, the Law permits employers and unions to contract around certain provisions of the CLT, for purposes of preserving certain constitutional labor rights. This should give businesses the ability to better organize work shifts, overtime, vacation schedules, among other things. It also regulates telecommuting and intermittent jobs (which refers to a work schedule that is less than fulltime and does not have a prescheduled hour of duty). In addition, it authorizes that certain high-level employees can utilize arbitration as a dispute resolution method instead of taking their issues to the courts. Certain labor judges and scholars have raised legal and constitutional issues regarding the new law. Notwithstanding these discussions, the Labor Law Overhaul is an important reform of labor relations in Brazil.

Law amending the proceedings for administrative sanctions in the Brazilian National Financial System, SPB and capital markets

In June 2017, Provisional Measure No. 784 (MPV No. 784) was enacted amending the administrative proceedings in the Brazilian National Financial System, the Brazilian Payment System and capital markets. Upon several discussions, on October 19, 2017, Provisional Measure No. 784 ceased to be effective as no further legislative action was taken with respect to the provisional measure. Proposed modifications to the subject matter of Provisional Measure No. 784 related to administrative sanctioning procedures applicable to the Brazilian national financial system, the Brazilian payment system and capital markets transactions in the Brazilian capital markets were then reissued under Bill of Law No. 8,843, which was approved by the Chamber of Deputies on October 18, 2017 and converted into Bill of Law No. 129 that was subsequently approved by the Brazilian senate on October 25, 2017. The result of the process was Law No. 13,506 which was published on November 14, 2017.

Law No. 13,506 provides for administrative sanctioning procedures by the Central Bank and CVM. Some of the key aspects of Law No. 13, 506 are: (i) it increases the maximum fine applicable by the Central Bank from R\$250 thousand to R\$2 billion or 0.5% of the revenues of the company arising from services and financial products in the year prior to the violation; (ii) it increases the maximum fine applicable by CVM from R\$500 thousand to R\$50 million; (iii) it makes additional types of violations and redefines some types of violations within the scope of the Central Bank's regulatory authority; (iv) it provides for a penalty of "public admonition" in place of "warning", applicable by the Central Bank; (v) it defines "serious violations" that fall within the scope of the Central Bank's regulatory authority; (vi) it increases the maximum

penalty with respect to disqualification to a period of twenty years; (vii) it provides that the Central Bank may enter into cease-and-desist commitments; (viii) it provides that the Central Bank and CVM may enter into administrative agreements similar to leniency agreements; and (ix) it redefines certain conditions deemed forbidden in credit operations between related parties.

Compliance risk

On August 28, 2017, CMN enacted a new rule providing that Brazilian financial institutions and other institutions authorized to operate by the Central Bank must implement and maintain a compliance policy commensurate with the nature, size, complexity, structure, risk profile and business model of the institution. Such compliance policies are intended to ensure effective compliance risk management by an institution and may be established at the consolidated enterprise level (*conglomerado prudencial*). Among others, a compliance policy must establish the scope and purpose of the compliance role in the institution, set forth the organizational structure of the compliance policies, specify which personnel are allocated to the compliance role, and establish a segregation of roles among personnel in order to avoid conflicts of interest.

Internal audit

On June 29, 2017, CMN published Resolution No. 4,588, which establishes the rules applicable for internal audits at financial institutions and other institutions authorized to operate by the Central Bank. It determines that financial institutions and other institutions authorized to operate by the Central Bank must implement and maintain internal audit functions compatible with the nature, size, complexity, structure, risk profile and business model of the respective institution. Such activity must be undertaken by a specific unit in the institution directly subordinated to the Board of Directors or an independent auditor (provided that such auditor is not in charge of the audit of the financial statements of the institution or any other activity that may imply a conflict of interest).

Taxation of closed investment funds

On October 30, 2017, the Brazilian Government issued Provisional Measure No. 806 ("MP No. 806/17"), which substantially alters the tax regime applicable to investments in closely held investment funds. With the enactment of MP No. 806/17, the Federal Government intends to extinguish the tax deferral regime applicable to closely held investment funds, which will become subject to taxation, as a general rule, according to the rules currently applicable to open funds. The funds that may be affected by the new regime are closed investment funds in general, such as Multimarket Investment Funds (FIMs – *Fundos de Investimento Multimercados*). The new tax provisions may also impact investments in Private Equity Funds (FIPs – *Fundos de Investimento de Participações*).



Taking into account that MP No. 806/17 was not converted into law during 2017, and is still being discussed by the Brazilian Congress, the taxation provided for by MP No. 806/17 will only be applicable as of 2019, going forward, if it is approved in calendar-year 2018 and within a 120-day term as of its enactment. If not approved within such term, MP No. 806/17 will be repealed.

Accordingly, if MP No. 806/17 is converted into law, investments in closely held funds will be subject to a half-yearly withholding tax assessment (on the final day of the months of May and November, a procedure known as "come quotas") at the rates of 15% or 20%, depending on whether the fund has a long-term portfolio (average term of the assets comprising the fund's portfolio exceeding 365 days) or short term portfolio (average term of the assets comprising the fund's portfolio being equal to or lower than 365 days), respectively.

Real Estate Investment Funds (FIIs – *Fundos de Investimentos Imobiliários*), Investment Funds in Credit Rights (FIDCs/FIC-FIDCs – *Fundos de Investimento em Direitos Creditórios*), Stock Exchange Investment Funds (FICs/FIAs – *Fundos de Investimento em Ações*), Investment Funds set-up exclusively by non-resident investors, as well as and closed investment funds in general, which regulations set forth, on October 30, 2017, on a non-extendable manner, the liquidation of funds up until December 31, 2018, are not subject to the changes instituted by MP No. 806/17.

MP No. 806/17 provides for taxation of accrued and undistributed gains not distributed before May 31, 2018, the extension of the half-yearly taxation regime generally applicable to open funds to the closed funds as from June 1, 2018, and also imposes taxation on certain reorganization events involving investment funds (spin-offs, mergers, consolidations or transformations. Transformation means any act of alteration of the fund's legal nature, such as FIA, FIP and FIDC, or regarding its qualification, such as open, closed and investment clubs, in accordance with CVM Ruling No. 555 issued on December 17, 2014 and CVM Release No. 5 issued on November 21, 2014).

Another important change relates to the regime generally applicable to FIPs. Depending on the regulatory qualification of a particular FIP ("investment entities" or "non-investment entities"), investors in such FIP may either be subject to taxation upon the realization of gains, upon the disposition of assets by the FIP (for investment entities) or the FIP may be subject to the same tax treatment applicable to Brazilian legal entities (for non-investment entities).

The lawfulness of certain provisions of MP No. 806/17 is being debated, which could result in disputes between taxpayers and the Brazilian Government if MP No. 806/17 is indeed converted into law.

Taxation

We summarize below the main taxes levied on the transactions entered into by entities in the Itaú Unibanco Group in Brazil. This description does not represent a comprehensive analysis of all tax considerations applicable to the Itaú Unibanco Group. For a more in-depth analysis, we recommend that potential investors consult their own tax advisors. The main taxes we are subject to, with respective rates, are as follows:

Tax	Rate	Tax calculation basis
IRPJ (Corporate Income Tax)	15.0% plus a 10.0% surtax	Net income with adjustments (exclusions, additions, and deductions)
CSLL (Social Contribution on Net Income)	20.0% (financial institutions, insurance companies and capitalization entities) or 9.0% (other Itaú Unibanco Group companies)	Net income with adjustments (exclusions, additions, and deductions)
COFINS (Social Security Financing Contribution)	4.0% (financial institutions, insurance companies, capitalization and similar entities) or 7.6% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
PIS (Contribution on Social Integration Program)	0.65% (financial institutions, insurance companies, capitalization and similar entities) or 1.65% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
ISS (Service Tax)	2.0% to 5.0%	Price of service rendered
IOF (Tax on Financial Transactions)	Depends on the type of the transaction, as described below.	Transaction nominal value

Corporate income tax and social contribution on net income

In accordance with applicable legislation, corporate income tax (IRPJ – *Imposto de Renda da Pessoa Jurídica*), and social contribution on profits (CSLL – *Contribuição Social Sobre o Lucro Líquido*) are determined by the taxable income regime. Under this regime, our taxable income, on which IRPJ and CSLL will be levied, must be adjusted by additions, deductions, and exclusions, such as nondeductible expenses, operating costs and equity accounting, respectively.

IRPJ is levied at a basic 15.0% rate, and a 10.0% surtax is applicable when the total amount of profit for the fiscal period exceeds R\$20,000 per month or R\$240,000 per year. In other words, any portion of our profit exceeding this limit is taxed at an effective 25.0% rate.

CSLL is currently levied on our taxable income at a 20.0% rate, which is specific for financial institutions, insurance, and similar companies. Note that this tax is generally levied at a 9.0% for non-financial legal entities. Nonetheless, the Federal Government increased such a rate initially to 15.0%, and then to 20.0%. In regard to this matter, it is worth mentioning that on the same rule that increased CSLL from 15.0% to 20.0% (Law No. 13,169), the Federal Government also determined that, as from January 1, 2019, the CSLL rate will be reduced to 15.0%.

As other Brazilian legal entities, our companies may offset the historical nominal amount of tax losses determined in prior years against results of subsequent years at any time (i.e., with no limitations with respect to time periods), provided that such offsetting does not exceed 30.0% of the annual taxable income of such future year. For purposes of IRPJ and CSLL taxation, companies should consider their income abroad as well rather than income solely from Brazilian operations. Therefore, profits, capital gains and other income earned abroad by Itaú Unibanco Group entities in Brazil, their branches, representations, affiliates or subsidiaries, will also be computed for determination of the entities net income. However, Brazilian legislation provides for our deducting the amounts paid as corporate income tax abroad against the IRPJ due in Brazil and CSLL, provided certain limits are observed.

Income tax for individuals and foreign investors

On September 22, 2015, the President of Brazil enacted Provisional Measure No. 692, or MP No. 692, converted into Law No. 13,259 of March 16, 2016, which aimed at increasing the flat 15% rate of the income tax levied on capital gains derived by individuals, certain corporations and foreign investors (individuals and corporations) as a result of the disposal of assets and rights in general exceeding R\$5 million, by adopting a system of progressive rates that may reach a 22.5% tax rate (for positive results exceeding R\$30 million). Since capital gains arising from transactions executed through a securities exchange are subject to specific tax rules, which are not included under the scope of Law No. 13,259, it is possible to sustain the position that the provisions of this rule should not apply to such transactions. This rule applies since January 1, 2017. If the stockholder is a resident of or domiciled in a tax haven jurisdiction or a privileged tax regime, the capital gains are still subject to the withholding income tax at a 25% rate.

Contribution on Social Integration Program and Social Security Financing Contribution

In addition to IRPJ and CSLL, Brazilian legal entities are subject to the following taxes on revenue: contribution on social integration program (*Contribuição Para o Programa da Integração Social, or PIS*) and social security financing contribution (*Contribuição Social Para o Financiamento da Seguridade Social, or COFINS*).

In accordance with applicable legislation, financial institutions are subject to the cumulative regime for calculation of these taxes. Under the cumulative regime, financial institutions are required to pay PIS at a 0.65% rate and COFINS at a 4.0% rate. The cumulative regime provides for rates lower than those levied under the non-cumulative regime, which is explained below, but it prevents the use of tax credits.

Some additional deductions are legally permitted to financial institutions, and therefore the calculation basis is similar to the profit margin.

Most non-financial companies, on the other hand, are authorized to pay PIS and COFINS contributions according to the non-cumulative regime. Under the non-cumulative regime, PIS is levied at a 1.65% rate and COFINS is levied at a 7.6% rate. The calculation basis of these taxes is the gross revenue earned by the entity; however, the taxpayer may offset credits calculated through the application of the same rates on the value paid on the purchase of certain inputs used in the entity's production process. Currently, under such non-cumulative regime, the financial income of non-financial companies is subject to PIS and COFINS at the rate of 0.65% and 4%, respectively, except for income from interest on capital, which is subjected to PIS and COFINS at the rate of 1.65% and 7.6%, respectively.

Service tax

The tax on services (*Imposto Sobre Serviços de Qualquer Natureza, or ISS*) is generally levied on the price of services rendered (e.g., banking services) and is charged by the municipality where our branch or office rendering the service is located. The tax rates vary from 2.0% up to the maximum rate of 5.0%, depending on the municipality in which the service is provided and its respective nature.

A new tax law enacted on December 30, 2016, effected a number of changes with respect to Brazilian Tax on Service (ISS). Among a series of modifications to the ISS, the new law introduced a minimum tax rate of 2%.

The original proposed legislation approved by the Brazilian Congress provided changes related to ISS assessment on new activities such as credit card and leasing operations but President Temer vetoed these changes. However, on May 30, 2017, the Brazilian Congress overturned the presidential veto. As a result, beginning on January 1, 2018, ISS levied on the services of leasing, cards administration, funds administration and consortium administration will be charged by the municipality where the client is located. As this change brought some relevant impacts, in November 2017, a lawsuit was filed by CONSIF (*Confederação Nacional do Sistema Financeiro*) and CNSEG (*Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização*) in the Federal Supreme Court. On March 23, 2018, the required preliminary injunction was granted, in order to suspend the amendment introduced by the new law and to resume the previous treatment of ISS collection in the Municipality where the establishment is located. However, it is important to mention that this is not a final decision, as it is still pending the final pronouncement by the Federal Supreme Court.



Tax on financial transactions

The tax on financial transactions (IOF – *Imposto sobre Operações Financeiras*) is levied at specific rates according to the transaction in question, and may be changed by a decree from the Executive Branch (which may become effective as of its publication date), rather than by a law enacted by the Brazilian Congress.

The table below summarizes the main IOF rates levied on our transactions. Notwithstanding, we note that IOF is a very comprehensive tax. Therefore, for a more in-depth analysis, we recommend that tax advisors be consulted accordingly.

Type of transaction	Applicable rates (Rates may be changed by a decree enacted by the Brazilian government up to a maximum rate, as described below, which may become effective as of its publication date)
Foreign exchange transactions	IOF/FX: zero to 6.38% (depending on the transaction) Maximum rate: 25%
Insurance transactions	IOF/Insurance: zero to 7.38% Maximum rate: 25%
Loans and credit transactions	IOF/Credit: 0.0082% (individual) or 0.0041% (legal entities) per day, until it reaches 365 days, plus a flat 0.38% rate Maximum rate: 1.5% per day
Securities	IOF/Securities: zero to 1.5% as a general rule (possible to be higher) Maximum rate: 1.5% per day
Securities – derivatives	IOF/Securities – derivatives: zero Maximum rate: 25%

U.S. Foreign Account Tax Compliance Act (FATCA)

FATCA attempts to minimize tax avoidance by U.S. persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA requires U.S. withholding agents such as Itaú to provide information to the U.S. Internal Revenue Service (IRS) regarding their U.S. account holders including substantial U.S. owners of certain non-financial foreign entities (NFFE) and specified U.S. persons having an interest in certain professionally managed investment vehicles and trusts known as owner-documented foreign financial institutions (FFIs).

To the extent a U.S. withholding agent is not able to properly document an account, it generally will be required to deduct 30% FATCA withholding on certain payments of U.S. source income. Gross proceeds from the sale of property that would yield U.S. source dividends or interest are subject to withholding beginning January 1, 2019.

U.S. tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most common types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as U.S. source income when paid by a U.S. corporation with respect to its stock, and interest is generally treated as U.S. source income when paid by a U.S. borrower of money.

The United States collaborated with other governments to develop Intergovernmental Agreements (IGAs) to implement FATCA. IGAs with partner jurisdictions facilitate the effective and efficient implementation of FATCA. The purpose of these agreements is essentially to remove domestic legal impediments to compliance with FATCA and sharing of information and to reduce burdens on FFIs located in partner jurisdictions.

More than 70 jurisdictions have signed an IGA, including Brazil, the Cayman Islands, Switzerland and United Kingdom. In addition, approximately 30 other jurisdictions are deemed as having an IGA in effect. Some countries signed a reciprocal agreement, meaning that the country (such as Brazil) and the U.S. will automatically exchange annually, on a reciprocal basis, specific account holder information.

There are two types of IGAs – Model 1 IGA, where local FFIs are required to implement account opening and due diligence procedures to identify U.S. accounts and report them to the local tax authority for exchange with the IRS (examples of Model 1 IGA countries are Brazil, Cayman Islands, The Bahamas, Peru and Colombia), and Model 2 IGA, where local FFIs are required to implement account opening and due diligence procedures to identify U.S. accounts, but report such information directly to the IRS (examples of Model 2 IGA countries are Switzerland, Chile, Paraguay and Japan).

The governments of Brazil and the United States entered into a Model 1 IGA on September 23, 2014, which became effective in Brazil on August 24, 2015, after the approval by the Brazilian Congress, ratification by the President and enactment of Decree No. 8,506 (IGA-BR).

Under the IGA-BR, Brazilian financial institutions and other entities subject to FATCA disclosure requirements are generally required to provide certain information on their U.S. account holders to the Brazilian tax authorities, which will share this information with the U.S. Internal Revenue Service.

Furthermore, Normative Ruling No. 1,680, dated December 28, 2016, was enacted to introduce the so-called Common Reporting Standard (“CRS”) in Brazil, which seeks to implement a system of reporting financial accounts in a manner similar to FATCA. CRS is the result of discussions on the necessity of exchanging information between tax authorities of many countries in the context of the Base Erosion and Profit Shifting (“BEPS”) Project, coordinated by the Organization for Economic Co-operation and Development (OECD). In connection therewith, an ancillary obligation called “e-financeira” provided by Normative Ruling No. 1,571, dated July 2, 2016, was created to be the mandatory report filed by financial institutions in order to fulfill FATCA and CRS obligations.

Moreover, on May 6, 2016, Brazilian tax authorities issued the Normative Ruling No. 1,634, effective as of January 1, 2017, that amended the regulation applicable to the National Registry of Legal Entities (“CNPJ”). This regulation introduced a new rule providing an ancillary obligation by which certain entities have to indicate the “Final Beneficiary” in each CNPJ, which is defined as the natural person who ultimately, directly or indirectly, owns, controls or significantly influences a particular entity or on whose behalf a transaction is conducted.

In addition, Normative Ruling No. 1,681 was enacted in December 28, 2016 providing the obligation to annually deliver the so-called Country-by-Country Statement, an ancillary obligation also arising from the discussions under the BEPS Project, before the Brazilian Federal Revenue Service (RFB), which in its turn is also expected to exchange such information with other countries’ tax authorities.

Pursuant to FATCA, the issuer, any other financial institution or other entities subject to FATCA disclosure requirements to or through which any payment with respect to the preferred shares or ADSs is made may be required, pursuant to the IGA-BR or under applicable law, to (i) request certain information from holders or beneficial owners of our preferred shares or ADSs, which information may be provided to the U.S. Internal Revenue Service; and (ii) withhold U.S. federal tax at a 30.0% rate on some portion or all of the payments considered “pass-thru payments” made after December 31, 2018, with respect to the preferred shares or ADSs if such information is not duly provided by such a holder or beneficial owner (referred to under FATCA as a “recalcitrant account holder”). If the issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the preferred shares or ADSs, holders and beneficial owners of the preferred shares or ADSs will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

The above description is based on guidance issued to date by the U.S. Treasury Department, including the final U.S. Treasury regulations and IGA-BR. Future guidance may affect the application of FATCA to the preferred shares or ADSs.

Exchange controls

Individuals or legal entities domiciled outside Brazil may own our stock through ADSs negotiated in a U.S. Exchange or through direct investments in the Brazilian Market.

However, the right to convert dividend payments and proceeds from the sale of our shares in the Brazilian Market, into foreign currency and to remit such amounts abroad is subject to compliance with requirements of Brazilian foreign investment and foreign currency legislation. This legislation generally requires, among other things, documentary evidence that establishes the legality, the legitimacy and the economic validity of the exchange operation and that the relevant investment has registered with the Central Bank and the CVM, as applicable.

In case the investment in our stock is made through ADS, the ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian of the preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into foreign currency and remit the proceeds abroad.

In case the investment in our stock is made directly in the Brazilian Market, such investment needs to be registered with the Central Bank either as (i) a foreign direct investment, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) a portfolio investment, the Electronic Declaratory Registration of Portfolio (RDE – Portfolio).

Foreign direct investment (RDE-IED) enables non-resident investors to hold stock of companies, although it, limits the ability of the investor to negotiate such stocks in the Brazilian Capital Markets. On the other hand, the portfolio investment (RDE – Portfolio) entitles certain foreign investors to invest not only in stocks, but also in other financial assets and securities, and to engage in a variety of transactions available in the Brazilian financial and capital markets, provided that certain requirements of the regulation are fulfilled.

Registration under RDE – Portfolio affords favorable tax treatment to non-resident investors who are not residents or domiciled in tax haven jurisdictions, as defined by Brazilian tax laws.



5 Performance

Get the details of our financial
performance in 2017.



Message from the Chief Financial Officer

Dear reader,

The year 2017 represented an important evolution in our strategy aimed at the creation of value for our stockholders, based on a distinctive and sustainable performance that is targeted at enchanting our clients with respect to their experience in products and services, in both traditional and digital channels.

Accordingly, we maintained our ongoing search for greater efficiency in our operations, identifying new cost-cutting opportunities and maximizing the return of our investments, including those used in new technologies. In 2017, we had approximately 9.5 million users through our digital channels (mobile, bankline, sms). In that same period, approximately 200,000 new current accounts were opened through our “Abreconta” app.

Additionally, the significant reduction of our credit losses and the growth of banking service fees and revenue from insurance significantly contributed to a profit and profitability higher than our competitors again in 2017, despite the environment of a sharply declining risk-free Selic interest rate in Brazil, our main market.

It is worth mentioning the value creation concept, which is calculated based on net income for the period less the cost of 14% on the capital used, is the main driver of the management of each of our businesses, thus ensuring full alignment of interests and incentives with the minimum remuneration required by the stockholders for our operations, which was 14% in 2017.

Therefore, based on the tireless search for greater efficiency in capital management, we changed our policy for the distribution of profits in 2017 and decided to return to the stockholder any excess of capital above the level established by the Board of Directors, which is currently 13.5% of the tier 1 capital ratio.

In 2017, we distributed 83% of our profit⁽¹⁾, 12.4% of which by means of the buyback of shares and 70.6% by means of dividends and interest on capital, amounting to R\$17.6 billion, a record amount in our history.

The percentage effectively distributed will be revised on an annual basis and will be the result of the prospective ratio between profitability (ROE) and additional capital requirements (RWA growth), in accordance with the table below:

Total Payout⁽¹⁾ simulation to keep Tier I Capital⁽²⁾ at 13.5% under different return and growth scenarios

		ROE ⁽⁴⁾				
		15.00%	17.50%	20.00%	22.50%	25.00%
RWA ⁽³⁾ Growth	5.00%	65-70%	70-75%	75-80%	80-85%	85-90%
	10.00%	40-45%	45-50%	50-55%	55-60%	60-65%
	15.00%	35%	35%	35-40%	40-45%	45-50%

(1) Includes total amounts of dividends and share buyback. Simulations include the June 2017 base and Citibank's retail business and the 49.9% minority interest in XP Investimentos transactions.

(2) Taking into consideration the full application of Basel III rules, in addition to the impact from the acquisition of the minority interest of 49.9% in XP Investimentos.

(3) Risk-Weighted Assets.

(4) Return on Equity.



Also, in order to maximize our capital structure, we returned to the subordinated debt market. In December 2017 and January 2018, we issued Perpetual Bonds in the amount of R\$2 billion, which corresponds to 90 basis points of our tier 1 capital⁽²⁾. These operations reduce our capital cost and, therefore, contribute to the creation of value for stockholders.

In this report, we present further details of our strategy, profile, governance, risk management and, of course, performance. I highlight the six strategic fronts, which were announced to the market this year, in the “Our Profile” section, pointing out which ones are transformational, namely: customer satisfaction, digital transformation and people management.

In the section on risk management, you can learn more about our risk appetite, which is also determined by our Board of Directors, and its five dimensions, as well as our risk factors that represent the main events that could significantly affect our business and results.

We begin this section on performance by inviting you to read the Managerial Analysis of the Operation, which describes the result for 2017 under the IFRS and where it is possible to see the results of our strategy.

Last, I remind you that our Investor Relations team is always at your disposal.

I wish you all a good reading.

Best regards,

Caio Ibrahim David
CFO and CRO

(1) The payout considers the recurring net income calculated in accordance with the rules of the Central Bank of Brazil – BRGAAP.

(2) In tier 1 capital, the limit for perpetual bonds is 150 basis points (Additional Tier 1).



Significant accounting policies

General information

The preparation of the consolidated financial statements included in this Consolidated Annual Report involves some assumptions that are based on our historical experience and other factors that we deem reasonable and material. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operations often requires our management to make judgments regarding the effects on our financial condition and results of operations of matters that are uncertain by nature. The comments below describe those aspects that require significant judgment or involve a higher degree of complexity in the application of the accounting. Actual results may differ from those estimated under different variables, assumptions or conditions.

Use of estimates and assumptions

The preparation of complete financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the complete financial statements, as well as the reported amounts of revenue, expenses and gains and losses during the reporting period because the actual results may differ from those determined based on such estimates and assumptions.

All estimates and assumptions made by management are in accordance with IFRS and represent our best estimates made in conformity with applicable standards. Estimates and judgments are evaluated on an ongoing basis, based on past experience and other factors.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 2.3 – Critical Accounting Estimates and Judgments, for further details.

Allowance for loan and lease losses

The allowance for loan and lease losses represents our estimate of the probable losses inherent to our loan portfolio at the end of each reporting period. In order to determine the amount of the allowance for loan and lease losses, a portfolio is classified into two categories with respect to which specific methodologies are used to estimate losses. Loans and leases are analyzed on an individual or portfolio basis.

- Loans and leases analyzed on an individual basis (corresponding to our corporate portfolio) are individually analyzed for impairment. For those considered to be impaired, we determine the amount of the allowance based on the expected cash flows that the company that will receive from the loan. The loans analyzed on an individual basis that are not impaired are rated based on risk factors, and the inherent losses for each rating are estimated based on our historical experience, which involves judgments related to identifying risk factors and assigning a rating.
- Loans analyzed on a portfolio basis (corresponding to the following portfolios: (i) Individuals, (ii) Very Small, Small and Medium Business and (iii) Foreign Units – Latin America) are further segregated into classes, when appropriate, based on their underlying risks and characteristics. The allowance for loan and lease losses is determined by portfolio based on historical experience, which also involves judgments and assumptions.

Many factors affect the estimate of losses in each of the categories for which we estimate the allowance on a portfolio basis, such as the methodology used to measure historical delinquency and the historical period to be used. Additionally, factors affecting the specific amount of the allowances to be recorded are subjective and include economic and political conditions, credit quality trends and volume and growth observed in each portfolio. We present information on our allowance for loan and lease losses in the table below:

	(In millions of R\$, except percentages)				
Allowance for Loan and Leases Losses	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Amount Recognized in the Balance Sheet at the beginning of period	26,972	26,844	22,392	22,235	25,713
Write-offs	(19,823)	(24,251)	(20,065)	(18,675)	(21,769)
Individuals	(12,538)	(13,682)	(11,235)	(12,668)	(13,541)
Credit card	(4,252)	(4,905)	(4,055)	(3,784)	(3,513)
Personal loans	(6,412)	(6,745)	(5,221)	(5,150)	(6,247)
Payroll loans	(1,357)	(1,273)	(622)	(429)	(480)
Vehicles	(476)	(709)	(1,294)	(3,254)	(3,263)
Mortgage loans	(41)	(50)	(43)	(51)	(38)
Corporate	(1,648)	(4,985)	(4,321)	(672)	(478)
Small and Medium Businesses	(4,168)	(4,267)	(3,981)	(4,992)	(7,573)
Foreign Loans Latin America	(1,469)	(1,317)	(528)	(343)	(177)
Expense Recognized in the Income Statement	20,746	24,379	24,517	18,832	17,856
Amount Recognized in the Balance Sheet at the end of period⁽¹⁾	27,895	26,972	26,844	22,392	22,235
Recovery of loans written off as loss	3,698	3,742	4,779	5,054	5,061

(1) The carrying amount of the individual loans increased by R\$435 million in 2013 due to the acquisition of companies as explained in the Consolidated Financial Statements (IFRS).

(In millions of R\$, except percentages)					
Allowance for Loan and Leases Losses	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Individuals	1,425	1,397	1,886	2,077	2,058
Credit card	500	450	590	663	653
Personal loans	435	426	563	577	525
Payroll loans	333	341	458	453	278
Vehicles	105	118	202	324	499
Mortgage loans	52	62	73	60	103
Corporate	807	929	1,537	1,642	1,602
Small and Medium Businesses	446	450	666	769	891
Foreign Loans Latin America	1,020	966	690	566	510
Net Write-offs	(16,125)	(20,509)	(15,286)	(13,621)	(16,708)
Ratio of Write-offs during the period to average loans outstanding during the period (%)	4.1	5.0	4.3	4.4	5.7
Ratio of net write-offs during the period to average loans outstanding during the period (%)	3.4	4.2	3.3	3.2	4.4
Ratio of allowance for loan losses to total loans and leases (%)	5.7	5.5	5.7	4.9	5.4

During the year ended December 31, 2017, we wrote off a total amount of R\$19,823 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.7%. Due to the improvement in the macroeconomic scenario mainly in Brazil, there was a decrease in loans written off in 2017, after an above average increase in the corporate segment for two consecutive years.

During the year ended December 31, 2016, we wrote off a total amount of R\$24,251 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.5%. The increase in loans written off from the prior year is due to the worsening macroeconomic scenario, mainly in Brazil.

During the year ended December 31, 2015, we wrote off a total amount of R\$20,065 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.7%. The increase in loans written off from the prior year is due to the worsening macroeconomic scenario, mainly in Brazil.

During the year ended December 31, 2014, we wrote off a total amount of R\$18,675 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 4.9%. The decrease in loans written off from the previous year from the prior year is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

During the year ended December 31, 2013, we wrote off a total amount of R\$21,769 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.4%. The decrease in loans written off

is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

Fair value of financial instruments

Financial instruments recorded at fair value on our balance sheet include mainly securities classified as held-for-trading and available-for-sale as well as other trading assets, including derivatives. Securities classified as held-to-maturity are recorded at amortized historical cost on our balance sheet, and their corresponding fair values are shown in the notes to our complete financial statements. We present information on the fair value of our financial instruments in the table below as of December 31, 2017, 2016 and 2015.

(In millions of R\$, except percentages)			
Financial instruments recorded at fair value	As of December 31,		
	2017	2016	2015
Assets			
Held-for-trading	270,121	204,648	164,311
Designated at fair value through profit or loss	1,746	1,191	642
Derivatives	22,843	24,231	26,755
Available-for-sale	102,284	88,277	86,045
Total	396,994	318,347	277,753
Share (derivatives/total)	5.8%	7.6%	9.6%
Liabilities			
Held-for-trading	465	519	412
Derivatives	26,746	24,698	31,071
Total	27,211	25,217	31,483
Share (derivatives/total)	98.3%	97.9%	98.7%

We determine the fair value of our financial instruments based on International Financial Reporting Standard 13 (IFRS 13), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

According to IFRS 13, there are different levels of inputs that may be used to measure the fair value of financial instruments classified as levels 1, 2 and 3.

- Level 1: observable inputs reflect the quoted prices (unadjusted) of identical assets or liabilities in active markets.
- Level 2: observable inputs reflect the information on assets and liabilities that are either directly (such as prices) or indirectly (derived from prices) observable, except for the quoted prices included in Level 1.
- Level 3: information on assets and liabilities that are not based on observable market data due to little market activity on the measurement date. We present information on our level 3 financial instruments in the table below as of December 31, 2017, 2016 and 2015.

(In millions of R\$, except percentages)			
Level 3	As of December 31,		
	2017	2016	2015
Held-for-trading	1,033	1,005	60
Available-for-sale securities	8,424	9,534	4,259
Net position of derivatives	333	461	1,218
Total	9,790	11,000	5,537

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 31 – Fair Value of Financial Instruments for further details.

Judgments are also required to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is any evidence of impairment for available-for-sale or held-to-maturity financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, is recognized in the statement of income. The primary factors that are used by management to determine whether there is objective evidence that a financial asset is impaired include the observed period of the loss, the level of the loss, whether we were required to sell the securities before the recovery and the expectation, on the date of analysis, of the possibility of realization of the security. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 2 – Significant Accounting Policies for further details about other significant accounting policies.

Contingent liabilities

Contingent liabilities arise mainly from judicial and administrative proceedings inherent to the ordinary course of our business and that are filed by third parties, including former employees and public bodies related to civil, labor, tax and social security claims.

These contingencies are assessed based on the best estimates of our management, taking into consideration the opinion of legal advisors when there is a probability that financial resources will be required to settle obligations and the amount of such obligations can be reliably measured.

Contingencies are classified as follows, based on likelihood of loss:

- Probable: liabilities are recognized under “provisions” on our consolidated balance sheet;
- Possible: liabilities are disclosed in our complete financial statements but no provisions are recorded; and
- Remote: liabilities do not require provision or disclosure.

Contingent liabilities for which provisions are recorded and those classified as having a “possible” likelihood of loss are evaluated based on our best estimates, using models and criteria that allow for their proper evaluation despite the uncertainty that is inherent to terms and amounts.

Significant changes in accounting standards

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 2.2 – New accounting standards and new accounting standards changes and interpretations for further details about information on significant changes in accounting standards.

Accounting practices adopted in Brazil

Our books and records are maintained in Brazilian *reais*, the official currency in Brazil, and our complete financial statements, for statutory and regulatory purposes, are prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN) (Brazilian GAAP). The accounting principles and standards generally applicable under Brazilian GAAP include those established under Brazilian Corporate Law, by the Accounting Pronouncements Committee, or CPC, which started issuing standards in 2007, and by the Federal Accounting Council. In the case of companies subject to regulation by the BACEN, such as Itaú Unibanco Holding, the effectiveness of the accounting pronouncements issued by entities such as the CPC depends on approval of the pronouncement by the CMN, which also establishes the date of effectiveness of any pronouncements with respect to financial institutions. Additionally, the CVM and other regulatory bodies, such as SUSEP and the Central Bank, provide additional industry-specific guidelines.

Regulation applicable to the presentation of the complete financial statements

Brazilian regulations establish specific rules for the consolidation of complete financial statements by financial institutions. Under current BACEN regulations, financial institutions, except for credit cooperatives, are required to prepare consolidated financial statements including investments directly or indirectly held in other companies, individually or jointly controlled, and with respect to which such financial institutions have (i) the right to appoint or designate the majority of the company's board of directors; (ii) the right to appoint or remove the majority of the company's executives and directors; and/or (iii) operational or shareholding control. These regulations apply to the entire group to which a financial institution belongs.

Assets

Portfolio of securities and derivative financial instruments

General information

We present below our portfolio of held-for-trading financial assets, available-for-sale financial assets, held-to-maturity financial assets and derivative financial instruments as of December 31, 2017, 2016 and 2015.

The amounts exclude our investments in securities of unconsolidated companies. For further information on our investments in unconsolidated companies, see section Performance, item complete financial statement (IFRS),

Note 13 – Investments in associates and joint ventures. Held-for-trading and available-for-sale financial assets are stated at fair value and held-to-maturity financial assets are stated at amortized cost. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 2 – Significant Accounting Policies for further details.

As of December 31, 2017, we held securities issued by the Brazilian federal government classified as "Government Securities – Domestic" with an aggregate book value and an aggregate market value of R\$294,163 million and R\$295,779 million, respectively, which represented 199.84% of our consolidated stockholders' equity as of that date. As of December 31, 2017, we did not hold securities of any other issuer the book value of which in the aggregate represented more than 10.0% of our consolidated stockholders' equity. This is due to our conservative asset and liabilities management and our liquidity in local currency maintained in securities issued by the Brazilian federal government. Additionally, securities issued by the Brazilian federal government are accepted as deposits in our operations in the market on B3.

Held-for-trading

Listed below are the assets acquired and accrued available for selling in the short term or when they are part of a portfolio of financial instruments that are managed as a whole and for which there is a recent history of sales in the short term. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 7 – Financial Assets Held for Trading and Designated at Fair Value Through Profit or Loss, for further details.

(In millions of R\$, except percentages)

	As of December 31,					
	2017	% of total	2016	% of total	2015	% of total
Held-for-trading financial assets	270,121	100.0	204,648	100.0	164,311	100.0
Investment funds	3,212	1.2	1,173	0.6	1,051	0.6
Government securities – domestic	233,777	86.5	165,349	80.8	121,484	73.9
Brazilian government securities	230,567	85.4	160,024	78.2	117,053	71.2
Brazilian external debt bonds	3,210	1.2	5,325	2.6	4,431	2.7
Government securities – abroad	3,975	1.5	3,735	1.8	1,149	0.7
Argentina	1,466	0.5	651	0.3	696	0.4
United States	100	0.0	78	0.0	132	0.1
Mexico	5	0.0	6	0.0	3	0.0
Chile	51	0.0	127	0.1	36	0.0
Paraguay	6	0.0	88	0.0	68	0.0
Uruguay	222	0.1	32	0.0	40	0.0
Colombia	2,092	0.8	2,669	1.3	72	0.0
Other	33	0.0	84	0.0	102	0.1
Corporate securities	29,157	10.8	34,391	16.8	40,627	24.7
Shares	3,763	1.4	2,491	1.2	2,161	1.3
Securitized real estate loans	65	0.0	-	-	-	-
Bank deposit certificates	347	0.1	1,824	0.9	2,583	1.6
Debentures	3,258	1.2	3,190	1.6	4,522	2.8
Eurobonds and other	634	0.2	662	0.3	991	0.6
Financial credit bills	20,612	7.6	25,893	12.6	30,367	18.5
Promissory Notes	391	0.1	-	-	-	-
Other	87	0.0	331	0.2	3	0.0
Held-for-trading financial assets as a percentage of total assets	18.8%		15.1%		12.9%	

We note that Brazilian government securities represented over 85.4% of our portfolio of held-for-trading financial assets in 2017. Brazilian government securities classified as held-for-trading represented 16.1% of our total assets in the same period. Please see Our risk management, item Risk factors, We may incur losses associated with counterparty exposure risks, including the Brazilian federal government.

Available-for-sale

Listed below are financial assets that, according to management's understanding, may be sold in response to, or before changes in, market conditions and are not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 10 – Available for Sale Financial Assets, for further details.

(In millions of R\$, except percentages)

	2017		2016		As of December 31, 2015	
	2017	% of total	2016	% of total	2015	% of total
Available-for-sale financial assets	102,284	100.0	88,277	100.0	86,045	100.0
Investment funds	301	0.3	42	0.0	218	0.3
Government securities – domestic	39,279	38.4	32,003	36.3	29,108	33.8
Brazilian government securities	26,489	25.9	17,938	20.3	11,796	13.7
Brazilian external debt bonds	12,790	12.5	14,065	15.9	17,312	20.1
Government securities – abroad	24,390	23.8	14,472	16.4	9,883	11.5
United States	1,567	1.5	1,427	1.6	2,022	2.3
Mexico	544	0.5	-	-	-	-
Denmark	1,951	1.9	819	0.9	2,548	3.0
Spain	2,936	2.9	923	1.0	1,060	1.2
Korea	1,944	1.9	2,673	3.0	1,626	1.9
Chile	9,710	9.5	5,844	6.6	1,407	1.6
Paraguay	1,800	1.8	1,111	1.3	912	1.1
Uruguay	592	0.6	411	0.5	178	0.2
Colombia	3,346	3.3	1,155	1.3	-	-
Netherlands	-	-	101	0.1	122	0.1
Other	-	-	8	0.0	8	0.0
Corporate securities	38,314	37.5	41,760	47.3	46,836	54.4
Shares	2,343	2.3	1,385	1.6	928	1.1
Securitized real estate loans	1,762	1.7	2,095	2.4	2,037	2.4
Bank deposit certificates	803	0.8	2,641	3.0	1,573	1.8
Debentures	20,746	20.3	21,170	24.0	22,835	26.5
Eurobonds and others	5,576	5.5	7,715	8.7	10,112	11.8
Promissory notes	3,244	3.2	2,173	2.5	991	1.2
Rural Product Note	2,828	2.8	1,425	1.6	1,130	1.3
Financial credit bills	619	0.6	2,816	3.2	6,846	8.0
Other	393	0.4	340	0.4	384	0.4
Available-for-sale financial assets as a percentage of total assets	7.1%		6.5%		6.7%	

Brazilian government securities and corporate securities represented 25.9% and 37.5%, respectively, of our portfolio of available-for-sale financial assets in 2017.

Brazilian government securities and corporate securities classified as available-for-sale financial assets, which are used as a hedge for our subordinated debt portfolio, represented 1.8% and 2.6%, respectively, of our total assets in the same period.

Held-to-maturity

Listed below are non-derivative financial assets that we have the intention and financial ability to held to

maturity. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 11 – Held to Maturity Financial Assets, for further details.

(In millions of R\$, except percentages)

As of December 31,						
	2017	% of total	2016	% of total	2015	% of total
Held-to-maturity financial assets	36,560	100.0	40,495	100.0	42,185	100.0
Government securities – domestic	22,723	62.2	24,979	61.7	26,509	62.9
Brazilian government securities	13,650	37.3	12,937	31.9	11,721	27.8
Brazilian external debt bonds	9,073	24.8	12,042	29.7	14,788	35.1
Government securities – abroad	461	1.3	539	1.3	15	-
Corporate securities	13,376	36.5	14,977	37.0	15,661	37.1
Debentures	8	0.0	12	0.0	-	-
Eurobonds and others	9	0.0	18	0.0	4	0.0
Securitized real estate loans	12,842	35.1	14,487	35.8	15,657	37.1
Others	517	1.4	460	1.1	-	-
Held-to-maturity financial assets as a percentage of total assets	2.5%		3.0%		3.3%	

Derivatives

Derivatives are classified on the date of their acquisition in accordance with management's intention to use them as a hedging instrument, as determined by Brazilian regulations. Please refer to section Performance, item

Complete Financial Statements (IFRS), Note 8 – Derivatives for further details Our derivatives portfolio (assets and liabilities) is composed of futures, forward, swaps, options and credit derivatives, as stated in the table below:

(In millions of R\$, except percentages)

As of December 31,						
Derivative Financial Instruments	2017	% of total	2016	% of total	2015	% of total
Assets						
Futures Contracts	158	0.7	127	0.5	529	2.0
Options premiums	3,337	14.6	4,792	19.8	5,583	20.9
Forwards (onshore)	6,911	30.3	4,971	20.5	3,166	11.8
Swaps – difference receivable	9,190	40.2	10,542	43.5	9,147	34.2
Credit derivatives – financial Institutions	137	0.6	181	0.7	614	2.3
Forwards (offshore)	2,950	12.9	3,459	14.3	3,430	12.8
Check of swap – companies	68	0.3	88	0.4	355	1.3
Others	92	0.4	71	0.3	3,931	14.7
Total derivative financial instruments assets	22,843	100.0	24,231	100.0	26,755	100.0
Derivative financial instruments as percentage of total assets	1.6%		1.8%		2.1%	
Liabilities						
Futures Contracts	-	-	-	-	-	-
Options premiums	(2,793)	10.4	(4,552)	18.4	(5,783)	18.6
Forwards (onshore)	(6,272)	23.5	(3,530)	14.3	(833)	2.6
Swaps – difference payable	(13,692)	51.2	(13,221)	53.5	(16,331)	52.6
Credit derivatives – financial Institutions	(58)	0.2	(147)	0.6	(875)	2.8
Forwards (offshore)	(3,745)	14.0	(2,825)	11.5	(3,142)	10.1
Check of swap – companies	(122)	0.5	(353)	1.4	(545)	1.8
Other – companies	(64)	0.2	(70)	0.3	(3,562)	11.5
Total derivative financial instruments liabilities	(26,746)	100.0	(24,698)	100.0	(31,071)	100.0
Derivative financial instruments as percentage of total liabilities and stockholder's equity	1.9%		1.8%		2.4%	

(In millions of R\$, except percentages)

Distribution of our financial assets by maturity	As of December 31, 2017											
	No stated maturity		Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Total	
	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)
Held-for-trading financial assets, at fair value	4,703		43,708		168,558		44,246		8,906		270,121	
Investment funds ⁽¹⁾	937	-	2,275	-	-	-	-	-	-	-	3,212	-
Government securities - domestic	-	-	26,707	-	154,909	-	43,325	-	8,836	-	233,777	-
Brazilian government securities	-	-	26,509	1.7	154,372	1.9	41,403	0.5	8,282	0.6	230,567	1.6
Brazilian external debt bonds	-	-	197	-	537	1.6	1,922	5.4	555	2.1	3,210	3.9
Government securities - abroad	3	-	2,557	-	1,231	-	177	-	8	-	3,975	-
Argentina	-	-	1,405	14.3	34	7.2	25	13.1	1	7.2	1,466	14.1
United States	-	-	-	-	100	0.2	-	-	-	-	100	0.2
Mexico	-	-	-	-	2	5.0	2	5.1	1	12.1	5	6.6
Chile	-	-	5	-	39	0.2	2	-	5	0.1	51	0.1
Paraguay	-	-	-	-	-	-	6	3.7	-	-	6	4.0
Uruguay	3	-	218	1.6	-	17.6	1	16.2	-	15.4	222	1.7
Colombia	-	-	897	0.3	1,056	0.9	138	1.1	1	26.2	2,092	0.7
Other	-	-	32	-	-	7.6	1	10.4	-	19.8	33	0.7
Corporate securities	3,763	-	12,169	-	12,418	-	745	-	62	-	29,157	-
Shares	3,763	1.1	-	-	-	-	-	-	-	-	3,763	1.1
Securitized real estate loans	-	-	-	-	0	0.6	65	0.7	-	-	65	0.7
Bank deposit certificates	-	-	205	0.1	142	-	-	-	-	-	347	0.1
Debentures	-	-	777	0.6	1,977	1.7	481	1.7	23	2.3	3,258	1.4
Eurobonds and other	-	-	84	1.9	330	7.3	181	6.5	39	3.1	634	6.1
Financial credit bills	-	-	10,896	4.6	9,710	0.6	5	-	-	-	20,612	2.7
Promissory notes	-	-	206	-	185	-	-	-	-	-	391	-
Other	-	-	-	-	74	5.9	13	4.4	-	-	87	5.6
Financial assets designated at fair value through profit or loss – Government securities – domestic – Brazilian external debt bonds	-	-	1,041		705		-		-		1,746	
Derivatives	-		13,341		6,681		2,821				22,843	
Available-for-sale financial assets, at fair value	2,659		23,448		44,722		17,439		14,016		102,284	
Investment funds ⁽¹⁾	301	-	-	-	-	-	-	-	-	-	301	-
Government securities - domestic	-	-	3,924	-	14,337	-	9,197	-	11,821	-	39,279	-
Brazilian government securities	-	-	3,924	13.5	12,230	7.0	1,862	10.3	8,473	7.3	26,489	8.3
Brazilian external debt bonds	-	-	-	-	2,108	7.1	7,335	10.2	3,348	2.2	12,790	7.5
Government securities - abroad	-	-	11,006	-	10,627	-	2,707	-	50	-	24,390	-
United States	-	-	818	0.3	749	0.5	-	-	-	-	1,567	0.4
Mexico	-	-	544	-	-	-	-	-	-	-	544	-
Denmark	-	-	1,951	1.1	-	-	-	-	-	-	1,951	1.1
Spain	-	-	1,942	1.2	994	0.9	-	-	-	-	2,936	1.1
Korea	-	-	1,944	0.6	-	-	-	-	-	-	1,944	0.6
Chile	-	-	1,724	0.3	5,649	0.5	2,287	0.4	49	0.6	9,710	0.4
Paraguay	-	-	1,085	5.5	715	1.0	-	-	-	-	1,800	3.7
Uruguay	-	-	446	0.9	146	0.6	-	-	0	0.5	592	0.8
Colombia	-	-	552	1.0	2,374	4.9	420	10.8	-	-	3,346	5.0
Corporate securities	2,358	-	8,518	-	19,758	-	5,535	-	2,145	-	38,314	-
Shares	2,343	-	-	-	-	-	-	-	-	-	2,343	-
Securitized real estate loans	-	-	-	-	-	-	12	0.3	1,750	1.2	1,762	1.2
Bank deposit certificates	-	-	787	0.7	16	0.3	-	-	-	-	803	0.7
Debentures	8	4.8	1,272	11.2	14,231	4.3	4,959	2.8	276	0.4	20,746	4.3
Eurobonds and others	-	-	2,637	0.9	2,625	1.0	300	4.7	14	5.2	5,576	1.2
Promissory notes	-	-	2,650	3.3	592	1.4	2	8.5	-	-	3,244	3.0
Rural product note	7	6.0	631	2.2	1,856	1.5	229	1.1	105	0.5	2,828	1.6
Financial credit bills	-	-	484	15.2	135	7.7	-	-	-	-	619	13.6
Other	-	-	57	1.7	303	0.7	33	52.6	-	-	393	5.2
Held-to-maturity financial assets, at amortized cost	-		10,296		9,437		10,243		6,584		36,560	
Government securities - domestic	-	-	9,157	-	6,142	-	4,541	-	2,883	-	22,723	-
Brazilian government securities	-	-	9,157	34.2	1,610	20.1	-	-	2,883	10.1	13,650	27.4
Brazilian external debt bonds	-	-	-	-	4,532	6.6	4,541	20.3	-	-	9,073	13.4
Government securities - abroad	-	-	448	-	-	-	-	-	13	-	461	-
Colombia	-	-	448	1.3	-	-	-	-	-	-	448	1.3
Uruguay	-	-	-	-	-	-	-	-	13	-	13	-
Corporate securities	-	-	691	-	3,295	-	5,702	-	3,687	-	13,376	-
Debentures	-	-	-	-	-	-	8	-	-	-	8	-
Eurobonds and others	-	-	-	-	-	-	9	8.3	-	-	9	8.3
Securitized real estate loans	-	-	176	31.0	3,294	5.5	5,685	2.3	3,687	0.3	12,842	3.0
Other	-	-	515	0.4	1	-	-	-	-	-	517	0.4

(1) Average yields are not shown for these securities, as such yields are not meaningful because future yields are not quantifiable. These securities have been excluded from the calculation of the total yield.

(In millions of R\$)

Distribution of our financial assets by currency	Held-for-trading financial assets	Financial assets designated at fair value	Derivatives	Fair Value	Amortized cost	Total
				Available-for-sale financial assets	Held-to-maturity financial assets	
As of December 31, 2017	270,121	1,746	22,843	102,284	36,560	433,554
Denominated in Brazilian currency	256,557	-	12,024	64,753	26,501	359,835
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	2,817	-	1,516	707	-	5,040
Denominated in foreign currency ⁽¹⁾	10,747	1,746	9,303	36,824	10,059	68,679
As of December 31, 2016	204,648	1,191	24,231	88,277	40,495	358,842
Denominated in Brazilian currency	191,250	-	10,710	52,859	27,436	282,255
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	2,653	-	4,634	670	-	7,957
Denominated in foreign currency ⁽¹⁾	10,745	1,191	8,887	34,748	13,059	68,630
As of December 31, 2015	164,311	642	26,755	86,045	42,185	319,938
Denominated in Brazilian currency	154,737	505	7,445	51,621	27,378	241,686
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	3,043	-	10,044	791	-	13,878
Denominated in foreign currency ⁽¹⁾	6,531	137	9,266	33,633	14,807	64,374

(1) Predominantly U.S. dollars.

For the purpose of analyzing the exposure of variations in foreign exchange rates, the table below presents the composition of our derivative financial instruments on December 31, 2017 in *reais* and in foreign currency, including the instruments denominated in foreign currencies. For the notional amount of derivative financial instruments, please refer to section Performance, item Complete Financial Statements (IFRS), Note 8 – Derivatives.

Derivative financial instruments (notional amounts)	(In millions of R\$)		
	As of December 31, 2017		
	Brazilian Currency	Denominated in or linked to Foreign Currency	Total
Swap contracts			
Buy (Sale) commitments, net	4,374	(9,144)	(4,770)
Forward contracts			
Buy (Sale) commitments, net	(7,000)	(13,650)	(20,650)
Future contracts			
Buy (Sale) commitments, net	36,356	1,868	38,224
Option contracts			
Buy (Sale) commitments, net	112,566	4,345	116,911
Others			
Buy (Sale) commitments, net	717	1,611	2,328

Required reserve deposits with the Central Bank

The Central Bank requires reserves for deposits from Brazilian financial institutions. The reserve requirements are tools utilized by the Central Bank to control the liquidity of the Brazilian financial system, for both monetary policy and risk mitigation purposes. These requirements are applied to balances on demand deposits, saving account deposits and time deposits. See below the required reserve for each type of deposit:

Required reserve deposits	Regulation ⁽¹⁾	Yield	2017	2016	2015	2014
Demand Deposits						
Compulsory	Circular No. 3,632	Zero	40%	45%	45%	45%
Additional Compulsory	Circular No. 3,655	SELIC	0%	0%	0%	0%
Rural ⁽²⁾	Resolution No. 4,096	Zero	34%	34%	34%	34%
Microcredit ⁽²⁾	Resolution No. 4,000	Zero	2%	2%	2%	2%
Savings Accounts⁽³⁾						
Compulsory ⁽³⁾	Circular No. 3,093	TR + 6.17% p.a.	24.5%	24.5%	24.5%	20%
Additional Compulsory	Circular No. 3,655	SELIC	0%	5.5%	5.5%	10%
Real estate financing ⁽²⁾	Resolution No. 3,932	80% (TR + 6.17% p.a.)	65%	65%	65%	65%
Time and Interbank Deposits Received from Leasing Companies						
Compulsory	Circular No. 3,569	SELIC	36%	25%	25%	20%
Additional Compulsory	Circular No. 3,655	SELIC	0%	11%	11%	11%

(1) Most recent regulation on the matter.

(2) This is a compulsory investment of resources that is made in eligible transactions, that is, the funds are granted to other economic entities.

(3) Remuneration on reserve deposits:

For deposits made until March 5, 2012, inclusive: TR + 6.17% per annum.

For deposits made after March 5, 2012: (a) If the target of the Selic rate is higher than 8.5% per annum: TR + 6.17% per annum; (b) If the target of the Selic rate is lower than 8.5% per annum: TR + 70% of the target of the Selic rate per annum.

The Central Bank, in accordance with the economic scenario and its monetary policy objectives, may change the rules governing the compulsory deposit requirements that Brazilian financial institutions must comply with, as a mechanism to control the liquidity of the Brazilian financial system.

Thus, in the first half of 2017, the Central Bank made changes to the rules on compulsory deposits that did not change the volume of money in circulation in the economy, but simplified the operational processes to reduce banks' administrative costs, aiming at reducing the cost of Medium and long-term credit in Brazil.

One of these changes was the freezing of the value of the deductions (a share that could be written off from compulsory ones) used on January 20, 2017 of the reserve requirements on time deposits and demand deposits.

They will be gradually reduced to 50% of the value ascertained by the end of 2018, 30% by the end of 2019 and zeroed as of January 2020.

Another measure was the migration of the additional compulsory aliquot on time deposits to the main aliquot of this compulsory deposit.

As a result, the reserve requirements remained as follows: (i) time deposits: 36.0%, (ii) demand deposits: 45.0% (it was reduced to 40.0% at the end of 2017), and (iii) savings deposits: 24.5% and 21% for rural savings.

On December 31, 2017, we recorded an amount of R\$98,837 million in compulsory deposits in cash compared to R\$85,700 million on December 31, 2016 and R\$94,047 million in interest-bearing deposits compared to R\$82,698 million on December 2016, as indicated in the table below. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 5 – Central Bank Compulsory Deposits for further details.

(In millions of R\$, except percentages)

Required reserve deposits	2017		2016		2015	
	R\$	% of total required reserve deposits	R\$	% of total required reserve deposits	R\$	% of total required reserve deposits
Non-interest bearing deposits ⁽¹⁾	4,790	4.8	3,002	3.5	3,790	5.7
Interest-bearing deposits ⁽²⁾	94,047	95.2	82,698	96.5	62,766	94.3
Total	98,837	100.0	85,700	100.0	66,556	100.0

(1) Mainly related to demand deposits.

(2) Mainly related to time and savings deposits.

Loan and lease operations

Most of our loans are granted to clients domiciled in Brazil and are denominated in Brazilian *reais*. Additionally, 45.8% of our credit portfolio consists of transactions with fixed interest rates and 54.2% of transactions with variable interest rates.

Indexation

Most of our portfolio is denominated in Brazilian *reais*. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. The foreign currency portion of our portfolio consists of loans and financing for foreign trade and onlending operations. Our loans abroad represented 35.2%, 34.1% and 27.1% of our loan portfolio as of December 31, 2017, 2016 and 2015, respectively, see section Performance, item Complete Financial Statements (IFRS), Note 36 – Management risks – 5. Credit risk exposure.

Loan and lease operations by type

The following table sets out the distribution of our credit portfolio according to the type of loan and lease operations, as follows:

- The Individuals portfolio consists primarily of credit cards, personal loans (primarily including consumer finance and overdrafts), payroll loans, vehicle financing and residential mortgage loans;
- The Corporate portfolio consists primarily of loans made to large corporate clients;
- The Small and Medium Businesses portfolio consists primarily of loans to small and medium-sized companies; and
- The Foreign Loans – Latin America portfolio consists of loans granted to individuals and companies by our operations in Argentina, Chile, Colombia, Paraguay and Uruguay.

(In millions of R\$)

Loan and lease operations by type ⁽¹⁾	2017		2016		2015	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
Individuals	190,153	12,992	183,147	14,259	187,220	14,717
Credit card	66,650	3,469	59,022	3,693	58,542	4,141
Personal loans	25,193	6,844	25,813	7,756	28,396	8,330
Payroll Loans	44,419	2,082	44,636	2,108	45,434	1,319
Vehicles	14,083	550	15,434	644	20,058	874
Mortgage loans	39,808	47	38,242	58	34,790	53
Corporate	107,617	6,958	121,754	5,862	152,527	6,459
Small and Medium Businesses	59,453	3,819	58,935	4,743	66,038	4,809
Foreign Loans Latin America	136,144	4,126	126,530	2,108	68,463	859
Total Loan operations and lease operations portfolio	493,367	27,895	490,366	26,972	474,248	26,844

(1) We classify all loans and leases more than 60 days overdue as non-accrual loans and we discontinue accruing financial income related to them. The contractual amount of non-accrual loans were R\$19,105 million, R\$19,942 million and R\$19,458 million as of December 31, 2017, 2016 and 2015, respectively. The total of renegotiated loans in the balance of non-accrual loans reflected herein was R\$4,002 million, R\$4,225 million and R\$3,417 million as of December 31, 2017, 2016 and 2015, respectively. Non-accrual loans are presented herein the appropriate category of loan and lease operations. The interest income foregone on our non-accrual loans net of allowance for loan losses for 2017, 2016, and 2015 was R\$1,725 million, R\$2,017 million and R\$1,882 million, respectively.

Loan and lease operations by maturity

The following table sets out the distribution of our credit portfolio by maturity, including non-overdue and overdue installments, according to the type of loan and lease:

(In millions of R\$)

Non-Overdue Installments							12/31/2017
Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
Individuals	32,995	24,388	18,431	19,079	55,027	31,361	181,281
Credit card	26,277	18,809	10,909	5,418	138	-	61,551
Personal loans	4,298	1,627	2,007	3,392	11,159	78	22,561
Payroll loans	1,527	2,518	3,525	6,408	27,756	2,211	43,945
Vehicles	599	1,050	1,466	2,733	7,952	3	13,803
Mortgage loans	294	384	524	1,128	8,022	29,069	39,421
Corporate	9,870	11,257	14,103	18,400	41,199	10,530	105,359
Small and Medium Businesses	10,680	11,536	6,867	9,456	18,693	220	57,452
Foreign Loans Latin America	14,146	12,530	13,407	16,346	43,751	31,473	131,653
Total⁽¹⁾	67,691	59,711	52,808	63,281	158,670	73,584	475,745

(1) Includes R\$8,653 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments							12/31/2016
Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
Individuals	29,843	22,919	16,934	18,401	55,700	30,254	174,051
Credit card	23,093	16,972	9,185	4,237	199	-	53,686
Personal loans	4,353	1,788	1,986	3,414	11,188	238	22,967
Payroll loans	1,388	2,551	3,571	6,552	28,279	1,854	44,195
Vehicles	705	1,236	1,693	3,113	8,290	20	15,057
Mortgage loans	304	372	499	1,085	7,744	28,142	38,146
Corporate	12,970	13,645	15,232	20,627	48,332	9,528	120,334
Small and Medium Businesses	10,388	11,661	6,619	9,566	17,952	292	56,478
Foreign Loans Latin America	14,144	14,743	11,903	13,641	40,798	27,431	122,660
Total⁽¹⁾	67,345	62,968	50,688	62,235	162,782	67,505	473,523

(1) Includes R\$9,085 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments

12/31/2015

Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
Individuals	29,539	23,792	18,033	20,223	57,797	27,682	177,066
Credit card	21,997	16,998	9,193	4,174	161	-	52,523
Personal loans	4,924	2,115	2,314	4,060	11,766	164	25,343
Payroll loans	1,395	2,591	3,651	6,692	28,779	1,935	45,043
Vehicles	978	1,760	2,414	4,301	9,974	21	19,448
Mortgage loans	245	328	461	996	7,117	25,562	34,709
Corporate	16,696	17,094	16,745	22,944	63,454	13,711	150,644
Small and Medium Businesses	12,121	12,862	7,248	10,475	20,539	368	63,613
Foreign Loans Latin America	8,611	7,673	8,045	7,370	19,304	16,326	67,329
Total⁽¹⁾	66,967	61,421	50,071	61,012	161,094	58,087	458,652

(1) Includes R\$8,399 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

Overdue Installments⁽¹⁾

12/31/2017

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
Individuals	1,963	815	840	2,099	3,096	59	8,872	190,153	(12,992)	177,161
Credit card	841	383	454	1,246	2,175	-	5,099	66,650	(3,469)	63,181
Personal loans	595	313	302	673	738	11	2,632	25,193	(6,844)	18,349
Payroll loans	85	54	48	121	130	36	474	44,419	(2,082)	42,337
Vehicles	123	44	25	45	41	2	280	14,083	(550)	13,533
Mortgage loans	319	21	11	14	12	10	387	39,808	(47)	39,761
Corporate	314	737	748	303	135	21	2,258	107,617	(6,958)	100,659
Small and Medium Businesses	707	185	163	410	518	18	2,001	59,453	(3,819)	55,634
Foreign Loans Latin America	2,564	605	346	461	433	82	4,491	136,144	(4,126)	132,018
Total⁽²⁾	5,548	2,342	2,097	3,273	4,182	180	17,622	493,367	(27,895)	465,472

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,452 million related to overdue installments of the non-accrual loans.

Overdue Installments⁽¹⁾

12/31/2016

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
Individuals	1,704	931	859	2,318	3,231	53	9,096	183,147	(14,259)	168,888
Credit card	937	443	446	1,273	2,236	1	5,336	59,022	(3,693)	55,329
Personal loans	514	352	319	846	800	15	2,846	25,813	(7,756)	18,057
Payroll loans	71	53	48	116	123	30	441	44,636	(2,108)	42,528
Vehicles	145	64	37	69	60	2	377	15,434	(644)	14,790
Mortgage loans	37	19	9	14	12	5	96	38,242	(58)	38,184
Corporate	484	238	201	161	315	21	1,420	121,754	(5,862)	115,892
Small and Medium Businesses	481	301	223	619	799	34	2,457	58,935	(4,743)	54,192
Foreign Loans Latin America	2,170	523	329	386	414	48	3,870	126,530	(2,108)	124,422
Total⁽²⁾	4,839	1,993	1,612	3,484	4,759	156	16,843	490,366	(26,972)	463,394

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,857 million related to overdue installments of the non-accrual loans.

Overdue Installments⁽¹⁾

12/31/2015

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
Individuals	1,840	1,000	1,014	2,708	3,557	35	10,154	187,220	(14,717)	172,503
Credit card	979	418	551	1,598	2,466	7	6,019	58,542	(4,141)	54,401
Personal loans	540	406	347	876	875	9	3,053	28,396	(8,330)	20,066
Payroll loans	72	51	44	103	105	16	391	45,434	(1,319)	44,115
Vehicles	220	109	64	118	98	1	610	20,058	(874)	19,184
Mortgage loans	29	16	8	13	13	2	81	34,790	(53)	34,737
Corporate	825	130	125	560	238	5	1,883	152,527	(6,459)	146,068
Small and Medium Businesses	557	314	267	623	647	17	2,425	66,038	(4,809)	61,229
Foreign Loans Latin America	649	120	64	118	148	35	1,134	68,463	(859)	67,604
Total⁽²⁾	3,871	1,564	1,470	4,009	4,590	92	15,596	474,248	(26,844)	447,404

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$11,059 million related to overdue installments of the non-accrual loans.

Loan and lease operations by interest rate

The following table sets out the classification of our credit portfolio into fixed and variables rates, including non-overdue and overdue installments:

(In millions of R\$)

Non-Overdue Installments							12/31/2017
	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days to five years	Due in one year to five years	Due after five years	Total Non-Overdue Installments
Interest rate of loans to customers by maturity							
Variable rates	19,158	25,848	23,020	30,863	91,392	70,500	260,781
Fixed rates	48,533	33,863	29,788	32,418	67,278	3,084	214,964
Total ⁽¹⁾	67,691	59,711	52,808	63,281	158,670	73,584	475,745

(1) Includes R\$8,653 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments	12/31/2016						Total Non-Overdue Installments
	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days to five years	Due in one year to five years	Due after five years	
Interest rate of loans to customers by maturity							
Variable rates	21,082	28,062	22,294	28,525	90,341	64,232	254,536
Fixed rates	46,263	34,906	28,394	33,710	72,441	3,273	218,987
Total ⁽¹⁾	67,345	62,968	50,688	62,235	162,782	67,505	473,523

(1) Includes R\$9,085 million related to non-overdue installments of the non-accrual loans.

							12/31/2015
Non-Overdue Installments	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days to five years	Due in one year to five years	Due after five years	Total Non-Overdue Installments
Interest rate of loans to customers by maturity							
Variable rates	17,424	23,010	19,880	24,869	79,466	53,659	218,308
Fixed rates	49,543	38,411	30,191	36,143	81,628	4,428	240,344
Total ⁽¹⁾	66,967	61,421	50,071	61,012	161,094	58,087	458,652

(1) Includes R\$8,399 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

(in millions of R\$)

Overdue Installments ⁽¹⁾	12/31/2017							Total gross loans
	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	
Interest rate of loans to customers by maturity								
Variable rates	3,139	1,360	1,076	608	543	111	6,837	267,618
Fixed rates	2,409	982	1,021	2,665	3,639	69	10,785	225,749
Total ⁽²⁾	5,548	2,342	2,097	3,273	4,182	180	17,622	493,367

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,452 million related to overdue installments of the non-accrual loans.

Overdue Installments ⁽¹⁾								12/31/2016
	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans
Interest rate of loans to customers by maturity								
Variable rates	2,513	795	512	506	686	76	5,088	259,624
Fixed rates	2,326	1,198	1,100	2,978	4,073	80	11,755	230,742
Total ⁽²⁾	4,839	1,993	1,612	3,484	4,759	156	16,843	490,366

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,857 million related to overdue installments of the non-accrual loans.

Overdue Installments ⁽¹⁾								12/31/2015
	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans
Interest rate of loans to customers by maturity								
Variable rates	1,166	240	156	531	347	39	2,479	220,786
Fixed rates	2,705	1,324	1,314	3,478	4,243	53	13,117	253,462
Total ⁽²⁾	3,871	1,564	1,470	4,009	4,590	92	15,596	474,248

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$11,059 million related to overdue installments of the non-accrual loans.

Loan and lease operations by economic activity

The following table sets out the composition of our credit portfolio, including non-accrual loan operations, by economic activity of the borrower:

Economic Activities	(In millions of R\$, except percentages)					
	12/31/2017		12/31/2016		12/31/2015	
	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio
Public sector	2,366	0.5	3,051	0.6	3,182	0.7
Industry and commerce	106,620	21.6	112,067	22.8	125,386	26.5
Services	113,981	23.1	118,102	24.1	104,226	22.0
Natural resources	23,013	4.7	24,362	5.0	25,306	5.3
Individuals	243,745	49.4	229,945	46.9	213,622	45.0
Other sectors	3,642	0.7	2,839	0.6	2,526	0.5
Total	493,367	100.0	490,366	100.0	474,248	100.0

On December 31, 2017, there was no concentration of loan and lease operations exceeding 10% of the total portfolio that had not been disclosed in a category of loan and losses.

Loan and lease operations by concentration

The following table presents the composition of our credit portfolio by concentration with respect to the amounts owed by the debtors:

Concentration	(In millions of R\$, except percentages)					
	12/31/2017		12/31/2016		12/31/2015	
	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio
Largest debtor	4,078	0.8	3,543	0.7	4,615	1.0
10 largest debtors	20,365	4.1	21,609	4.4	27,173	5.7
20 largest debtors	30,761	6.2	32,720	6.7	40,831	8.6
50 largest debtors	50,089	10.2	52,992	10.8	63,797	13.5
100 largest debtors	69,427	14.1	72,441	14.8	85,167	18.0
Total	493,367		490,366		474,248	

Rating of the loan and lease portfolio

The following table presents the rating of our loan and lease portfolio based on the probability of default for the periods indicated below.

Internal Rating	(In millions of R\$, except percentages)			
	12/31/2017			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
Lower Risk	357,710	10,601	-	368,311
Satisfactory	69,671	7,014	-	76,685
Higher Risk	12,147	6,207	-	18,354
Impaired ⁽²⁾	-	-	30,017	30,017
Total	439,528	23,822	30,017	493,367
%	89.1	4.8	6.1	100.0

Internal Rating	12/31/2016			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
Lower Risk	363,954	5,543	-	369,497
Satisfactory	62,883	6,904	-	69,787
Higher Risk	13,767	6,998	-	20,765
Impaired ⁽²⁾	-	-	30,317	30,317
Total	440,604	19,445	30,317	490,366
%	89.8	4.0	6.2	100.0

Internal Rating

	12/31/2015			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
Lower Risk	340,368	3,838	-	344,206
Satisfactory	76,940	6,489	-	83,429
Higher Risk	12,609	6,847	-	19,456
Impaired ⁽²⁾	-	-	27,157	27,157
Total	429,917	17,174	27,157	474,248
%	90.7	3.6	5.7	100.0

(1) The operations classified as Loans Overdue Not Impaired are past due between 1 day and 90 days and the balance is the total of outstanding principal amount (Overdue and Non-Overdue).

(2) We consider loans as impaired when (i) corporate transactions have a probability of default higher than 31.84%; (ii) transactions are overdue for more than 90 days; or (iii) renegotiated transactions are overdue for more than 60 days.

The credit rating in corporate transactions 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.

Regarding retail transactions (those involving individuals, and small and middle sized companies) the rating is assigned based on the corresponding loan application and behavior score statistical models. Decisions are made based on scoring models that are continuously updated by an independent unit. In limited instances, there may also be an individualized analysis of specific cases where approval is subject to higher credit approval levels. The risk ratings are grouped in four categories: (i) lower risk, (ii) satisfactory, (iii) higher risk and (iv) impaired. Please refer to section Performance, item Financial Performance – Allowance for Loan and Lease Losses, for further details on the individual and collective analyses.

Non-accrual loans

We consider all loans overdue for 60 days or more as non-accrual loans and, accordingly, cease the accrual of financial charges on such loans.

Write-offs

Loans and leases are written off against the allowance for loan and lease losses when the loan is not collected or is considered permanently impaired. We typically write off loans when they are overdue for 360 days, except for loans having an original maturity in excess of 36 months, which are written off when they are overdue for 540 days. However, write-offs may be recognized earlier than 360 days if we conclude that the loan is not recoverable.

Please refer to section Performance, item Assets – Loan and Lease Operations – Renegotiated Loans for further details.

Information on the quality of loans and leases

The table below shows our non-accrual loans together with certain asset quality ratios.

(In millions of R\$, except percentages)

	12/31/2017	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Non-accrual loans	19,105	19,942	19,458	16,514	18,065
Allowance for loan losses	27,895	26,972	26,844	22,392	22,235
Total loans and leases operations portfolio	493,367	490,366	474,248	452,431	411,702
Non-accrual loans as a percentage of total loans (%)	3.9	4.1	4.1	3.7	4.4
Allowance for loan losses as a percentage of total loans (%)	5.7	5.5	5.7	4.9	5.4
Allowance for loan losses as a percentage of non-accrual loans (%)	146.0	135.3	138.0	135.6	123.1

Assessment

We first assess whether there is objective evidence of loss individually allocated to individually significant loans or collectively allocated to loans that are not individually significant.

To determine the amount of the allowance for individually significant loans with objective evidence of impairment, we use methodologies that consider both the client quality and the nature of the financing, including its collateral, to estimate the cash flow expected from these loans.

If there is no objective evidence of loss for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics which are then collectively tested for impairment. Individually

assessed loans 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 carrying amount of the asset and the present value of the estimated future cash flows (excluding future loan losses that have not been incurred), discounted at the financial asset's effective interest rate.

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

For the purpose of collectively assessing impairment, loans are aggregated based on similar credit risk characteristics. These characteristics are relevant to estimate the future cash flows of these loans since they may be an indicator of the difficulty of the debtor in paying the amounts due, in accordance with the contractual conditions of the loan that is being assessed. The future cash flows of a group of loans that are collectively assessed in order to identify the need for recognizing an impairment are estimated based on the contractual cash flows of the group of loans and the historical experience of loss for loans with similar credit risk characteristics. The historical loss experience is adjusted, based on current observable data, to reflect the effects of current conditions that have not impacted the period on which the historical loss experience is based and to exclude the effects of conditions in the historical period that are not currently in place.

For individually significant loans with no objective evidence of impairment, such loans are classified into certain credit ratings based on several qualitative and quantitative factors applied to internally developed models. Considering the size and the different risk characteristics of each credit agreement, the ratings determined under internal models may be reviewed and modified by our Credit Committee, the members of which are executives and experts in corporate credit risk. We estimate the losses inherent in every rating, using the approach internally developed to low-default portfolios, which uses our historical experience to design internal models that are used to estimate the probability of default and the potential for recovery of non-performing loans.

To determine the amount of the allowance for items that are not individually significant, loans are segregated into classes based on the underlying risks and the characteristics of each group. The allowance for loan and lease losses is determined for each of these classes through a process that considers the historical delinquency and the loan loss experience in prior years.

Allocation of the allowance for loan and lease losses

The table below presents the details, by segment and class, as defined in the segmentation of our portfolio, of the allowance for loan and lease losses, of this allowance as a percentage of the total loan and lease losses for the corresponding segment or class, and the percentage of the total loan and leases in each segment and class in relation to the total loans and leases.

(In millions of R\$, except percentages)

	12/31/2017			12/31/2016			12/31/2015			12/31/2014			12/31/2013		
	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans
Individuals	12,992	2.6	38.5	14,259	2.9	37.3	14,717	3.1	39.5	13,385	3.0	41.1	13,853	3.4	40.7
Credit card	3,469	0.7	13.5	3,693	0.8	12.0	4,141	0.9	12.4	3,740	0.8	13.1	2,952	0.7	12.9
Personal loans	6,844	1.4	5.1	7,756	1.6	5.3	8,330	1.7	6.0	7,024	1.6	6.2	6,488	1.6	6.5
Payroll loans	2,082	0.4	9.0	2,108	0.4	9.1	1,319	0.3	9.6	1,107	0.2	9.0	1,133	0.3	5.5
Vehicles	550	0.1	2.8	644	0.1	3.1	874	0.2	4.2	1,469	0.3	6.4	3,245	0.8	9.9
Mortgage loans	47	-	8.1	58	-	7.8	53	-	7.3	45	-	6.4	35	-	5.9
Corporate	6,958	1.4	21.8	5,862	1.2	24.8	6,459	1.4	32.2	3,114	0.7	32.5	2,006	0.5	31.6
Small and Medium Businesses	3,819	0.8	12.1	4,743	1.0	12.1	4,809	1.0	13.9	5,158	1.1	15.2	5,854	1.4	17.6
Foreign Loans Latin America	4,126	0.8	27.6	2,108	0.4	25.8	859	0.2	14.4	735	0.2	11.2	522	0.1	10.1
Total	27,895	5.6	100.0	26,972	5.5	100.0	26,844	5.7	100.0	22,392	4.9	100.0	22,235	5.4	100.0



Renegotiated loans

(In millions of R\$, except percentages)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Renegotiated loans ⁽¹⁾	17,254	16,398	14,932	11,572	12,880
Allowance for loan and lease losses	7,792	7,341	6,991	5,459	6,284
Allowance for loan and lease losses/renegotiated loans (%)	45.2	44.8	46.8	47.2	48.8

(1) Includes debt consolidation, deferment or any other arrangement that modifies the periods or conditions, of operations originally overdue.

Renegotiated loans include both loans for which the corresponding credit agreement's original terms were amended (amendments) and new loans originated in order to settle contracts or transactions with the same client (restructured loans), which were past due. Amendments and restructured loans usually reflect changes in contract terms, rates or payment conditions.

Renegotiated loans return to non-performing and non-accrual status when they reach 60 days past due under the renegotiated terms, which typically corresponds to the borrower missing two or more payments.

The fact that a loan or lease has been renegotiated is also taken into consideration when determining the allowance for loan and lease losses after the renegotiation. The past performance and the payment history of the client and the transaction, including the probability of another default for renegotiated transactions, are considered in our risk models in order to determine the probability of default. This probability of default is generally higher than the probability assigned to similar transactions that have never been renegotiated. Another factor considered in determining the appropriate level of the allowance for loan and lease losses is the additional collateral to be offered by the debtor. The resulting allowance levels are compatible with the risk profile of each transaction.

Our renegotiated loan portfolio increased to 3.5% of our total loan portfolio as of December 31, 2017, compared to 3.3% as of December 31, 2016. At the end of 2017, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 45.2% compared to 44.8% as of December 31, 2016. The macroeconomic environment both globally and specifically in Brazil, continued to negatively affect the renegotiated loan portfolio, which increased in 2017, specifically in the corporate segment and foreign loans – Latin America, while there was a decrease in loans to individuals

in the portfolio. A breakdown by segment is shown below in the table "Renegotiated loan and lease operations" where a breakdown by segment is presented.

Our renegotiated loan portfolio increased to 3.3% of our total loan portfolio as of December 31, 2016, compared to 3.1% as of December 31, 2015. At the end of 2016, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 44.8% compared to 46.8% as of December 31, 2015. This portfolio increased in 2016 due to the deteriorating macroeconomic scenario, mainly in Brazil, specifically in the corporate segment, and small and medium business segment as shown below in the table "Renegotiated loan and lease operations".

Our renegotiated loan portfolio increased to 3.1% of our total loan portfolio as of December 31, 2015, compared to 2.6% as of December 31, 2014. At the end of 2015, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 46.8% compared to 47.2% as of December 31, 2014. This portfolio increased in 2015 due to the deteriorating macroeconomic scenario, mainly in Brazil, specifically in the corporate segment, as shown below in the table "Renegotiated loan and lease operations".

Our renegotiated loan portfolio decreased to 2.6% of our total loan portfolio as of December 31, 2014, compared to 3.1% as of December 31, 2013. At the end of 2014, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 47.2% compared to 48.8% as of December 31, 2013. Throughout 2014, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Our renegotiated loan portfolio decreased to 3.1% of our total loan portfolio as of December 31, 2013, compared to 4.0% as of December 31, 2012. At the end of 2013, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 48.8% compared to 46.6% as of December 31, 2012. Throughout 2013, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Since 2013, we maintained our policy for the recovery of overdue loans, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. We also adopted a policy of stricter selectivity in origination of loans, which led to lower levels of delinquency and a decreased volume of renegotiated loans.

The total amount of each type of renegotiated loan as of December 31, 2017, 2016 and 2015 is shown in the tables below.

(In millions of R\$, except percentages)

As of December 31, 2017					
Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/ Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
Restructured Loans	13,549	6,184	45.6	3,367	24.9
Agreements	3,705	1,608	43.4	635	17.1
Total	17,254	7,792	45.2	4,002	23.2

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

As of December 31, 2016

Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/ Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
Restructured Loans	14,405	6,740	46.8	3,930	27.3
Agreements	1,993	601	30.2	295	14.8
Total	16,398	7,341	44.8	4,225	25.8

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

As of December 31, 2015

Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/ Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
Restructured Loans	11,985	5,508	46.0	3,077	25.7
Agreements	2,947	1,483	50.3	340	11.5
Total	14,932	6,991	46.8	3,417	22.9

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

The tables below present an additional breakdown of renegotiated loans by portfolio, in segments and types, based on the type of modification, as of December 31, 2017, 2016 and 2015:

(In millions of R\$)

As of December 31, 2017

Renegotiated loan and lease operations	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
Individuals	166	2,419	4,436	7,021
Credit card	-	432	-	432
Personal loans	-	1,802	4,436	6,238
Payroll loans	-	185	-	185
Vehicles	76	-	-	76
Mortgage loans	90	-	-	90
Corporate	-	-	4,175	4,175
Small and medium businesses	89	1,879	2,318	4,286
Foreign loans – Latin America	178	1,594	-	1,772
Total renegotiated loan and lease operations	433	5,892	10,929	17,254

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating mostly to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

As of December 31, 2016

Renegotiated loan and lease operations	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
Individuals	138	2,470	5,209	7,817
Credit card	-	333	-	333
Personal loans	-	1,964	5,209	7,173
Payroll loans	-	173	-	173
Vehicles	68	-	-	68
Mortgage loans	70	-	-	70
Corporate	-	-	2,908	2,908
Small and medium businesses	34	2,102	2,201	4,337
Foreign loans – Latin America	188	1,148	-	1,336
Total renegotiated loan and lease operations	360	5,720	10,318	16,398

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating mostly to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

As of December 31, 2015

Renegotiated loan and lease operations

	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
Individuals	213	2,457	5,123	7,793
Credit card	-	356	-	356
Personal loans	-	1,965	5,123	7,088
Payroll loans	-	136	-	136
Vehicles	163	-	-	163
Mortgage loans	50	-	-	50
Corporate	-	-	3,181	3,181
Small and medium businesses	53	2,348	1,357	3,758
Foreign loans – Latin America	-	200	-	200
Total renegotiated loan and lease operations	266	5,005	9,661	14,932

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating mostly to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

The following tables present an additional breakdown of renegotiated loans and leases by segment and class, as of December 31, 2017, 2016 and 2015:

(In millions of R\$)

As of December 31, 2017

Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
Individuals	-	4,136	1,700	1,185	7,021
Credit card	-	421	-	11	432
Personal loans	-	3,527	1,585	1,126	6,238
Payroll loans	-	124	49	12	185
Vehicles	-	61	8	7	76
Mortgage loans	-	3	58	29	90
Corporate	2,849	113	1,204	9	4,175
Small and medium businesses	-	1,809	1,451	1,026	4,286
Foreign loans – Latin America	4	1,110	379	279	1,772
Total renegotiated loan and lease operations	2,853	7,168	4,734	2,499	17,254

As of December 31, 2016

Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
Individuals	-	4,162	2,162	1,493	7,817
Credit card	-	333	-	-	333
Personal loans	-	3,689	2,033	1,451	7,173
Payroll loans	-	104	55	14	173
Vehicles	-	32	29	7	68
Mortgage loans	-	4	45	21	70
Corporate	2,113	135	633	27	2,908
Small and medium businesses	-	2,064	1,293	980	4,337
Foreign loans – Latin America	22	733	292	289	1,336
Total renegotiated loan and lease operations	2,135	7,094	4,380	2,789	16,398

As of December 31, 2015

Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
Individuals	-	4,133	2,118	1,542	7,793
Credit card	-	356	-	-	356
Personal loans	-	3,679	1,919	1,490	7,088
Payroll loans	-	83	28	25	136
Vehicles	-	13	135	15	163
Mortgage loans	-	2	36	12	50
Corporate	2,796	198	187	-	3,181
Small and medium businesses	-	1,666	1,207	885	3,758
Foreign loans – Latin America	-	95	69	36	200
Total renegotiated loan and lease operations⁽¹⁾	2,796	6,092	3,581	2,463	14,932

(1) Our renegotiated loan and lease operations increased in 2015 due to the worsening macroeconomic scenario, mainly in Brazil, specifically in the segment corporate.

The table below presents the changes in our loan and lease portfolio with loss event, including the changes of the renegotiated loans and leases with loss event related to each year as of December 31, 2017, 2016 and 2015:

	(In millions of R\$)		
Impaired loans	2017	2016	2015
Balance at the beginning of the period	30,317	27,157	17,206
(+) Loan operations added	16,637	21,075	21,701
(+) Loan operations added due to redefault	4,753	5,188	4,587
(-) Loans removed due to write-off	(11,202)	(10,737)	(9,474)
(-) Loans removed due to renegotiation (including amendments)	(1,281)	(1,453)	(1,160)
(-) Loans removed due to total or partial pay-off	(9,207)	(10,913)	(5,703)
Balance at the end of the period	30,017	30,317	27,157

Please refer to section Performance, item Complete Financial Statements in IFRS Note 12 – Loan operations and lease operations portfolio for further details.

Cross border outstanding

Cross border outstanding are monetary assets which are denominated in non-local currency and exceeded 1% of our total assets in the case of transactions with foreign clients entered into by our subsidiaries in the United Kingdom (our former subsidiary in Portugal), the Cayman Islands, the Bahamas and Chile. The aggregate cross border outstanding breakdown of these subsidiaries for the periods indicated below is as follows:

(In millions of R\$, except percentages)

Cross border outstanding	12/31/2017	% 12/31/2016	% 12/31/2015	%		
Cash and deposits on demand	42,570	3.0	41,234	3.1	52,649	4.1
Interbank deposits	115,396	8.0	97,934	7.2	139,190	10.9
Securities purchased under agreements to resell	17,954	1.3	22,267	1.6	20,187	1.6
Central Bank compulsory deposits	1,966	0.1	266	0.0	2,891	0.2
Financial assets held for trading	9,844	0.7	12,121	0.9	6,995	0.5
Derivatives	14,897	1.0	10,153	0.8	15,409	1.2
Available for sale financial assets	59,387	4.1	47,002	3.5	69,331	5.4
Financial assets held to maturity	9,633	0.7	12,595	0.9	15,446	1.2
Loan and lease operations	51,275	3.6	59,667	4.4	70,010	5.5
Total outstanding	322,922	22.5	303,239	22.4	392,108	30.7

Short-term borrowings

Short-term borrowings are included in our balance sheet under the “Securities sold under repurchase agreement” line item. The main category for short-term borrowings is “Deposits Received under Securities Repurchase Agreements with Own and Third-Party Financial Assets”. The table below shows our short-term borrowings as of December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)

Securities sold under repurchase agreements	As of December 31,		
	2017	2016	2015
Amount outstanding	312,634	349,164	336,643
Maximum amount outstanding during the period	346,518	358,781	336,643
Weighted average interest rate at period-end (%)	9.4	12.1	11.7
Average amount outstanding during period	328,721	339,416	297,509
Weighted average interest rate (%)	7.0	11.9	12.3

Liabilities

Funding

Main sources

Our current funding strategy is to continue to use all of our sources of funds in accordance with their costs and availability and our general asset and liability management strategy. In order to fund our operations, we intensified the use of the liquidity generated by savings deposits, interbank deposits, debt in the interbank market and debt in the institutional market during 2017, 2016 and 2015.

We also used Brazilian debentures subject to repurchase as a source of funding, reported as deposits received under securities repurchase agreements and offered to institutional clients as well as private banking, corporate banking and retail clients. This funding is designed to provide increased profitability through higher spreads in our savings deposits and higher fees earned on market funds.

Our ability to obtain funding depends on several factors, including credit ratings, general economic conditions and investors' perception of emerging markets in general and of Brazil (particularly, current political and economic conditions in Brazil and government regulations for foreign currency funding).

Part of our long-term debt provides for the advance payment of the outstanding principal balance upon the occurrence of certain facts, as is customary for long-term financing agreements. As of December 31, 2017, none of these events, including default events and non-compliance with any financial covenant, had occurred, and we have no reason to believe that any of these events are likely to occur in 2018.

Our main sources of funding are our deposits, which are split into demand deposits, savings deposits, time deposits and interbank deposits. As of December 31, 2017, total deposits were R\$402,938 million, which represented 42.7% of total funding. As of December 31, 2016, total deposits amounted to R\$329,414 million, representing 36.3% of total funding. As of December 31, 2015, total deposits amounted to R\$292,610 million, representing 33.2% of our total funding. Our time deposits represent one of our major sources of funding which, as of December 31, 2017, 2016 and 2015 accounted for 22.4%, 17.2% and 12.0% of total funding, respectively.

The table below shows the breakdown of our main sources of funds as of December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)						
Breakdown of the main sources of funds	2017	% of total funding	2016	% of total funding	2015	% of total funding
Deposits	402,938	42.7	329,414	36.3	292,610	33.2
Demand deposits	68,973	7.3	61,133	6.7	61,092	6.9
Savings deposits	119,980	12.8	108,250	12.0	111,319	12.6
Time deposits	211,800	22.4	156,274	17.2	105,250	12.0
Interbank deposits	2,182	0.2	3,757	0.4	14,949	1.7
Other deposits	3	0.0	-	0.0	-	0.0
Securities sold under repurchase agreements	312,634	33.1	349,164	38.2	336,643	38.3
Interbank market debt	129,616	13.8	135,483	14.9	156,886	17.8
Mortgage notes	-	-	-	-	139	-
Real estate credit bills	18,525	2.0	19,179	2.1	14,452	1.6
Agribusiness credit bills	15,101	1.6	15,442	1.7	13,775	1.6
Financial credit bills	27,691	3.0	19,566	2.2	18,496	2.1
Import and export financing	39,089	4.1	45,633	5.0	65,566	7.5
Onlending-domestic	24,181	2.6	29,828	3.3	38,804	4.4
Liabilities from transactions related to credit assignments	5,029	0.5	5,835	0.6	5,654	0.6
Institutional market debt	98,482	10.4	96,239	10.6	93,918	10.7
Subordinated debt	52,696	5.5	57,420	6.3	65,785	7.5
Foreign borrowings through securities	41,400	4.4	33,583	3.7	24,188	2.7
Structured Operations Certificates	4,386	0.5	5,236	0.6	3,945	0.4
Total	943,670	100.0	910,300	100.0	880,057	100.0

Deposits by maturity

The table below shows the maturity profile of our deposits as of December 31, 2017, 2016 and 2015:

					(In millions of R\$)
Deposits by maturity					2017
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
Non-interest bearing deposits	68,976	-	-	-	68,976
Demand deposits	68,973				68,973
Other deposits	3				3
Interest bearing deposits	147,867	33,258	23,238	129,599	333,962
Savings deposits	119,980	-	-	-	119,980
Time deposits	27,799	32,350	22,569	129,082	211,800
Interbanks deposits	88	908	669	517	2,182
Total	216,843	33,258	23,238	129,599	402,938

Deposits by maturity					2016
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
Non-interest bearing deposits	61,133	-	-	-	61,133
Demand deposits	61,133	-	-	-	61,133
Interest bearing deposits	139,982	30,166	17,734	80,399	268,281
Savings deposits	108,250	-	-	-	108,250
Time deposits	30,555	28,248	17,109	80,362	156,274
Interbanks deposits	1,177	1,918	625	37	3,757
Total	201,115	30,166	17,734	80,399	329,414

Deposits by maturity					2015
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
Non-interest bearing deposits	61,092	-	-	-	61,092
Demand deposits	61,092	-	-	-	61,092
Interest bearing deposits	129,260	27,979	14,288	59,991	231,518
Savings deposits	111,319	-	-	-	111,319
Time deposits	13,466	19,252	13,276	59,256	105,250
Interbanks deposits	4,475	8,727	1,012	735	14,949
Total	190,352	27,979	14,288	59,991	292,610

The table below sets forth the maturity of outstanding time deposits with balances in excess of US\$100,000 (or its equivalent) issued by us as of December 31, 2017, 2016 and 2015:

(In millions of R\$)			
	2017	2016	2015
Maturity within three months	37.622	30.560	26.545
Maturity after three months to six months	13.541	11.124	10.512
Maturity after six months to twelve months	15.484	12.509	8.925
Maturity after twelve months	67.218	35.167	17.443
Total time deposits in excess of US\$100,000	133.865	89.360	63.425

The following table sets forth the mix of the individual and corporate time deposits divided among our retail, Itaú Personnalité, middle market and corporate markets (each expressed as a percentage of total time deposits) as of December 31, 2017, 2016 and 2015:

(%)			
	2017	2016	2015
Retail	11.6	8.1	8.3
Itaú Personnalité	23.4	14.3	17.3
Middle market	24.5	39.7	28.5
Corporate	38.2	32.5	44.2
Institutional	2.3	5.4	1.7
Total	100.0	100.0	100.0

Other sources

We also act as a financial agent in borrowing funds from BNDES and FINAME, and lending such funds at a spread determined by the Brazilian government to targeted sectors of the economy. We obtain U.S. dollar-denominated lines of credit from our affiliates, including Itaú Unibanco Holding – Grand Cayman branch, Banco Itaú Chile and Itaú BBA S.A. – Nassau branch to provide trade finance funding for Brazilian companies. For further details on Lending domestic and import and export financing, please refer to section Performance, item Complete Financial Statements (IFRS), Note 19 – Securities Sold under Repurchase Agreements and Interbank and Institutional Market Debts.

Litigation

Overview

We are not defendants in any significant administrative proceeding before the CVM, SUSEP, the Central Bank or any municipalities. As part of the ordinary course of our business, we are party to various legal and administrative proceedings (including consumer complaints) filed against us with SUSEP, certain municipalities or the Central Bank.

Our complete financial statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. Our management believes that our provisions, including interest, for legal proceedings in which we are defendants are sufficient to cover probable losses that can be reasonably estimated in the event of unfavorable court decisions. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our business, financial condition or results. There are no material proceedings in which any of our directors, any member of our senior management or any of our affiliates is either a party adverse to us or to our subsidiaries or has a material interest adverse to us or our subsidiaries.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further information and details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes. The following table sets forth our provisions for such contingencies as of December 31, 2017, 2016 and 2015

(In millions of R\$)			
Provision	12/31/2017	12/31/2016	12/31/2015
Civil	5,300	5,172	5,227
Labor	7,283	7,232	6,132
Tax and social security	7,003	8,246	7,500
Other	150	259	135
Total	19,736	20,909	18,994

No class actions alleging unfair competition, trust or monopoly practices were brought against us in 2017. **GRI 206-1**

Civil litigation

Litigation arising from government monetary stabilization plans

We are a defendant in lawsuits for the collection of understated inflation adjustment for savings resulting from the economic plans implemented in the 1980s and 1990s by the Brazilian Federal Government as a measure to combat inflation. Please refer to section Our Risk Management, item Risk Factors, Legal and Regulatory Risks, Decision on lawsuits due to government monetary stabilization plans may have a material adverse effect on us for further information.

Other civil litigation

In addition to litigation arising from government monetary stabilization plans, we are defendants in numerous civil lawsuits arising from the normal course of our business. We are not able to currently predict the total amounts involved in these claims, due to the nature of the matters disputed. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results.

Labor litigation

In 2017, we and our subsidiaries were not exposed to any labor liabilities or labor contingencies which individually significantly impacted our results. The pool of labor claims for our subsidiaries in such period comprises labor claims filed by employees, former employees and outsourced service providers.

Labor unions and former employees have filed labor claims against us, seeking compensation for alleged breaches of employment agreements or rights under the applicable labor laws. As of December 31, 2017, there were 72,382 labor claims filed against us.

The main requests in the labor claims filed by our current and former employees include:

- Salary differences arising from the application of the 30 working hours per week limit, provided for in art. 224 of the Brazilian Labor Laws Consolidation (CLT), which is applicable to bank employees whose function does not require special trust from the employer;
- Salary differences arising from overtime not duly registered in the internal systems;
- Claims with respect to the method to establish the overtime work pay; and
- Salary parity.

Labor class actions filed against us mainly relate to the continuation of health care plans, safety rules and strikes. We are also defendants in connection with labor claims filed by the labor prosecution office regarding union classification, outsourcing, occupational diseases, health and safety and compliance with the minimum quotas for disabled personnel. In the fiscal year ended December 31, 2017, we paid approximately R\$3,135 million in direct labor expenses, mainly in settlements and convictions involving former employees, in accordance to the agreements signed and to the rulings imposed by labor courts. [GRI 103-2 | 103-3 Health, safety and well-being](#)

Regarding labor claims filed by outsourced service providers, they generally involve allegations of subsidiary liability of the companies within our group.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further information about labor claims.

Tax litigation

We have certain tax disputes that arise from our ordinary business activities, mainly relating to the constitutionality or legality of certain taxes imposed on us.

We classify as legal liability tax due when we discuss the legality and/or unconstitutionality of the legislation in force. Legal liability taxes are provisioned regardless of the likelihood 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 chance of prevailing is less likely than not.

On June 25, 2013, we received a notice of deficiency from the Brazilian tax authorities alleging that we failed to pay approximately R\$11,844.7 million of IRPJ, plus accrued penalties and interest, and approximately R\$6,867.0 million of CSLL, plus accrued penalties and interest, in fiscal year 2008, as a result of the corporate transaction that led to the association of Itaú Holding and Unibanco Holdings S.A. The Brazilian tax authorities allege that corporate transactions of a different kind should have been used. However, the transaction suggested by the Brazilian tax authorities is not supported in the rules applicable to financial institutions. On January 30, 2014, we were advised that the Brazilian tax authorities confirmed the notifications in a non-unanimous ruling. On February 28, 2014 we appealed the decision at the Administrative Tax Appeals Tribunal. We continue to maintain that the transactions conducted were appropriate and legitimate, having been approved by the involved companies' management bodies and their respective stockholders, and subsequently sanctioned as well by the relevant regulatory authorities, including the CVM, the Central Bank and the CADE. We and our external counsel assess the risk of loss

in this tax proceeding as remote. On April 10, 2017, the Administrative Board of Tax Appeals (CARF), by the Ordinary Instance, issued a favorable decision to the Company, canceling the tax assessment notice.

Additionally, relating to the same transaction on November 14, 2013, we received a notice of tax assessment issued on behalf of Itaú Unibanco S.A., charging R\$1,439.9 million of Income Tax (IRPJ) and R\$502.6 million of (CSLL), plus accrued penalties and interest. We also assess the chances in prevailing in this litigation as more likely than not. We filed a voluntary appeal that was dismissed by CARF. Currently, the proceeding is pending judgment of the special appeal filed by the company with the Superior Administrative Court of Federal Tax Appeals (CSRF).

Other litigation

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes.

Derivative instruments that qualify for hedge accounting

Hedging transactions may be classified into three categories: Fair value hedge, Cash flow hedge, and Hedge of net investment in foreign operations:

- Fair value hedge: is aimed at protecting us against changes in market risk due to changes in the fair value of interest subject to variable rates;
- Cash flow hedge: is aimed at protecting us against future cash flows of payments of interest; and
- Hedge of net investment of foreign operations: it is aimed at protecting us against changes in future cash flows of foreign exchange variations in net investments of foreign operations.

Please refer to section Our Risk Management item Risk and capital management, Market risk for further details about hedge.

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 9 – Hedge Accounting, for further details. With respect to the hedge accounting policy, please refer to section Performance, item Complete Financial Statements (IFRS), Note 2.4 d V – Summary of Main Accounting Practices.

Tabular disclosure of contractual obligations

The table below summarizes the maturity profile of our consolidated long-term debt, operating leases and other contractual commitments as of December 31, 2017:

Contractual Obligations	(In millions of R\$)				
	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Interbank market debt ⁽¹⁾⁽³⁾	140,604	75,937	46,528	7,156	10,983
Institutional market debt ⁽²⁾⁽³⁾	123,989	29,140	22,695	32,274	39,880
Time Deposits ⁽³⁾	262,736	93,387	30,762	133,038	5,549
Operating and capital (finance) lease obligations	5,428	1,118	2,595	1,331	384
Financial Guarantees Provided	70,489	19,312	7,078	2,515	41,584
Letters of credit to be released	9,214	9,214	-	-	-
Pension Obligations	466	45	90	90	241
Health Benefits	256	19	42	48	147
Total	613,182	228,172	109,790	176,452	98,768

(1) Includes mortgage notes, real estate credit bills, agribusiness credit bills, financial credit bills, import and export financing and on-lending - domestic.

(2) Includes subordinated debt, debentures and foreign borrowings through securities.

(3) Includes total estimated interest payments (including for derivatives). These estimated interest payments were calculated substantially based on the interbank forward rates at the specific periods.

Purchases of shares by the issuer and affiliated purchasers

In conformity with best corporate governance practices, on November 18, 2004, we started to voluntarily disclose our Policy for Trading Itaú Unibanco Holding S.A. Securities. Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/TreasuryStock.pdf for further details. We disclose to the market the transactions carried out with our own shares by our Treasury through an "Announcement to the Market" on a monthly basis, as well as the other disclosure requirements imposed by the Brazilian securities regulation.

The repurchase program initially effective in 2017 was approved by our Board of Directors on February 1, 2016 with limits of 50.0 million preferred shares and 10.0 million common shares, without reducing our capital stock.

On May 25, 2017 our Board of Directors approved the renewal of our share repurchase program through November 26, 2018, authorizing the purchase of up to 10.0 million common

shares and 50.0 million preferred shares. On August 31, 2017, our Board of Directors approved the renewal of our share repurchase program through November 26, 2018, authorizing the purchase, in the aggregate, of up to 60.0 million common shares and 39.155 million preferred shares.

On December 15, 2017 our Board of Directors once again renewed our share repurchase program through June 19, 2019, authorizing the purchase, in the aggregate with respect to all shares purchased under the program, of up to 28.617 million common shares and 50.0 million preferred shares issued by us, without reducing our capital stock. The share acquisition process has the following potential objectives: (i) to maximize the allocation of capital through the efficient application of available funds; (ii) to provide for the delivery of shares to the employees and management of the Company and those of its subsidiaries within the scope of the compensation models and the long term incentive plans; and (iii) to use the acquired shares in the event of business opportunities arising in the future. All purchases shall be open market purchases made through stock exchanges.



Period ⁽¹⁾	(a) Total number of preferred shares purchased	(b) Average price paid per preferred share ⁽²⁾	(c) Total number of preferred shares purchased as part of publicly announced plans or programs	(d) Maximum number of preferred shares that may yet be purchased under the plans or programs	(e) Total number of common shares purchased	(f) Average price paid per common share ⁽²⁾	(g) Total number of common shares purchased as part of publicly announced plans or programs	(h) Maximum number of common shares that may yet be purchased under the plans or programs
01/02 to 01/31/2017	6,350,000	35.21	29,000,000	21,000,000	-	-	-	10,000,000
02/01 to 02/24/2017	-	-	29,000,000	21,000,000	-	-	-	10,000,000
03/01 to 03/31/2017	1,626,000	38.26	30,626,000	19,374,000	-	-	-	10,000,000
04/03 to 04/28/2017	7,461,900	38.14	38,087,900	11,912,100	-	-	-	10,000,000
05/02 to 05/25/2017	11,700,000	35.53	49,787,900	212,100	-	-	-	10,000,000
05/26 to 05/31/2017	1,260,000	35.83	1,260,000	48,740,000	-	-	-	10,000,000
06/01 to 06/30/2017	6,985,000	35.90	8,245,000	41,755,000	-	-	-	10,000,000
07/03 to 07/31/2017	2,600,000	36.43	10,845,000	39,155,000	-	-	-	60,000,000
08/01 to 08/31/2017	-	-	-	39,155,000	-	-	-	60,000,000
09/01 to 09/29/2017	-	-	-	39,155,000	-	-	-	60,000,000
10/02 to 10/31/2017	-	-	-	39,155,000	-	-	-	60,000,000
11/01 to 11/30/2017	-	-	-	39,155,000	-	-	-	60,000,000
12/01 to 12/19/2017	-	-	-	39,155,000	31,793,105	37.05	31,793,105	28,206,895
12/20 to 12/29/2017	-	-	-	50,000,000	14,421,132	37.05	14,421,132	14,195,517

(1) On February, 2016 our Board of Directors approved the purchase of up to 10,000,000 common shares and 50,000,000 preferred shares, ending on August 2, 2017, on May 25, 2017, our Board of Directors approved the renewal of our share repurchase program through November 26, 2018, of up to 10.0 million common shares and 50.0 million preferred shares, and on August 31, 2017, for the second time our Board of Directors once again renewed our share repurchase program through November 26, 2018, authorizing the purchase, in the aggregate with respect to all shares purchased under the program, of up to 60.0 million common shares and 39,155 million preferred shares, and on December 15, 2017 our Board of Directors once again renewed our share repurchase program through June 19, 2019, authorizing the purchase, in the aggregate with respect to all shares purchased under the program, of up to 28.617 million common shares and 50.0 million preferred shares

(2) Includes brokerage costs.

Capital expenditures

In accordance with our practice in the last few years, our capital expenditures in the twelve-month period ended December 31, 2017 were funded with internal resources. We cannot provide assurance that we will make capital expenditures in the future and, if made, that the amounts will correspond to the current estimates. The table below shows our capital expenditures as of December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)							
Capital Expenditures	For the Year Ended December 31,					Variation	
	2017	2016	2015	2017-2016		2016-2015	
Fixed Assets	943	1,430	1,466	(487)	(34.1)%	(36)	(2.5)%
Fixed assets under construction	302	341	198	(39)	(11.4)%	143	72.2%
Land and buildings	-	127	6	(127)	(100.0)%	121	2,016.7%
Leasehold improvements	147	137	139	10	7.3%	(2)	(1.4)%
Furniture and data processing equipment	412	602	1,040	(190)	(31.6)%	(438)	(42.1)%
Other	82	223	83	(141)	(63.2)%	140	168.7%
Intangible Assets	2,307	2,846	1,062	(539)	(18.9)%	1,784.00	168.0%
Acquisition of rights to credit payroll	345	342	109	3	0.9%	233	213.8%
Association for the promotion and offer of financial products and services	18	719	39	(701)	(97.5)%	680	1,743.6%
Software developed or obtained for internal use	1,556	1,508	899	48	3.2%	609	67.7%
Other intangibles	388	277	15	111	40.1%	262	1,746.7%
Total	3,250	4,276	2,528	(1,026)	(24.0)%	1,748.00	69.1%

Please refer to section Performance, item Complete Financial Statements (IFRS), Note 15 – Fixed Assets and Note 16 – Intangible Assets for further details.

Fixed assets

Property, plant and equipment

As of December 31, 2017, we own and rent our principal administrative offices, which included office buildings in ten different address, having a total area of 445,476 square meters, located primarily in São Paulo, Brazil. These offices include our head office, and a number of other administrative buildings, where administrative functions are performed, such as commercial department, back offices, wholesale and investment bank activities, and also our data processing center.

We also lease a portion of our administrative offices and the majority of our branches at competitive market prices from third parties and under renewable leases with terms ending from the first half of 2018 (which are in the process of being renewed under similar terms) to the first quarter of 2037.

As of December 31, 2017, we owned approximately 32% of our administrative offices and branches (including electronic service points, banking sites and parking lots) and leased approximately 68%.

Capitalization

The table below presents our capitalization as of December 31, 2017. The information described is derived from our consolidated financial statements as of and for the year ended December 31, 2017. As of the date of this Consolidated Annual Report, there has been no material change in our capitalization since December 31, 2017.

You should read the table below in conjunction with the information included in section Our profile, item In numbers, Selected Financial Data – IFRS, section Performance and section Attachments, item Selected Statistical Information for further details.

(In millions of R\$, except percentages)

Capitalization	As of December 31, 2017	
	R\$	US\$ ⁽¹⁾
Current liabilities		
Deposits	273,339	82,630
Securities sold under repurchase agreements	240,808	72,796
Financial liabilities held for trading	55	17
Derivatives	13,412	4,054
Interbank market debt	73,414	22,193
Institutional market debt	26,026	7,868
Other financial liabilities	77,598	23,458
Reserves for insurance and private pension	-	-
Liabilities for capitalization plans	3,301	998
Provisions	4,974	1,504
Tax liabilities	3,175	960
Other liabilities	24,381	7,370
Total	740,483	223,846

(1) Convenience translation at 3.3080 reais per U.S. dollar, the exchange rate in effect on December 31, 2017.

(In millions of R\$, except percentages)

Capitalization	As of December 31, 2017	
	R\$	US\$ ⁽¹⁾
Long-term liabilities		
Deposits	129,599	39,177
Securities sold under repurchase agreements	71,826	21,713
Financial liabilities held for trading	410	124
Derivatives	13,334	4,031
Interbank market debt	56,202	16,990
Institutional market debt	72,456	21,903
Other financial liabilities	15	5
Reserves for insurance and private pension	181,232	54,786
Provisions	14,762	4,463
Tax liabilities	4,223	1,277
Other liabilities	1,980	599
Total	546,039	165,066
Income tax and social contribution - deferred	441	133
Non-controlling interests	13,166	3,980
Stockholders' equity attributed to the owners of the parent company⁽²⁾	134,840	40,762
Total capitalization⁽³⁾	1,434,969	433,788
BIS ratio⁽⁴⁾	18.8%	

(1) Convenience translation at 3.3080 reais per U.S. dollar, the exchange rate in effect on December 31, 2017.

(2) Itaú Unibanco Holding's authorized and outstanding share capital consists of 3,305,526,906 common shares and 3,159,103,612 preferred shares, all of which are fully paid. For more information regarding our share capital see Note 21 to our consolidated financial statements as of and for the period ended December 31, 2017.

(3) Total capitalization corresponds to the sum of total current liabilities, long-term liabilities, deferred income, minority interest in subsidiaries and stockholders' equity.

(4) Calculated by dividing total regulatory capital by risk weight assets.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements, other than the guarantees we granted that are described in Note 36 – Management risks, item 3 – Collateral and policies for mitigating credit risk and item 5 – Credit risk exposure of our consolidated financial statements and derivative financial instruments discussed above. Please refer to section Our Risk Management, item Risk and Capital Management, Exchange Rate Sensitivity for further details.

Highlights

	(In millions of R\$, except percentages)		
	For the Year Ended December 31,		
Highlights	2017	2016	2015
Statement of Income			
Net Income (attributable to the owners of the parent company)	23,903	23,263	25,740
Banking Product	111,050	118,661	92,011
Shares (R\$)			
Earnings per share – Basic (Common and Preferred)	3.68	3.57	3.91
Weight Average Number of Outstanding Shares – Basic (in thousands) ⁽¹⁾			
Common	3,347,890	3,351,741	3,351,741
Preferred	3,156,020	3,171,216	3,228,881
Market Capitalization ⁽²⁾	275,523	219,348	155,732
Market Capitalization (In millions of US\$) ⁽³⁾	83,290	67,303	39,882
Performance Ratios (%)			
Net income as a percentage of average stockholder's equity – Annualized ⁽⁴⁾	19.7	20.1	24.8
Net income as a percentage of total assets – Annualized ⁽⁵⁾	1.7	1.8	2.2
Solvency Ratio (BIS Ratio) – Prudential Conglomerate	18.8	19.1	17.8
Non-performing Loans Index (NPL over 90 days)	3.1	3.4	3.5
Non-performing Loans Index (NPL over 15-90 days)	2.8	2.5	2.6
Efficiency Ratio ⁽⁶⁾	46.3	45.1	43.6
Risk Adjusted Efficiency Ratio ⁽⁶⁾	64.0	69.6	63.4

(1) The number of outstanding shares was adjusted to reflect the share bonus of 10% granted on July 17, 2015 and September 14, 2016.
(2) Total number of outstanding shares (common and preferred shares) multiplied by the average price of the preferred share on the last trading day in the period.
(3) The US\$/R\$ exchange rate was R\$3.3080 as of December 31, 2017, R\$3.2591 as of December 31, 2016 and R\$3.9048 as of December 31, 2015.
(4) Annualized Return was calculated by dividing net income attributable to owners of the parent company by the quarterly average stockholders' equity attributed to the owners of the parent company excluding quarterly average proposed dividends recorded.
(5) Annualized Return was computed by dividing Net Income by Average Assets.
(6) The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information (for more details on the calculation methodology of both Efficiency and Risk Adjusted Efficiency ratios, please see Basis of Segment Information Presentation).

Stockholders' equity (attributable to the owners of the parent company): as of December 31, 2017, our total stockholders' equity (attributable to the owners of the parent company) increased by 10.0% compared to December 31, 2016, and reached R\$134,840 million. As of December 31, 2016 our Stockholders' equity attributed to the owners of the parent company increased by 9.2% compared to December 31, 2015, and reached R\$122,582 million.



Share buyback: in 2017, we acquired 37,982,900 preferred non-voting shares of own issue and 46,214,237 common shares of own issue, totaling R\$3.1 billion.

Dividends and interest on own capital: we remunerate our stockholders by means of monthly and complementary payments of dividends and interest on own capital. In 2017 we paid or provisioned R\$5.0 billion and reserved R\$12.5 billion in stockholder's equity, of dividends and interest on own capital, net of tax, totaling R\$17.6 billion.

Certain Effects of Foreign Exchange Rates on Our Income

The variation of the *real* can affect our net interest margin (which includes net interest and similar income and expenses, dividend income, net gain (loss) from investments in securities and derivatives and foreign exchange results and exchange variations on transactions). A certain amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar. When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-

term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realize gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets when translated to *reais*. When the *real* appreciates, the effects are the opposite of those described above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Our foreign currency gap management also takes into account the tax effects of such positions. We seek to maintain sufficient hedges (a liability position in foreign exchange derivatives) to reduce the potential effects from our total foreign-exchange exposure.

Unless otherwise indicated, the discussion in this section relates to our average interest rates and yields. Interest rates cited are measured in *reais* and include the effect of the variation of the *real* against foreign currencies. Please refer to section Our risk management, item Risk factors, Macroeconomic risk factors, Brazilian authorities exercise influence on the Brazilian economy. Changes in fiscal, monetary and foreign exchange policies as well as deterioration of government fiscal accounts, may adversely affect us and Market risk for further details.

(In millions of R\$, except percentages)

Consolidated Statement of Income	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016	2016-2015		
Banking product	111,050	118,661	92,011	(7,611)	(6.4)%	26,650	29.0%
Interest and similar income	144,690	161,495	147,789	(16,805)	(10.4)%	13,706	9.3%
Interest and similar expense	(78,325)	(95,126)	(75,064)	16,801	(17.7)%	(20,062)	26.7%
Dividend income	301	288	98	13	4.5%	190	193.9%
Net gain (loss) from investment securities and derivatives	3,175	7,311	(11,862)	(4,136)	(56.6)%	19,173	(161.6)%
Foreign exchange results and exchange variation on transactions	(250)	5,513	(6,353)	(5,763)	(104.5)%	11,866	(186.8)%
Banking service fees	34,448	31,918	29,452	2,530	7.9%	2,466	8.4%
Income related to insurance, private pension plans and capitalization operations before claim and selling expenses	5,252	5,880	6,672	(628)	(10.7)%	(792)	(11.9)%
Other income	1,759	1,382	1,279	377	27.3%	103	8.1%
Losses on loans and claims	(18,240)	(22,122)	(21,335)	3,882	(17.5)%	(787)	3.7%
Expenses for allowance for loan and lease losses	(20,746)	(24,379)	(24,517)	3,633	(14.9)%	138	(0.6)%
Recovery of loans written off as loss	3,698	3,742	4,779	(44)	(1.2)%	(1,037)	(21.7)%
Expenses for claims	(1,224)	(1,555)	(1,611)	331	(21.3)%	56	(3.5)%
Recovery of claims under reinsurance	32	70	14	(38)	(54.3)%	56	400.0%
Operating margin	92,810	96,539	70,676	(3,729)	(3.9)%	25,863	36.6%
Other operating income (expenses)	(60,599)	(58,347)	(52,411)	(2,252)	3.9%	(5,936)	11.3%
General and administrative expenses	(54,118)	(50,904)	(47,626)	(3,214)	6.3%	(3,278)	6.9%
Tax expenses	(7,029)	(7,971)	(5,405)	942	(11.8)%	(2,566)	47.5%
Share of profit or (loss) in associates and joint ventures	548	528	620	20	3.8%	(92)	(14.8)%
Income before income tax and social contribution	32,211	38,192	18,265	(5,981)	(15.7)%	19,927	109.1%
Current income tax and social contribution	(4,539)	(3,898)	(8,965)	(641)	16.4%	5,067	(56.5)%
Deferred income tax and social contribution	(3,404)	(10,712)	16,856	7,308	(68.2)%	(27,568)	(163.6)%
Net income	24,268	23,582	26,156	686	2.9%	(2,574)	(9.8)%
Net income attributable to non-controlling interests	365	319	416	46	14.4%	(97)	(23.3)%
Net income attributable to owners of the parent company	23,903	23,263	25,740	640	2.8%	(2,477)	(9.6)%

Banking product (operating revenues)

Banking product (operating revenues) is the sum of our operating revenues, net of funding costs, as detailed in the table above. Please refer to section Performance, item Complete Financial Statements in IFRS, Note 23 – Interest and Similar Income and Expense and Net Gain (Loss) from

Investment Securities and Derivatives, Note 24 – Banking Service Fees and Note 25 – Other Income for further details.

The following table shows the main components of our interest and similar income for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

(In millions of R\$, except percentages)							
Interest and similar income	For the Year Ended December 31,					Variation	
	2017	2016	2015			2017-2016	2016 - 2015
Interest on Central Bank compulsory deposits	7,201	6,920	5,748	281	4.1%	1,172	20.4%
Interest on interbank deposits	744	677	1,628	67	9.9%	(951)	(58.4)%
Interest on securities purchased under agreements to resell	25,712	34,162	27,572	(8,450)	(24.7)%	6,590	23.9%
Interest on financial assets held for trading	22,944	23,669	19,826	(725)	(3.1)%	3,843	19.4%
Interest on available-for-sale financial assets	8,886	11,160	8,979	(2,274)	(20.4)%	2,181	24.3%
Interest on held-to-maturity financial assets	2,896	3,788	3,758	(892)	(23.5)%	30	0.8%
Interest on loans and leases operations	75,584	80,118	79,392	(4,534)	(5.7)%	726	0.9%
Other financial assets	723	1,001	886	(278)	(27.8)%	115	13.0%
Total interest and similar income	144,690	161,495	147,789	(16,805)	(10.4)%	13,706	9.3%

Our interest and similar income are affected by changes in the interbank deposit rate (CDI) and in the foreign exchange rate. In 2017, we observed a decrease in the average interbank deposit rate to 9.9% compared to 14.0% in 2016. The Brazilian *real* depreciated by 1.5% against U.S. dollar in 2017, whereas it appreciated by 16.5% in 2016.

Total interest and similar income for the year ended December 31, 2017, was R\$144,690 million, a 10.4% decrease compared to the year ended December 31, 2016, when total interest and similar income was R\$161,495 million. The 10.4% decrease in interest and similar income was mainly due to decreases in interest on securities purchased under agreements to resell, in interest on available-for-sale financial assets and interest on loans and leases.

In the year ended December 31, 2017, interest on securities purchased under agreements to resell totaled R\$25,712 million, a 24.7% decrease compared to R\$34,162 million in the year ended December 31, 2016. This decrease was mainly due to the reduction in average interest rates.

Interest on available-for-sale financial assets was R\$8,886 million in the year ended in December 31, 2017, a decrease of 20.4% when compared to the prior year when it was R\$11,160 million. This decrease was mainly related to the reduction in average interest rates, which more than compensated the increase in average volume.

Interest on loans and leases totaled R\$75,584 million in the year ended in December 31, 2017, a decrease of R\$4,534 million compared to the year ended December 31, 2016. The decrease in interest on loans and leases was affected mainly by the decrease in average interest rates, reduction of average volume and also by the new regulatory framework for credit cards described below.

In January 2017, the CMN issued a new rule on revolving credit for the financing of credit card bills, which determines certain conditions and limitations applicable to the extension of this type of financing. The regulation provides that revolving credit for the financing of credit card bills may only be extended to clients until the due date of the following credit card bill. After this term, the credit provider must offer the client another type of financing with more favorable conditions than the ones that are currently provided in the credit card market. In addition, credit card providers may no longer offer this type of credit to clients that already contracted revolving credit for the financing of credit card bills which were not repaid on time. The new regulation came into effect in April 2017.

Total interest and similar income for the year ended December 31, 2016 was R\$161,495 million, a 9.3% increase compared to the year ended December 31, 2015, when total interest and similar income was R\$147,789 million. The 9.3% increase in interest and similar income was mainly due to increases in interest on securities purchased under agreements to resell, in interest on financial assets held for trading and in interest on available-for-sale financial assets. These increases are related to the growth in volume of these interest-earnings assets. Also, increases in the cumulative CDI rate which increased to 14.0% in 2016 from 13.3% in 2015 contributed to the increase in interest and similar income.

The following table shows the composition of the carrying amount of loan and lease transactions by type which primarily account for the variation between our total loans and lease transactions as of December 31, 2017, December 31, 2016 and December 31, 2015:

(In millions of R\$, except percentages)

Loan and lease operations by type	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016	2016-2015		
Individuals	190,153	183,147	187,220	7,006	3.8%	(4,073)	(2.2)%
Credit card	66,650	59,022	58,542	7,628	12.9%	480	0.8%
Personal loans	25,193	25,813	28,396	(620)	(2.4)%	(2,583)	(9.1)%
Payroll loans	44,419	44,636	45,434	(217)	(0.5)%	(798)	(1.8)%
Vehicles	14,083	15,434	20,058	(1,351)	(8.8)%	(4,624)	(23.1)%
Mortgage loans	39,808	38,242	34,790	1,566	4.1%	3,452	9.9%
Corporate	107,617	121,754	152,527	(14,137)	(11.6)%	(30,773)	(20.2)%
Small and medium businesses	59,453	58,935	66,038	518	0.9%	(7,103)	(10.8)%
Foreign loans – Latin America	136,144	126,530	68,463	9,614	7.6%	58,067	84.8%
Total loan and lease operations	493,367	490,366	474,248	3,001	0.6%	16,118	3.4%

Since 2011, we have focused on reducing the credit risk of our loan portfolio. As a result, our mortgage portfolio, has grown more rapidly, while our corporate and vehicle portfolios have decreased. Our mortgage loan portfolio has grown in line with the market and we maintained a conservative approach regarding collateral. The average quarterly LTV of the loans originated during the fourth quarter of 2017 reached 54.7% (Loan-to-Value: ratio between the loans and the underlying collateral). For further details, please refer to the table of loan and lease operations by type.

As of December 31, 2017, our total loan portfolio reached R\$493,367 million, a 0.6% increase when compared to the same period in the previous year, when our total portfolio was R\$490,366 million.

Loans and leases to individuals

As of December 31, 2017 loans and leases to individuals totaled R\$190,153 million compared to R\$183,147 million as of December 31, 2016. The increase of 3.8% in the volume of loan and lease transactions for individuals compared to December 31, 2016 was mainly due to increases in credit card loans, partly because of the consolidation of Citibank's retail operations in Brazil, and mortgage loans which were partially offset by decreases in personal, vehicle and payroll loans. The decrease of 8.8% as of December 31, 2017 compared to the year ended December 31, 2016 in vehicle financing was a result of the combination of a lower demand and the application of stricter requirements for granting such loans, which has led to higher down payments and shorter financing terms.

As of December 31, 2016 loans and leases to individuals totaled R\$183,147 million, a decrease of 2.2% compared to December 31, 2015. The decrease primarily is a result of the decrease of 23.1% in vehicle financing as a result of our continued application of stricter requirements for granting such loans, which has led to higher down payment requirements and shorter financing terms, partially offset by the increases of (i) 9.9% in mortgage loans to R\$38,242 million, mainly due to our focus on portfolios with lower delinquency rates, and (ii) 0.8% in credit card loans as we are the leading player in the Brazilian credit card market according to ABECS, through Itaucard, Hipercard, Hiper,

Credicard, joint ventures and commercial agreements with leading companies in sectors such as telecom, vehicles, retail and aviation operating in the Brazilian market.

Loans and leases to companies

Our loan and leases to companies' portfolio, which includes corporate and small and medium business operations, totaled R\$167,070 million as of December 31, 2017, a 7.5% decrease when compared to our loans and leases to companies portfolio as of December 31, 2016, when it totaled R\$180,689 million. The reduction in our portfolio of loans and leases to companies is mainly due to the deleveraging of companies in Brazil and a moderate credit demand, especially in corporate loans where companies are searching for alternatives in the debt and equity capital markets, resulting in a contraction of this portfolio. As of December 31, 2017, loans and leases to corporates totaled R\$107,617 million and loans and leases to very small, small and middle market companies totaled R\$59,453 million as of December 31, 2017.

As of December 31, 2016 our loans and leases to companies, which includes corporate and small and medium business operations, totaled R\$180,689 million, representing a decrease of R\$37,876 million, or 17.3%, compared to December 31, 2015. Loans and leases to small and medium businesses decreased 10.8% as of December 31, 2016 compared to December 31, 2015, totaling R\$58,935 million as of December 31, 2016. Loans and leases to corporate clients decreased 20.2% as of December 31, 2016 compared to December 31, 2015, totaling R\$121,754 million as of December 31, 2016.

Foreign loans and leases – Latin America

Our Latin American loan portfolio increased by 7.6% as of December 31, 2017 when compared to the same period in the previous year, partly due to the effect of exchange rate variations on this portfolio and partly due to the organic growth of operations in the countries where we operate. The balance of our foreign loans and leases from our operations in Latin America outside of Brazil (Argentina, Chile, Colombia, Panama, Paraguay, Peru and Uruguay) totaled R\$136,144 million as of December 31, 2017.

The balance of our foreign loans and leases from our operations in Latin America outside Brazil (Argentina, Chile, Colombia, Panama, Paraguay, Peru and Uruguay) totaled R\$126,530 million as of December 31, 2016, an increase of

84.8% compared to December 31, 2015 when the balance was R\$68,463 million, mostly as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016 which represents an important step in our internationalization process.

(In millions of R\$, except percentages)

Interest and similar expense	For the Year Ended December 31,					Variation	
	2017	2016	2015	2017-2016		2016-2015	
Interest on deposits	(13,340)	(14,701)	(13,587)	1,361	(9.3)%	(1,114)	8.2%
Interest on securities sold under repurchase agreements	(33,082)	(45,932)	(32,879)	12,850	(28.0)%	(13,053)	39.7%
Interbank market debt	(10,059)	(8,348)	(7,970)	(1,711)	20.5%	(378)	4.7%
Institutional market debt	(6,852)	(8,248)	(8,030)	1,396	(16.9)%	(218)	2.7%
Financial expense from technical reserves for insurance and private pension plans	(14,918)	(17,790)	(12,556)	2,872	(16.1)%	(5,234)	41.7%
Other	(74)	(107)	(42)	33	(30.8)%	(65)	154.8%
Total interest and similar expense	(78,325)	(95,126)	(75,064)	16,801	(17.7)%	(20,062)	26.7%

Our total interest and similar expense for the year ended December 31, 2017 was R\$78,325 million, a 17.7% decrease when compared to such expense for the year ended December 31, 2016 when it was R\$95,126 million. In the year ended December 31, 2017, the decrease in our interest expenses compared to the year ended December 31, 2016 was mainly due to the decrease in expenses on securities sold under repurchase agreements and expenses in institutional market debt, both, mainly related to the CDI rate decrease in 2017. The expenses on securities sold under repurchase agreements in the year ended December 31, 2017 was R\$33,082 million, a 28.0% decrease compared to R\$45,932 million in the year ended December 31, 2016.

There was also a decrease in financial expenses from technical reserves for insurance and private pension plans where the reduction in average interest rates more than compensated the increase in balance. In the year ended in December 31, 2017, financial expenses from technical reserves for insurance and private pension plans totaled R\$14,918 million, a decrease of 16.1% compared to R\$17,790 million in the year ended in December 31, 2016.

In the year ended December 31, 2016, our total interest and similar expense was R\$95,126 million, an increase of 26.7% compared to R\$75,064 million in the year ended December 31, 2015. The increase in volume and in the CDI rate increased our interest expenses for securities sold under repurchase agreements and reserves for insurance and private pension plans and liabilities for capitalization plans (premium bonds). Please refer to section Performance, item Financial Performance, Liabilities, Funding for further information.

The expenses on securities sold under repurchase agreements was R\$45,932 million in the year ended December 31, 2016, an increase of 39.7% compared to the year ended December 31, 2015, mainly due to increase in average interest rate and also increase in average volume. In the year ended December 31, 2016 financial expense from technical reserves

for insurance and private pension plans totaled R\$17,790, an increase of 41.7% compared to the year ended in December 31, 2015, mainly related to increase in average interest rates and average volume.

Dividend income totaled R\$301 million for the year ended December 31, 2017, compared to R\$288 million for the year ended December 31, 2016. This increase was due to higher income from dividends on investments from unconsolidated companies such as BSF Holding S.A. and Porto Seguro Itaú Unibanco Participações S.A. For the year ended December 31, 2015 dividend income totaled R\$98 million.

Net gain (loss) from investment securities and derivatives totaled a gain of R\$3,175 million for the year ended December 31, 2017 compared to a gain of R\$7,311 million in the same period in 2016. This decrease was mainly due to the lower gain in financial assets available for sale and derivatives, especially related to derivative financial instruments mainly due to the impact of the decrease in market rates and indices, when compared to the year ended December 31, 2016.

In the year ended December 31, 2016, net gain (loss) from investment securities and derivatives totaled a gain of R\$7,311 million compared to a loss of R\$11,862 million in the year ended December 31, 2015. These results were mainly due to our risk management strategies, particularly those associated with derivative instruments used to hedge our investments abroad.

Foreign exchange results and exchange variation on transactions totaled a loss of R\$250 million for the year ended December 31, 2017 compared to a gain of R\$5,513 million for the year ended December 31, 2016 and a loss of R\$6,353 million for the year ended December 31, 2015. These changes were mainly due to the effect of exchange rate variations as a result of the Brazilian *real* depreciation of 1.5% against the U.S. dollar in 2017, compared to an appreciation of 16.5% in 2016. In 2015, the Brazilian *real* depreciated 47.0% against U.S. dollar.

The following table shows the main components of our non-interest income for the years ended December 31, 2017, 2016 and 2015:

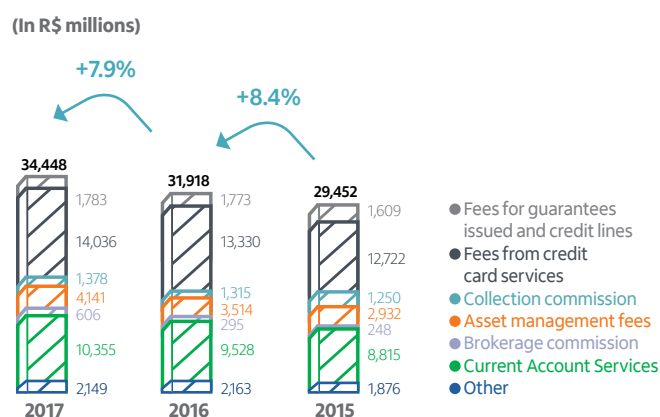
Non-interest income	(In millions of R\$, except percentages)					
	For the Year Ended December 31,			Variation		
	2017	2016	2015	2017-2016	2016-2015	
Banking Service Fees	34,448	31,918	29,452	2,530	2,466	8.4%
Current account services	10,355	9,528	8,815	827	713	8.1%
Asset management fees	4,141	3,514	2,932	627	582	19.8%
Collection commissions	1,378	1,315	1,250	63	65	5.2%
Fees from credit card services	14,036	13,330	12,722	706	608	4.8%
Fees for guarantees issued and credit lines	1,783	1,773	1,609	10	164	10.2%
Brokerage commission	606	295	248	311	47	19.0%
Other	2,149	2,163	1,876	(14)	287	15.3%
Income related to insurance, private pension plans and capitalization operations before claim and selling expenses	5,252	5,880	6,672	(628)	(792)	(11.9)%
Other Income	1,759	1,382	1,279	377	103	8.1%
Total non-interest income	41,459	39,180	37,403	2,279	1,777	4.8%

In the year ended December 31, 2017, our non-interest income amounted to R\$41,459 million, representing a growth of 5.8% from the previous year, mainly due to the growth of 7.9% in banking service fees. In 2016, our non-interest income amounted to R\$39,180 million, representing a growth of 4.8% from the previous year, mainly due to the growth of 8.4% in banking service fees.

Banking service fees refer to the sum of fees from current account services, asset management, collection, credit card services, guarantees issued and credit lines, brokerage commission and other fees. In the year ended December 31, 2017, the increase in banking service fee revenues was mainly due to: (i) income from current account services, mainly due to the offering of differentiated products compared to the prior year and to the increase in our client base; (ii) higher volume of funds under management which generated asset management fees; and (iii) income from fees from credit card services, mainly driven by higher revenues from interchange, as a result of an increase in transactions volume, and revenues from annual fees.

In the year ended December 31, 2016, the increase in banking service fee revenues was mainly due to: (i) income from current account services, largely due to the offering of differentiated products and services compared to the prior year, (ii) income from fees from credit card services, due to higher revenues from equipment rental and higher transaction volume during 2016 and (iii) asset management fees due to the increase in volume of assets under management. The growth in banking service fees and other fees income is in line with our strategy to diversify our income, while becoming less dependent on changes in credit revenues. **GRI 103-2 | 103-3 Diversification of revenue**

The following chart shows the composition of the banking service fees for the years ended December 31, 2017, 2016 and 2015:



In our insurance operation, our priority is to serve our clients through the most efficient channels. Sales of insurance products and premium bonds through internet, mobile devices, ATMs, teller terminals and telephone accounted for 68.8% of sales to current account holders in the year ended December 31, 2017. In the year ended December 31, 2017, the amount of sales of insurance products and premium bonds to digital branch clients, accounted for 14.1% of total sales.

In the year ended December 31, 2017, income from insurance, private pension and premium bonds before claims and selling expenses was R\$5,252 million, a decrease of 10.7% when compared to the same period in the previous year. This decrease was mainly due to: (i) the early termination of the extended warranty agreement between Itaú Seguros S.A.

and Via Varejo in the third quarter of 2014, which continues to impact our insurance income, as this portfolio is in run-off; and (ii) the sale of life group insurance business, distributed primarily by brokers from April 1, 2017. Those events had more impact in the change in reserves for insurance than in the income.

In the year ended December 31, 2016, income related to insurance, private pension plans and premium bonds before claim and selling expenses decreased by R\$792 million compared to 2015. This decrease was influenced by the early termination of the extended warranty agreement between Itaú Seguros S.A. and Via Varejo in the third quarter of 2014, as mentioned in the last paragraph.

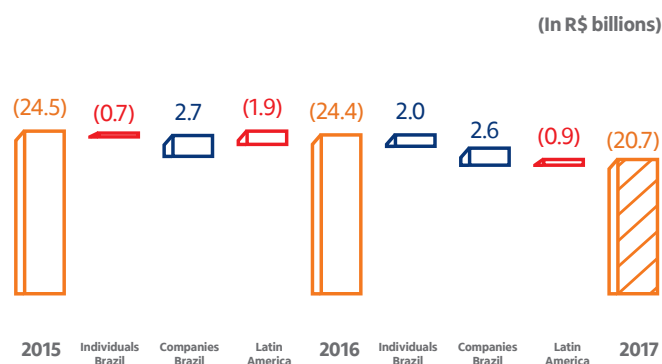
In the year ended December 31, 2017, other income was R\$1,759 million, an increase of 27.3% when compared to the prior year when it was R\$1,382 million. This increase was primarily as a result of the sale of IRB shares as announced to the market on July 28, 2017. In the year ended December 31, 2016, other income increased 8.1% compared to 2015, when it was R\$1,279 million, due primarily to an increase in gains on the sale of assets held for sale, fixed assets and investments in associates and joint ventures.

Below is the composition of our losses on loans and claims for the years ended December 31, 2017, 2016 and 2015:

Losses on loans and claims	(In millions of R\$, except percentages)						
	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016	2016-2015		
Expenses for allowance for loan and lease losses	(20,746)	(24,379)	(24,517)	3,633	(14.9)%	138	(0.6)%
Recovery of loans written-off as loss	3,698	3,742	4,779	(44)	(1.2)%	(1,037)	(21.7)%
Expenses for claims	(1,224)	(1,555)	(1,611)	331	(21.3)%	56	(3.5)%
Recovery of claims under reinsurance	32	70	14	(38)	(54.3)%	56	400.0%
Total losses on loans and claims	(18,240)	(22,122)	(21,335)	3,882	(17.5)%	(787)	3.7%

Evolution of the expenses for allowance for loan and lease losses and credit quality

The chart below shows the changes in the components making up our expenses for allowance for loan and lease losses which primarily account for the variation between expenses for allowance for loan and lease losses for the years ended December 31, 2017, 2016 and 2015:



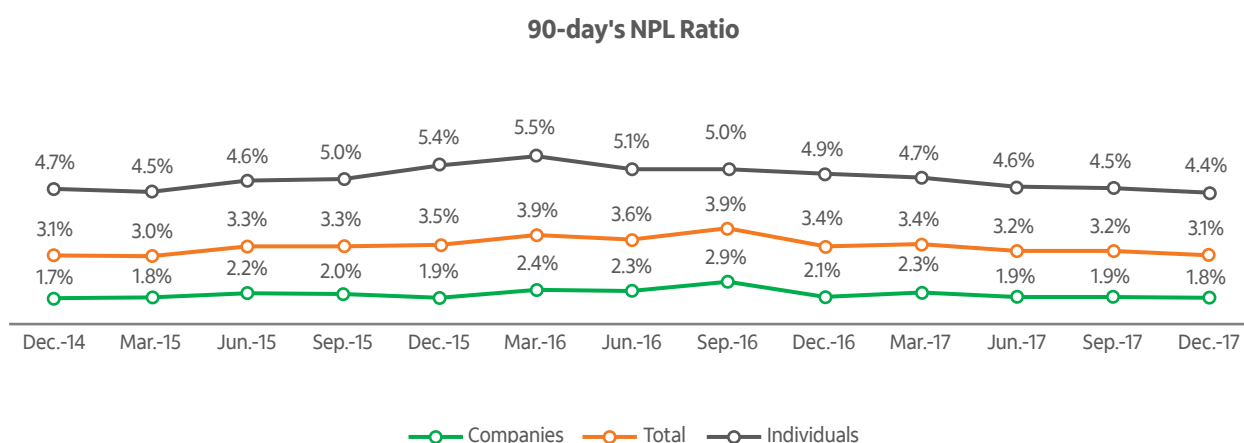
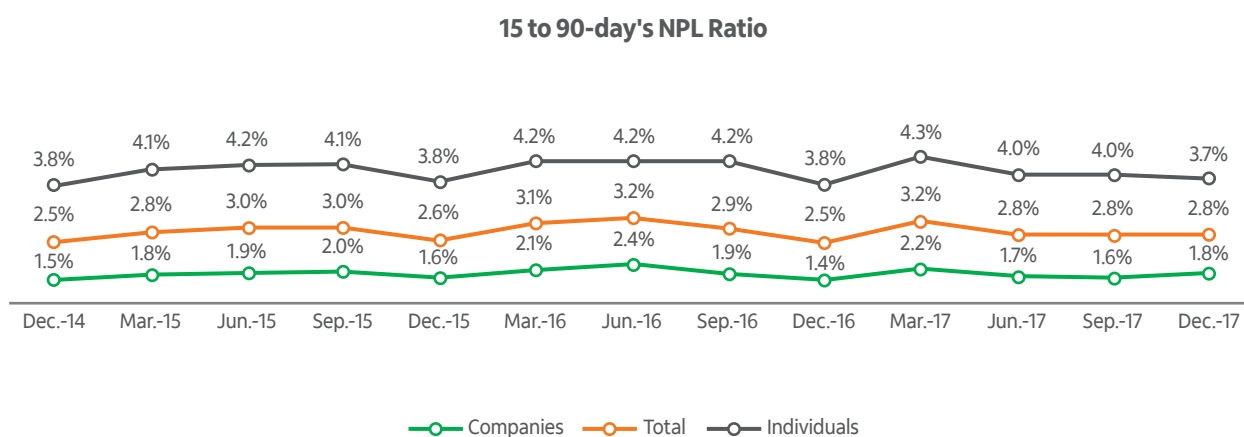
For the year ended December 31, 2017, our expenses for allowance for loan and lease losses decreased 14.9% or R\$3,633 million when compared to the same period in 2016, primarily as a result of decreases in our expenses for allowance for loan and lease losses for individuals and companies, as a reflection of the improvement in delinquency rates. These decreases were partially offset by increases in expenses for allowance for loan and lease losses for our Latin America segment mainly in Chile and Colombia, due to the increase in delinquency rates observed in these countries.

For the year ended December 31, 2016, our expenses for allowance for loan and lease losses remained relatively stable compared to the year ended December 31, 2015, primarily as a result of the decrease in our expenses for allowance loan and lease losses for companies being offset by increases in expenses for allowance and loan losses for our Latin America segment mainly as a result of the merger between Banco Itaú Chile and CorpBanca.

The 90-day non-performing loans ratio (90-day NPL ratio) is calculated by dividing 90-day's non-performing loans by our loan portfolio. As of December 31, 2017, our 90-day NPL ratio reached 3.1%, a reduction of 30 basis points due to a decrease of 50 basis points in the 90-day NPL ratio for individuals and a decrease of 30 basis points in the 90-day NPL ratio for companies in each case when compared to December 31, 2016. As of December 31, 2016, our 90-day NPL ratio reached 3.4%, a reduction of 10 basis points due to a decrease in the 90-day NPL ratio for individuals. The ratio for companies as of December 31, 2016 increased by 20 basis points compared to December 31, 2015.

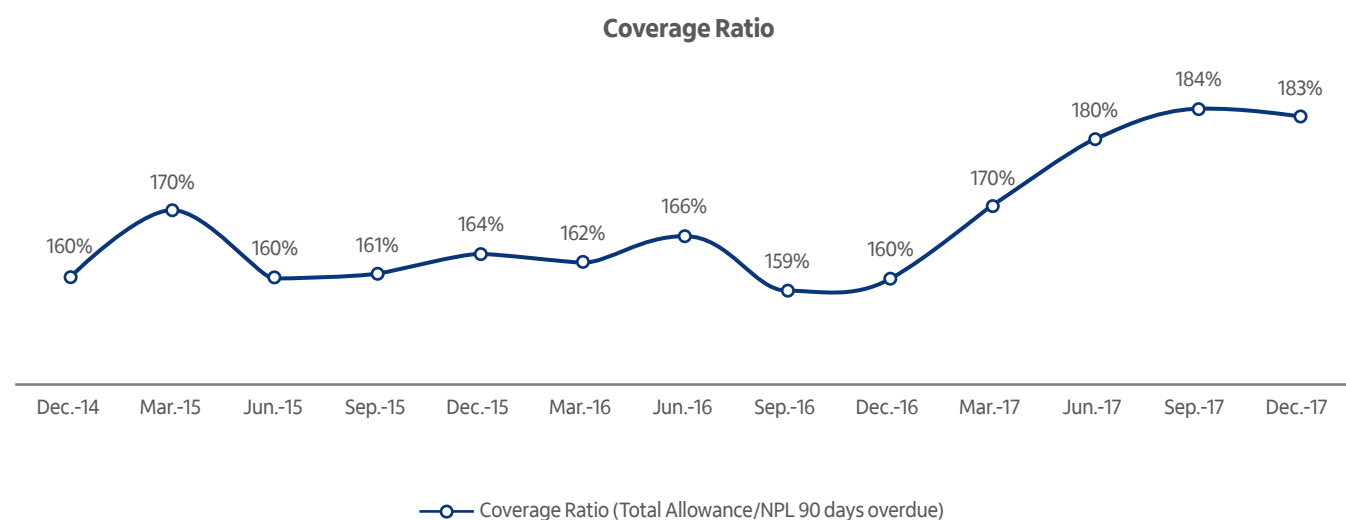
As of December 31, 2017, our NPL ratio for operations overdue from 15 to 90 days (NPL 15-90), which shows the early delinquency ratio reached 2.8% an increase of 30 basis points when compared to December 31, 2016. As of December 31, 2015, our 15-90 days NPL ratio was 2.6%.

The chart below shows a comparison of the NPL ratios for each quarter between December 31, 2014 and December 31, 2017:



The coverage ratio, calculated by dividing the provisions for allowance for loan and lease losses by 90-day non-performing loans, reflects the mechanics of our provisioning model and reached 183% as of December 31, 2017 compared to a ratio of 160% as of December 31, 2016. The coverage ratio was 164% as of December 31, 2015.

The chart below shows a comparison in the coverage ratios for each quarter between December 31, 2014 and December 31, 2017:



Impaired loans decreased from R\$30,317 million as of December 31, 2016 to R\$30,017 million as of December 31, 2017, a decrease of 1.0%. This decrease was mainly related to impair loans in our corporate portfolio as a consequence of the improvement in the macroeconomic scenario that lead companies to be in a better position to pay their debts. As of December 31, 2016, impaired loans increased from R\$27,157 million as of December 31, 2015 to R\$30,317 million as of December 31, 2016, an increase of 11.6%. This increase was mainly with respect to impaired loans in our corporate portfolio due to a more challenging economic environment in Brazil. For further details, refer to section Performance, item Consolidated Financial Statements (IFRS), Note 36.6 – Credit Quality of Financial Assets.

Credit transactions under renegotiation, including extended, modified and deferred repayments, increased by 8.5% and reached R\$26,401 million as of December 31, 2017, compared to December 31, 2016, when it was R\$24,342 million, due to an increase in our portfolio of renegotiated corporate loans which more than offset the decrease of 12.1% in our renegotiated individuals loan portfolio during 2017. As of December 31, 2017, loans under renegotiation represented 5.4% of the total portfolio compared to 5.0% as of December 31, 2016. The renegotiation portfolio increased 6.1% as of December 31, 2016 compared to December 31, 2015.

In 2017, the recovery of loans written off as losses reached R\$3,698 million, representing a decrease of 1.2% compared to 2016. In 2016, the recovery of loans written off as losses reached R\$3,742 million, representing a decrease of 21.7% compared to the year ended December 31, 2015 as a result of the challenging economic scenario in Brazil.

In 2017, expenses for claims decreased by R\$331 million when compared to the same period in the previous year. The reduction in expenses for claims is related to (i) the early termination of the extended warranty agreement between Itaú Seguros S.A. and Via Varejo in the third quarter of 2014 which continues to have an effect on our claims as this portfolio is in run-off and (ii) to the sale of the group life insurance business operation distributed primarily by brokers effective as from April 1, 2017. In 2016, expenses for claims decreased by R\$56 million when compared to the same period in the previous year.

Recovery of claims under reinsurance decreased by R\$38 million in the year ended December 31, 2017, from R\$70 million in the year ended December 31, 2016 to R\$32 million in 2017. In the year ended December 31, 2016, recovery of claims under reinsurance increased by R\$56 million from R\$14 million in the year ended December 31, 2015 reaching R\$70 million.

The table below presents the composition of our general and administrative expenses for the years ended December 31, 2017, 2016 and 2015:

General and administrative expenses	(In millions of R\$, except percentages)						
	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016	2016-2015		
Personnel expenses	(23,276)	(22,360)	(19,573)	(916)	4.1%	(2,787)	14.2%
Administrative expenses	(16,289)	(15,959)	(15,112)	(330)	2.1%	(847)	5.6%
Depreciation	(1,564)	(1,702)	(1,688)	138	(8.1)%	(14)	0.8%
Amortization	(1,470)	(1,292)	(910)	(178)	13.8%	(382)	42.0%
Insurance acquisition expenses	(310)	(721)	(1,138)	411	(57.0)%	417	(36.6)%
Other expenses	(11,209)	(8,870)	(9,205)	(2,339)	26.4%	335	(3.6)%
Total general and administrative expenses	(54,118)	(50,904)	(47,626)	(3,214)	6.3%	(3,278)	6.9%

We kept a tight control on costs and have partially offset the potential rise in costs (brought by the growth of operations, the rise in salaries and benefits due to collective labor agreements and the impact of inflation on our administrative costs) with efficiency gains.

General and administrative expenses increased by R\$3,214 million, or 6.3%, in the year ended December 31, 2017, when such expenses were R\$54,118 million, compared to the year ended December 31, 2016, when such expenses were R\$50,904 million. Between December 31, 2016 and December 31, 2017, our total employees increased by 4.8% to 99,332 mainly driven by: (i) the new employees hired for the Retail Banking operational structure related to the branch network and (ii) the acquisition of Citibank's retail operations in Brazil which took place on October 31, 2017. Additionally, REDE reinforced the commercial team to increase the reach of the sales force and to improve the quality of its services. In 2016

general and administrative expenses increased by R\$3,278 million, or 6.9%, compared to 2015.

In the year ended December 31, 2017, the increase of R\$916 million in personnel expenses compared to the year ended December 31, 2016 was mainly due to the impact of the negotiation of the collective labor agreement, in addition to the higher number of employees. In the year ended December 31, 2016, the increase of R\$2,787 million in personnel expenses compared to the year ended December 31, 2015 was mainly a result of the increase in expenses related to compensation, welfare benefits and provisions for labor claims. Also, the increase in the number of employees in Latin America as a result of the merger between Banco Itaú Chile and CorpBanca contributed to this increase in the year ended December 31, 2016 compared to the year ended December 31, 2015. The annual collective labor agreement reached in the third quarter of 2016, increased compensation

by 8.0% starting from September 2016 and also established the lump-sum bonus to employees, and impacted 2016 compared to 2015.

In the year ended December 31, 2017, administrative expenses were R\$16,289 million, an increase of R\$330 million, or 2.1%, compared to administrative expenses for the year ended December 31, 2016, when they were R\$15,959 million. This increase derived mainly from higher costs related to data processing and telecommunications, advertising, promotions and publication, primarily related to media campaigns. The rise in these expenses was due to the organic growth of our operations and the effect of inflation on most contracts and costs in the year ended December 31, 2017. In the year ended December 31, 2016, administrative expenses increased by R\$847 million, or 5.6%, compared to the year ended December 31, 2015 mainly due to increases in costs related to third-party services, financial services and rent.

In the year ended December 31, 2017, other expenses increased by R\$2,339 million, or 26.4%, from R\$8,870 million in 2016 to R\$11,209 million in 2017, mainly due to the increase in expenses related to credit cards and in expenses related to Citibank integration. In the year ended December 31, 2016, other expenses decreased R\$335 million, or 3.6% compared to the year ended December 31, 2015, mainly in provisions for civil lawsuits.

In the year ended December 31, 2017, tax expenses (ISS, PIS, COFINS and other tax expenses) amounted to R\$7,029 million, a decrease of R\$942 million compared to the year ended December 31, 2016, when such expenses amounted to R\$7,971 million. This decrease reflects the decrease in our tax-sensitive income and increased R\$2,566 million in 2016 compared to 2015 as a result of the increase in tax-sensitive income.

Certain amounts of income and expenses are recognized in our income statement but do not affect our taxable basis. Conversely, certain amounts are considered taxable income or deductible expenses in the calculation of our taxes on income but do not affect our income statement. Those items are referred to as "timing differences". Our total income tax and social contribution includes current income tax and social contribution as well as deferred income tax and social contribution. The former is the tax expense under Brazilian tax laws for the period, and the latter is the tax expense resulting from timing differences.

In the year ended December 31, 2017, income tax and social contribution amounted to an expense of R\$7,943 million compared to an expense of R\$14,610 million in the year ended December 31, 2016. The decrease in this expense was mainly due to the tax effect

on the hedge of our equity investments abroad, as exchange rate variations on such investments are not taxable but the hedge of such investments is taxable. In the year ended December 31, 2017 the U.S. dollar appreciated against Brazilian *real* and we incurred a loss in the hedge of our investments abroad, which had a positive impact on our tax expense. In the year ended December 31, 2016, income tax and social contribution amounted to an expense of R\$14,610 million compared to a credit of R\$7,891 million in the year ended December 31, 2015.

Basis of segment information presentation

Our segment information is based on reports used by senior management to assess the financial performance of our businesses and to make decisions regarding the allocation of funds for investment and other purposes.

Segment information is prepared according to accounting practices adopted in Brazil (our segment information is not prepared in accordance with IFRS) but includes the following pro forma adjustments: (i) the recognition of the impact related to allocated capital using a proprietary model; (ii) the use of funding and cost of capital, according to market prices, using certain managerial criteria; (iii) the exclusion of non-recurring events from our results; and (iv) the reclassification of the tax effects from hedging transactions we enter into for our investments abroad. Please refer to section Performance, item Complete Financial Statements (IFRS), Note 34—Segment Information for further details.

The impacts associated with 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. The AEC considers, in addition to Tier I 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 AEC comprises the following components: credit risk (including expected loss), operational risk, market risk and insurance underwriting risk. Based on the portion of Tier 1 Capital, we calculated the Return on Economic Allocated 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.

As of the first quarter of 2016, we have adopted the Basel III rules in our managerial capital allocation model.

The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information, as presented below.

(1) For the calculation of Efficiency and Risk Adjusted Efficiency Ratios, Non-Interest Expenses consider Personnel Expenses, Administrative Expenses, Operating Expenses and Other Expenses.

(2) For the calculation of Efficiency and Risk Adjusted Efficiency Ratios, Banking Product is net of Insurance Selling Expenses and Retained Claims.

(3) Cost of credit represents the sum of provisions from loan losses, impairment, discounts granted and recovery of loans written off as losses.

$$\begin{aligned} \text{Efficiency Ratio} &= \frac{\text{Non-Interest Expenses}^{(1)}}{(\text{Banking Product}^{(2)} + \text{Tax Expenses for ISS, PIS, COFINS and Other Taxes})} \\ \text{Risk Adjusted Efficiency Ratio} &= \frac{\text{Non-Interest Expenses}^{(1)} + \text{Cost of Credit}^{(3)}}{(\text{Banking Product}^{(2)} - \text{Tax Expenses for ISS, PIS, COFINS and Other Taxes})} \end{aligned}$$

The Efficiency Ratio and Risk Adjusted Efficiency Ratio are non-GAAP measures and we disclose them herein as we consider them an important measure to understand how we manage our overhead costs. As of 2017, Impairment and Discounts Granted were reclassified and disclosed in "Cost of Credit" in the Managerial Income Statement, to better reflect our management model. This modification impacts only the breakdown of our managerial income statement and, therefore, does not change the net income previously disclosed. We report information with respect to the following segments: (i) Retail Banking; (ii) Wholesale Banking; and (iii) Activities with the Market and Corporation.

The current operational and reporting segments, previously mentioned in the overview section, are described below:

- **Retail Banking:** The result of the Retail Banking segment is derived 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 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 Consignado;
- **Wholesale Banking:** The result of the Wholesale Banking segment is derived from the products and services offered to middle-market companies, private banking clients,

from the activities of Latin America units (excluding Brazil), including those of CorpBanca as of the second quarter of 2016 following the merger between Banco Itaú Chile and CorpBanca, and the activities of Itaú BBA, the unit in charge of commercial operations with large companies, as well as performing as an investment banking unit; and

- **Activities with the Market and Corporation:** This segment records the results derived 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.

We present below a summary of the results from our operating segments for the year ended December 31, 2017. Similar information for the years ended December 31, 2016 and 2015 is included in the complete financial statements, in Note 34 regarding segment information in section Performance, item Complete Financial Statements in IFRS. The following discussion should be read in conjunction with our complete financial statements, especially Note 34 regarding segment information in section Performance, item Complete Financial Statements in IFRS. The adjustments column shown in the Note 34 presents effects of the differences between the segmented results (substantially in accordance with the accounting practices adopted in Brazil) and those calculated according to the principles adopted in our complete financial statements in IFRS.

(In millions of R\$)

Consolidated Statement of Income from January 1 to December 31, 2017	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	Itaú Unibanco	Adjustments	IFRS consolidated
Banking product	69,600	28,748	10,620	108,968	2,082	111,050
Interest margin ⁽¹⁾	38,381	19,426	10,508	68,315	1,276	69,591
Banking service fees	23,963	8,876	46	32,885	1,563	34,448
Income related to insurance, private pension and capitalization operations before claim and selling expenses	7,256	446	66	7,768	(2,516)	5,252
Other revenues	-	-	-	-	1,759	1,759
Cost of Credit and Claims	(13,324)	(5,882)	(6)	(19,212)	972	(18,240)
Expenses for allowance for loan and lease losses	(14,005)	(5,053)	(6)	(19,064)	(1,682)	(20,746)
Impairment	-	(1,094)	-	(1,094)	1,094	-
Discounts granted	(785)	(263)	-	(1,048)	1,048	-
Recovery of loans written off as loss	2,688	581	-	3,269	429	3,698
Expenses for claims/recovery of claims under reinsurance	(1,222)	(53)	-	(1,275)	83	(1,192)
Operating margin	56,276	22,866	10,614	89,756	3,054	92,810
Other operating income (expenses)	(37,280)	(14,523)	(1,647)	(53,450)	(7,149)	(60,599)
Non-interest expenses ⁽²⁾	(32,885)	(13,265)	(831)	(46,981)	(7,137)	(54,118)
Tax expenses for ISS, PIS and COFINS and Other	(4,395)	(1,258)	(816)	(6,469)	(560)	(7,029)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	548	548
Net income before income tax and social contribution	18,996	8,343	8,967	36,306	(4,095)	32,211
Income tax and social contribution	(7,146)	(2,412)	(1,777)	(11,335)	3,392	(7,943)
Non-controlling interest in subsidiaries	(166)	117	(22)	(71)	(294)	(365)
Result of Citibank's operations	(21)	-	-	(21)	21	-
Net income	11,663	6,048	7,168	24,879	(976)	23,903

(1) Includes net interest and similar income and expenses of R\$66,365 dividend income of R\$301, net gain (loss) on investment securities and derivatives of R\$3,175 and results from foreign exchange results and exchange variation of transactions abroad of R\$(250).

(2) Refers to general and administrative expenses including depreciation expenses of R\$1,564 amortization expenses of R\$1,470 and insurance acquisition expenses of R\$310.

Revenues from operations in Brazil and abroad

We conduct most of our business activities in Brazil, but we do not break down our revenues by geographic markets within Brazil. Our interest income from loans and leases, banking service fees and income from insurance, private pension plans and premium bonds transactions are divided between revenues

earned in Brazil and outside of Brazil. The following information is presented in IFRS, after eliminations on consolidation.

The following table sets forth the consolidated statement of income with respect to our revenues from operations in Brazil and abroad for the years ended December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)							
Revenues from operations in Brazil and abroad	For the Year Ended December 31,					Variation	
	2017	2016	2015		2017-2016	2016-2015	
Income Related to Financial Operations⁽¹⁾	147,916	174,607	129,672	(26,691)	(15.3)%	44,935	34.7%
Brazil	129,815	154,653	117,140	(24,838)	(16.1)%	37,513	32.0%
Abroad	18,101	19,954	12,532	(1,853)	(9.3)%	7,422	59.2%
Banking Service Fees	34,448	31,918	29,452	2,530	7.9%	2,466	8.4%
Brazil	31,296	29,061	27,072	2,235	7.7%	1,989	7.3%
Abroad	3,152	2,857	2,380	295	10.3%	477	20.0%
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,252	5,880	6,672	(628)	(10.7)%	(792)	(11.9)%
Brazil	5,105	5,748	6,570	(643)	(11.2)%	(822)	(12.5)%
Abroad	147	132	102	15	11.4%	30	29.4%

(1) Includes interest and similar income, dividend income, net gain (loss) on investment securities and derivatives, and foreign exchange results and exchange variation on transactions.

Retail Banking

The following table sets forth the consolidated statement of income with respect to our Retail Banking segment for the years ended December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)							
Consolidated Statement of Income	For the Year Ended December 31,					Variation	
	2017	2016	2015		2017-2016	2016-2015	
Banking product	69,600	70,496	71,203	(896)	(1.3)%	(707)	(1.0)%
Interest margin	38,381	40,073	41,705	(1,692)	(4.2)%	(1,632)	(3.9)%
Banking service fees	23,963	22,659	21,159	1,304	5.8%	1,500	7.1%
Income related to insurance, private pension and capitalization operations before claim and selling expenses	7,256	7,764	8,339	(508)	(6.5)%	(575)	(6.9)%
Cost of Credit and Claims	(13,324)	(15,820)	(14,601)	2,496	(15.8)%	(1,219)	8.3%
Expenses for allowance for loan and lease losses	(14,005)	(16,717)	(16,232)	2,712	(16.2)%	(485)	3.0%
Impairment	-	(26)	-	26	-	(26)	-
Discounts granted	(785)	(893)	(708)	108	(12.1)%	(185)	26.1%
Recovery of loans written off as loss	2,688	3,242	3,886	(554)	(17.1)%	(644)	(16.6)%
Expenses for claims / recovery of claims under reinsurance	(1,222)	(1,426)	(1,547)	204	(14.3)%	121	(7.8)%
Operating margin	56,276	54,676	56,602	1,600	2.9%	(1,926)	(3.4)%
Other operating income (expenses)	(37,280)	(37,202)	(35,924)	(78)	0.2%	(1,278)	3.6%
Non-interest expenses	(32,885)	(32,883)	(31,547)	(2)	0.0%	(1,336)	4.2%
Tax expenses for ISS, PIS and COFINS and Other	(4,395)	(4,319)	(4,377)	(76)	1.8%	58	(1.3)%
Net income before income tax and social contribution	18,996	17,474	20,678	1,522	8.7%	(3,204)	(15.5)%
Income tax and social contribution	(7,146)	(6,328)	(7,263)	(818)	12.9%	935	(12.9)%
Non-controlling interest in subsidiaries	(166)	(223)	(342)	57	(25.6)%	119	(34.8)%
Result of Citibank's operations	(21)	-	-	(21)	-	-	-
Net income	11,663	10,923	13,073	740	6.8%	(2,150)	(16.4)%
Performance Measures (%)							
Efficiency Ratio	51.2	50.3	47.5				
Risk Adjusted Efficiency Ratio	70.2	72.8	67.8				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	220,815	214,025	222,774				
Total Assets	970,137	909,779	873,202				

Net income for the Retail Banking segment was R\$11,663 million for the year ended December 31, 2017, an increase of 6.8% compared to the year ended December 31, 2016. This increase was mainly due to the decrease of 16.2% in expenses for allowance for loan and lease losses compared to the same period of the previous year, in line with the downward delinquency trend in the segment in Brazil, even with the resumption of the growth in loan, lease and other credit transactions this year.

Banking product reached R\$69,600 million for the year ended December 31, 2017, a decrease of 1.3% compared to the previous year, when it was R\$70,496 million. Interest margin decreased 4.2% from R\$40,073 million for the year ended December 31, 2016 to R\$38,381 million for the year ended December 31, 2017, mainly driven by the new regulatory framework for credit cards (see Operating Revenues for further details) and by the adverse impact of the interbank deposit rate reduction on the liabilities' margin and in the remuneration of the allocated capital. Income from insurance, private pension and capitalization operations before claim and selling expenses decreased 6.5% from R\$7,764 million for the year ended December 31, 2016 to R\$7,256 million for the year ended December 31, 2017. These effects were partially offset by an increase of 5.8% in banking service fees. The growth of banking service fees from R\$22,659 million for the year ended December 31, 2016 to R\$23,963 million for the year ended December 31, 2017, was mainly driven by higher revenues from

current account services, due to the increased number of current-account holders and to the offering of differentiated products and services.

The decrease in expenses for allowance for loan and lease losses mentioned above is partly responsible for the lower Risk Adjusted Efficiency Ratio in 2017 when compared to the previous year.

Net income for the Retail Banking segment decreased by 16.4% in the year ended December 31, 2016 from the year ended December 31, 2015, mainly due to the negative impact of the R\$1,632 million decrease in interest margin, as a result of the challenging economic scenario in Brazil. Non-interest expenses increased by R\$1,336 million, with an increase in personnel expenses, which were impacted by events related to terminations, labor claims, and lump-sum bonus payment to employees in 2016.

Banking service fees increased by 71% from the year ended December 31, 2015 to the year ended December 31, 2016, which had a positive impact on net income and was mainly due to higher revenues from current account services and credit cards.

Wholesale Banking

The following table sets forth the consolidated statement of income with respect to our Wholesale Banking segment for the years ended December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)							
Consolidated Statement of Income	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016	2016-2015		
Banking product	28,748	30,498	25,898	(1,750)	(5.7%)	4,600	17.8%
Interest margin	19,426	21,929	18,171	(2,503)	(11.4%)	3,758	20.7%
Banking service fees	8,876	8,072	7,282	804	10.0%	790	10.8%
Income related to insurance, private pension and capitalization operations before claim and selling expenses	446	497	445	(51)	(10.3%)	52	11.7%
Other revenues	-	-	-	-	-	-	-
Cost of Credit and Claims	(5,882)	(10,645)	(6,055)	4,763	(44.7%)	(4,590)	75.8%
Expenses for allowance for loan and lease losses	(5,053)	(8,914)	(6,764)	3,861	(43.3%)	(2,150)	31.8%
Impairment	(1,094)	(1,856)	(85)	762	(41.1%)	(1,771)	-
Discounts granted	(263)	(318)	(39)	55	(17.3%)	(279)	715.4%
Recovery of loans written off as loss	581	502	883	79	15.7%	(381)	(43.1%)
Expenses for claims / recovery of claims under reinsurance	(53)	(59)	(50)	6	(10.2%)	(9)	18.0%
Operating margin	22,866	19,853	19,843	3,013	15.2%	10	0.1%
Other operating income (expenses)	(14,523)	(13,410)	(11,130)	(1,113)	8.3%	(2,280)	20.5%
Non-interest expenses	(13,265)	(12,034)	(9,877)	(1,231)	10.2%	(2,157)	21.8%
Tax expenses for ISS, PIS and COFINS and Other	(1,258)	(1,376)	(1,253)	118	(8.6%)	(123)	9.8%
Share of profit or (loss) in associates and joint ventures	-	-	-	-	-	-	-
Net income before income tax and social contribution	8,343	6,443	8,713	1,900	29.5%	(2,270)	(26.1%)
Income tax and social contribution	(2,412)	(1,081)	(2,691)	(1,331)	123.1%	1,610	(59.8%)
Non-controlling interest in subsidiaries	117	79	-	38	48.1%	79	-
Net income	6,048	5,441	6,022	607	11.2%	(581)	(9.6%)
Performance Measures (%)							
Efficiency Ratio	48.3	41.4	40.2				
Risk Adjusted Efficiency Ratio	69.6	77.8	64.6				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	272,781	277,200	251,056				
Total Assets	604,384	585,088	547,236				

In the year ended December 31, 2017, net income for our Wholesale Banking segment increased by 11.2% from R\$5,441 million for the year ended December 31, 2016 to R\$6,048 million for the year ended December 31, 2017. The main positive impact was the 44.7% decrease in the cost of credit and claims, mainly due to a decrease of R\$3,861 million in expenses for allowance for loan and lease losses compared to the same period of 2016, as a reflection of the improvement in delinquency rates in the segment.

Banking product decreased to R\$28,748 million for the year ended December 31, 2017 from R\$30,498 million for the year ended December 31, 2016, a decline of 5.7%. This derives mainly from the decrease of R\$2,503 million in interest margin for the year ended December 31, 2017 compared to the same period in the previous year, partially offset by an increase of R\$804 million in banking service fees for the year ended December 31, 2017 against December 31, 2016. The growth of banking service fees was mainly due to higher revenues from fund management, related to the increase in the balance of funds and managed portfolios, and revenues from advisory and brokerage services, due to the higher volume of investment banking operations.

The decrease in expenses for allowance for loan and lease losses mentioned above is partly responsible for the lower Risk Adjusted Efficiency Ratio in the year ended December 31, 2017.

In the year ended December 31, 2016, net income for our Wholesale Banking segment decreased by 9.6% from the previous year. Our banking product increased by 17.8% as the interest margin and the banking service fees were 20.7% and 10.8% higher than in the year ended December 31, 2015. The increase in interest margin was due to the growth in our Latin America portfolio as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016.

Non-interest expenses increased by 21.8% for the year ended December 31, 2016 compared to the year ended December 31, 2015. Cost of credit and claims increased by 75.8% for the year ended December 31, 2016 compared to the year ended December 31, 2015, mainly due to the higher expenses for allowance for loan and lease losses, which totalled R\$8,914 million for the year ended December 31, 2016, mainly related to higher provisions for specific economic groups due to the challenging economic scenario in Brazil. Additionally, income from recovery of loans written-off as losses decreased by 43.1% for the year ended December 31, 2016 compared to the previous year.

Activities with the market and corporation

The following table sets forth the consolidated statement of income with respect to our Activities with the Market and Corporation segment for the years ended December 31, 2017, 2016 and 2015:

(In millions of R\$, except percentages)							
Consolidated Statement of Income	For the Year Ended December 31,			Variation			
	2017	2016	2015	2017-2016		2016-2015	
Banking product	10,620	9,412	7,641	1,208	12.8%	1,771	23.2%
Interest margin	10,508	9,264	7,513	1,244	13.4%	1,751	23.3%
Banking service fees	46	59	59	(13)	(22.0%)	-	0.0%
Income related to insurance, private pension and capitalization operations before claim and selling expenses	66	89	69	(23)	(25.8%)	20	29.0%
Cost of Credit and Claims	(6)	71	98	(77)	(108.5%)	(27)	(27.6%)
Expenses for allowance for loan and lease losses	(6)	71	98	(77)	(108.5%)	(27)	(27.6%)
Impairment	-	-	-	-	-	-	-
Discounts granted	-	-	-	-	-	-	-
Recovery of loans written off as loss	-	-	-	-	-	-	-
Expenses for claims / recovery of claims under reinsurance	-	-	-	-	-	-	-
Operating margin	10,614	9,483	7,739	1,131	11.9%	1,744	22.5%
Other operating income (expenses)	(1,647)	(2,387)	(1,948)	740	(31.0%)	(439)	22.5%
Non-interest expenses	(831)	(1,616)	(1,522)	785	(48.6%)	(94)	6.2%
Tax expenses for ISS, PIS and COFINS and Other	(816)	(771)	(426)	(45)	5.8%	(345)	81.0%
Net income before income tax and social contribution	8,967	7,096	5,791	1,871	26.4%	1,305	22.5%
Income tax and social contribution	(1,777)	(1,237)	(1,040)	(540)	43.7%	(197)	18.9%
Non-controlling interest in subsidiaries	(22)	(1)	(14)	(21)	2,100.0%	13	(92.9%)
Net income	7,168	5,858	4,737	1,310	22.4%	1,121	23.7%
Performance Measures (%)							
Efficiency Ratio	8.3	18.6	21.0				
Risk Adjusted Efficiency Ratio	8.3	17.8	19.7				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	-	-	-				
Total Assets	119,309	116,401	127,716				

The Activities with the Market and Corporation segment includes the result from the investment of our excess capital, costs from our excess subordinated debt and the net balance of tax assets and liabilities. It also includes the financial margin on market transactions, costs of treasury operations and equity in the earnings of companies that are not linked to any segments, as well as adjustments related to minority shareholdings in subsidiaries and our interest in Porto Seguro S.A.

In the year ended December 31, 2017, net income from Activities with the Market and Corporation increased by 22.4% from R\$5,858 million for the year ended December 31, 2016 to R\$7,168 million for the year ended December 31, 2017. This increase is a result of the increase of R\$1,244 million, or 13.4%, in interest margin from R\$9,264 million for the year ended December 31, 2016 to R\$10,508 million for the year ended December 31, 2017, mainly driven by higher results on transactions undertaken for purposes of asset and liability management, and the decrease of R\$785 million in non-interest expenses, from R\$1,616 million for the year ended December 31, 2016 to R\$831 million for the year ended December 31, 2017.

In the year ended December 31, 2016, net income from Activities with the Market and Corporation increased by 23.7% compared to the previous year as a result of an increase in interest margin of R\$1,751 million or 23.3% compared to the previous year.

Changes in cash flows

The following table sets forth the main variations in our cash flows for the years ended December 31, 2017, 2016 and 2015:

Changes in Cash Flows	(In millions of R\$)		
	For the Year Ended December 31,		
	2017	2016	2015
Net cash from (used in) operating activities	8,642	30,311	(34,459)
Net cash from (used in) investing activities	(3,838)	14,429	(361)
Net cash from (used in) financing activities	(16,922)	(22,329)	(8,529)
Net increase (decrease) in cash and cash equivalents	(12,118)	22,411	(43,350)

In the year ended December 31, 2017, the net decrease of R\$12,118 million in cash and cash equivalents was a result of (i) R\$8,642 million provided by operating activities, (ii) R\$3,838 million used in investing activities and (iii) R\$16,992 million used in financial activities.

Operating activities

In the year ended December 21, 2017, net cash provided by operating activities was R\$8,642 million as a result of the increase in deposits partially offset by changes in financial assets held for trading. There was also a decrease in securities purchased under agreements to resell and in other financial assets as compared to the year ended December 31, 2016. In the year ended December 31, 2016, net cash from operating activities was R\$30,311 million as a result of decreases in

securities purchased under agreements to resell, in other tax assets and by the decrease in loan operations and also a decrease in funds from interbank markets partially compensated by an increase in deposits received under securities repurchase agreements. Management believes cash flows from operations, available cash balances and funds from interbank markets will be sufficient to fund our operating liquidity needs for the coming years. In the year ended December 31, 2015, net cash used in operating activities was R\$34,459 million due to increases in financial assets held for trading, loan operations (as a result of the credit portfolio increases) and securities purchased under agreements to resell.

Investing activities

Investing activities includes available-for-sale assets, held-to-maturity assets, other receivables and investment securities. In the year ended December 31, 2017, the purchase of available-for-sale assets and the cash received on sale of available-for-sale financial assets were the main cause of the changes in our cash flow from investing activities. In the year ended December 31, 2016, the increase in cash from investing activities was related to CorpBanca's consolidation, as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016, and due to the cash received on the sale of available-for-sale financial assets. In 2015, the purchase of available-for-sale assets and purchase of held-to-maturity financial assets were the main cause for the outflows in our cash flow from investing activities.

Financing activities

In the year ended December 31, 2017 the changes in cash flows from financing activities were primarily a result of redemptions of our subordinated debt in institutional markets, dividends and interest on own capital paid and also the purchase of treasury shares in the amount of R\$3,089 million. These were partially offset by funding from institutional markets. In 2016 and in 2015 the changes in cash flows from financing activities were primarily a result of an increase in redemption of our subordinated debt in institutional markets. In the year ended December 31, 2016, we purchased R\$947 million in treasury shares compared to R\$3,324 million in treasury shares in the year ended December 31, 2015, which both generated cash outflows of the same amounts.

In the year ended December 31, 2017, we adopted a new practice to pay dividends and interest on capital of at least 35% of annual recurring net income. The total amount to be paid each year will be set forth by the Board of Directors, taking into account: (i) the Company's capitalization level, in accordance with the rules defined by BACEN; (ii) the minimum level, established by the Board of Directors, of 13.5% for Tier 1 capital; (iii) profitability for the year; (iv) the prospective use of capital in view of the expected business growth, share buyback program, mergers and acquisitions, and market and regulatory changes that might modify capital requirements; and (v) tax changes. Therefore, the percentage to be distributed may change every year based on the company's profitability and capital demands, but always considering the minimum distribution set forth in the Bylaws.

Liquidity and capital resources

Our board of directors determines our policy regarding liquidity risk management, and establishes broad quantitative liquidity risk management limits in line with our risk appetite. CSRML, composed of members of senior management, is responsible for strategic liquidity risk management in line with the board-approved liquidity risk framework and risk appetite. In establishing our guidelines, CSRML considers the liquidity implications of each market segment and product. The institutional treasury unit of Itaú Unibanco Holding is responsible for day-to-day management of the Itaú Unibanco Group's liquidity profile, within the parameters set by the Board of Directors and the CSRML. This includes an oversight responsibility with respect to all business units operating outside of Brazil.

We maintain separate liquidity pools at our Brazilian operations and at each of our subsidiaries in Latin America and Europe. Our Brazilian operations include the financial institutions in Brazil and the entities used by the Brazilian operations for funding and serving their clients abroad. Each subsidiary in Latin America (e.g., in Chile, Argentina, Uruguay, Colombia and Paraguay) and in Europe has its own treasury function with appropriate autonomy to manage liquidity according to local needs and regulations, while

remaining in compliance with the liquidity limits established by Itaú Unibanco Holding senior management. In general, there are rarely liquidity transfers between subsidiaries or between the head office and a subsidiary, except under very specific circumstances (e.g., targeted capital increases). Brazil, Argentina, United Kingdom and Colombia are the only countries in which we operate where local regulators have established minimum liquidity levels.

CMN regulations also establish capital conservation and countercyclical buffers for Brazilian financial institutions, and determines their minimum percentages as well as which sanctions and limitations will apply in case of non-compliance with such additional requirements.

We define our consolidated group operational liquidity reserve as the total amount of assets that can be rapidly turned into cash, based on local market practices and legal restrictions. The operational liquidity reserve generally includes: cash and deposits on demand, funded positions of securities purchased under agreements to resell and unencumbered government securities.

The following table presents our operational liquidity reserve as of December 31, 2017, 2016 and 2015:

	(In millions of R\$)			
Cash in Cash Flows	As of December 31,			2017 Average Balance ⁽¹⁾
	2017	2016	2015	
Cash and deposits on demand	18,749	18,542	18,544	19,861
Funded positions of securities purchased under agreements to resell ⁽²⁾	38,833	77,452	72,091	53,770
Unencumbered government securities	106,738	78,633	65,965	96,439
Operational reserve	164,320	174,627	156,600	170,069

(1) Average calculated based on interim financial statements.

(2) Net of R\$3,664 (R\$4,329 at 12/31/2016 and R\$9,461 at 12/31/2015), which securities are restricted to guarantee transactions at B3 S.A. - Brasil, Bolsa, Balcão (B3) and the Central Bank.

Management controls our liquidity reserves by projecting the resources that will be available for investment by our treasury department. The technique we employ involves the statistical projection of scenarios for our assets and liabilities, considering the liquidity profiles of our counterparties.

Short-term minimum liquidity limits are defined according to guidelines set by the CSRML. These limits aim to ensure that the Itaú Unibanco Group always has sufficient liquidity available to cover unforeseen market events. These limits are revised periodically, based on the projection of cash needs in atypical market situations (i.e., stress scenarios).

Management of liquidity makes it possible for us to simultaneously meet our operating requirements, protect

our capital and exploit market opportunities. Our strategy is to maintain adequate liquidity to meet our present and future financial obligations and to capitalize on business opportunities as they arise.

We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil. However, due to our stable sources of funding, which include a large deposit base, the large number of correspondent banks with which we have long-standing relationships, as well as facilities in place which enable us to access further funding when required, we have not historically experienced liquidity challenges, even during periods of disruption in the international financial markets.

(In millions of R\$, except percentages)

Average deposits and borrowings	For the Year Ended December 31,					
	2017		2016		2015	
	Average balance	% of total	Average balance	% of total	Average balance	% of total
Interest-bearing liabilities	1,016,569	82.7%	969,461	81.9%	875,904	81.2%
Interest-bearing deposits	287,398	23.4%	244,121	20.6%	236,314	21.9%
Savings deposits	110,411	9.0%	106,838	9.0%	114,500	10.6%
Interbank deposits	3,282	0.3%	7,304	0.6%	19,633	1.8%
Time deposits	173,705	14.1%	129,979	11.0%	102,182	9.5%
Securities sold under repurchase agreements	328,721	26.7%	339,416	28.7%	297,509	27.6%
Interbank market debt and Institutional market debt	229,179	18.6%	240,563	20.4%	219,463	20.3%
Interbank market debt	133,894	10.9%	144,968	12.2%	134,637	12.5%
Institutional market debt	95,284	7.8%	95,595	8.1%	84,826	7.9%
Reserves for insurance private pension and liabilities for capitalization plans	171,024	13.9%	144,387	12.2%	121,856	11.3%
Other Interest-bearing liabilities	248	0.0%	974	0.1%	761	0.1%
Non-interest-bearing liabilities	212,633	17.3%	214,024	18.1%	203,377	18.8%
Non-interest bearing deposits	61,844	5.0%	61,895	5.2%	54,148	5.0%
Derivatives	23,195	1.9%	29,752	2.5%	29,488	2.7%
Other non-interest bearing liabilities	127,594	10.4%	122,377	10.3%	119,740	11.1%
Total	1,229,203	100.0%	1,183,485	100.0%	1,079,280	100.0%

Our main sources of funding are interest-bearing deposits, deposits received under repurchase agreements, on-lending from government financial institutions, lines of credit with foreign banks and the issuance of securities abroad. Please refer to section Performance, item Consolidated Financial Statements, Note 17 – Deposits for further details about funding.

We may from time to time seek to retire or purchase our outstanding debt, including our subordinated notes (subject to the approval of the Central Bank), and senior notes, through cash purchases in the open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Notes repurchased may be held, cancelled or resold and any resale thereof will only be in compliance with applicable requirements or exemptions under the relevant securities laws.

Some of our long-term debt provides for acceleration of the outstanding principal balance upon the occurrence of specified events, which are events ordinarily found in long-term financing agreements. Up to December 31, 2017, none of these events, including any events of default or failure to satisfy financial covenants, have occurred.

Under Brazilian law, cash dividends may only be paid if the subsidiary paying such dividends has reported a profit in its financial statements. In addition, subsidiaries that are financial institutions are prohibited from making loans to Itaú Unibanco Holding, but they are allowed to make deposits in Itaú Unibanco Holding, which represent interbank certificates of deposit (CDI). These restrictions have not had, and are not expected to have, a material impact on our ability to meet our cash obligations.

Seasonality

Generally our retail banking and our credit card businesses have some seasonality, with increased levels of retail and credit card transactions during the Christmas season and a subsequent decrease at the beginning of the year. In addition, there is seasonality at the end of the year in our pension plan business, as there is a statutory requirement in Brazil that all employees receive equivalent of one month's extra salary at the end of the year. We also have some seasonality in our banking service fees related to collection services at the beginning of the year, which is when taxes and other fiscal contributions are generally paid.

Information on trends GRI 103-2 | 103-3 Innovation

We expect many factors to affect our future results of operations, liquidity and capital resources, including:

- The Brazilian economic environment (please refer to section Context, item Macroeconomic Context, Brazilian Context and section Our Risk Management, item Risk Factors, Macroeconomic Risks for further details);
- Legal and regulatory developments (please refer to section Context, item Macroeconomic Context, Brazilian Context, section Our Risk Management, item Regulatory Environment and section Our Risk Management, item Risk Factors, Legal and Regulatory Risks for further details);
- The effects of any ongoing international financial turmoil, including on the liquidity and capital required (please refer to section Context, item Macroeconomic Context, Global Context, section Our Risk Management, item Regulatory Environment and section Our Risk Management, item Risk Factors, Macroeconomic Risks for further details);



- The inflation effects on the result of our operations (please refer to section Context, item Macroeconomic Context, Brazilian Context and section Our Risk Management, item Risk Factors, Macroeconomic Risks, Inflation and fluctuations in interest rates may have a material adverse effect on us for further details);
- The effects of the variations in the value of the Brazilian *real*, foreign exchange rates and interest rates on our net interest income (please refer to section Performance, item Financial Performance, Results and section Our Risk Management, item Risk Factors, Macroeconomic Risks, for further details); and

- Any acquisitions we may make in the future (please refer to section Our Risk Management, item Risk Factors, The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us for further details).

As part of our strategy, we continue to review growth opportunities, both in Brazil and outside of Brazil. Additionally, please refer to section Our Risk Management, item Risk Factors for comments on the risks faced in our operations and that could affect our business, results of operations or financial condition.





Complete Financial Statements (IFRS)

The following financial statements, together with the report of the independent auditor, are part of this annual report:

Management's Report on Internal Control Over Financial Reporting	F-188
Report of Independent Registered Public Accounting Firm	F-189
Consolidated Balance Sheet as of December 31, 2017 and 2016	F-190
Consolidated Statement of Income for the years ended December 31, 2017, 2016 and 2015	F-192
Consolidated Statement of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015	F-193
Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2017, 2016 and 2015	F-194
Consolidated Statement of Cash Flows for the years ended December 31, 2017, 2016 and 2015	F-195
Notes to the Consolidated Financial Statements.....	F-197

Management's report on internal control over financial reporting

The management of Itaú Unibanco Holding S.A is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those controls determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or a decline in the level of compliance with policies or procedures may occur.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

In connection with the evaluation required by the Exchange Act Rule 13a-15(d), our management, concluded that the changes that occurred during the year ended December 31, 2017 have not materially affected, or are not reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

By: /s/ Candido Botelho Bracher
Name: Candido Botelho Bracher
Title: Chief Executive Officer

By: /s/ Caio Ibrahim David
Name: Caio Ibrahim David
Title: Chief Financial Officer

A signed original copy of this report has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Date: April 20, 2018



Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Itaú Unibanco Holding S.A.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Itaú Unibanco Holding S.A. and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers Auditores Independentes

São Paulo, Brazil

April 20, 2018

We have served as the Company's auditor since 2001.



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

Assets	Note	12/31/2017	12/31/2016
Cash and deposits on demand	4	18,749	18,542
Central Bank compulsory deposits	5	98,837	85,700
Interbank deposits	6	29,053	22,692
Securities purchased under agreements to resell	6	244,707	265,051
Financial assets held for trading	7a	270,121	204,648
Pledged as collateral		30,585	12,950
Other		239,536	191,698
Financial assets designated at fair value through profit or loss	7b	1,746	1,191
Derivatives	8 e 9	22,843	24,231
Available-for-sale financial assets	10	102,284	88,277
Pledged as collateral		33,671	17,435
Other		68,613	70,842
Held-to-maturity financial assets	11	36,560	40,495
Pledged as collateral		974	11,778
Other		35,586	28,717
Loan operations and lease operations portfolio, net	12	465,472	463,394
Loan operations and lease operations portfolio		493,367	490,366
(-) Allowance for loan and lease losses		(27,895)	(26,972)
Other financial assets	20a	59,568	53,917
Investments in associates and joint ventures	13	5,171	5,073
Goodwill	3	10,716	9,675
Fixed assets, net	15	7,359	8,042
Intangible assets, net	16	8,667	7,381
Tax assets		41,927	44,274
Income tax and social contribution - current		2,336	2,703
Income tax and social contribution - deferred	27b	33,547	37,395
Other		6,044	4,176
Assets held for sale	36.7	736	631
Other assets	20a	10,453	10,027
Total assets		1,434,969	1,353,241

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	12/31/2017	12/31/2016
Deposits	17	402,938	329,414
Securities sold under repurchase agreements	19a	312,634	349,164
Financial liabilities held for trading	18	465	519
Derivatives	8 and 9	26,746	24,698
Interbank market debt	19a	129,616	135,483
Institutional market debt	19b	98,482	96,239
Other financial liabilities	20b	77,613	71,832
Reserves for insurance and private pension	30c II	181,232	154,076
Liabilities for capitalization plans		3,301	3,147
Provisions	32	19,736	20,909
Tax liabilities		7,839	5,836
Income tax and social contribution - current		3,175	1,741
Income tax and social contribution - deferred	27b II	441	643
Other		4,223	3,452
Other liabilities	20b	26,361	27,110
Total liabilities		1,286,963	1,218,427
Capital	21a	97,148	97,148
Treasury shares	21a	(2,743)	(1,882)
Additional paid-in capital	21c	1,930	1,785
Appropriated reserves	21d	12,499	3,443
Unappropriated reserves	21e	28,365	25,362
Cumulative other comprehensive income		(2,359)	(3,274)
Total stockholders' equity attributed to the owners of the parent company		134,840	122,582
Non-controlling interests	21f	13,166	12,232
Total stockholders' equity		148,006	134,814
Total liabilities and stockholders' equity		1,434,969	1,353,241

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 Reals, except for number of shares and earnings per share information)

	Note	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Banking product		111,050	118,661	92,011
Interest and similar income	23a	144,690	161,495	147,789
Interest and similar expense	23b	(78,325)	(95,126)	(75,064)
Dividend income		301	288	98
Net gain (loss) on investment securities and derivatives	23c	3,175	7,311	(11,862)
Foreign exchange results and exchange variations on transactions		(250)	5,513	(6,353)
Banking service fees	24	34,448	31,918	29,452
Income related to insurance, private pension and capitalization operations before claim and selling expenses		5,252	5,880	6,672
Income related to insurance and private pension	30b III	26,914	24,849	22,634
Reinsurance Premiums	30b III	(38)	(94)	(89)
Change in reserves for insurance and private pension		(22,177)	(19,490)	(16,460)
Revenue from capitalization plans		553	615	587
Other income	25	1,759	1,382	1,279
Losses on loans and claims		(18,240)	(22,122)	(21,335)
Expenses for allowance for loan and lease losses	12b	(20,746)	(24,379)	(24,517)
Recovery of loans written-off as loss		3,698	3,742	4,779
Expenses for claims		(1,224)	(1,555)	(1,611)
Recovery of claims under reinsurance		32	70	14
Banking product net of losses on loans and claims		92,810	96,539	70,676
Other operating income (expenses)		(60,599)	(58,347)	(52,411)
General and administrative expenses	26	(54,118)	(50,904)	(47,626)
Tax expenses		(7,029)	(7,971)	(5,405)
Share of profit or (loss) in associates and joint ventures	13	548	528	620
Income before income tax and social contribution	27	32,211	38,192	18,265
Current income tax and social contribution		(4,539)	(3,898)	(8,965)
Deferred income tax and social contribution		(3,404)	(10,712)	16,856
Net income		24,268	23,582	26,156
Net income attributable to owners of the parent company	28	23,903	23,263	25,740
Net income (loss) attributable to non-controlling interests	21f	365	319	416
Earnings per share - basic	28			
Common		3.68	3.57	3.91
Preferred		3.68	3.57	3.91
Earnings per share - diluted	28			
Common		3.65	3.54	3.89
Preferred		3.65	3.54	3.89
Weighted average number of shares outstanding - basic	28			
Common		3,347,889,957	3,351,741,143	3,351,741,143
Preferred		3,156,020,074	3,171,215,661	3,228,881,081
Weighted average number of shares outstanding - diluted	28			
Common		3,347,889,957	3,351,741,143	3,351,741,143
Preferred		3,197,763,868	3,216,235,372	3,270,734,307

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	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income		24,268	23,582	26,156
Available-for-sale financial assets		765	2,040	(2,171)
Change in fair value		1,211	2,780	(6,518)
Income tax effect		(494)	(1,251)	2,659
(Gains) / losses transferred to income statement	23c	80	851	2,812
Income tax effect		(32)	(340)	(1,124)
Hedge		(571)	(697)	(1,739)
Cash flow hedge	9	(29)	(2,815)	1,148
Change in fair value		(86)	(5,041)	2,104
Income tax effect		57	2,226	(956)
Hedge of net investment in foreign operation	9	(542)	2,118	(2,887)
Change in fair value		(1,055)	3,760	(5,134)
Income tax effect		513	(1,642)	2,247
Remeasurements of liabilities for post-employment benefits ^(*)		(10)	(590)	(48)
Remeasurements	29	33	(1,048)	(68)
Income tax effect		(43)	458	20
Foreign exchange differences on foreign investments		731	(2,737)	3,099
Total comprehensive income		25,183	21,598	25,297
Comprehensive income attributable to non-controlling interests		365	319	416
Comprehensive income attributable to the owners of the parent company		24,818	21,279	24,881

^(*) 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 December 31, 2017, 2016 and 2015

(In millions of Reals)

	Attributed to owners of the parent company						Other comprehensive income				Total stockholders' equity – owners of the parent company	Total stockholders' equity – non-controlling interests	Total
	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⁾			
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	(3,025)	225	(7,445)	-	(8,207)	-	-	-	-	(8,304)	34	(8,270)
Capital increase - Statutory Reserve	10,148	-	-	(10,148)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options - exercised options	-	(3,025)	101	-	-	-	-	-	-	-	(2,924)	-	(2,924)
Granting of stock options – exercised options	-	299	45	-	-	-	-	-	-	-	344	-	344
Acquisition of treasury shares (Note 21a)	-	(3,324)	-	-	-	-	-	-	-	-	(3,324)	-	(3,324)
Granted options recognized	-	-	56	-	-	-	-	-	-	-	56	-	56
Share-based payment – variable compensation	-	-	124	-	-	-	-	-	-	-	124	-	124
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3a)	-	-	-	-	-	-	-	-	-	-	-	276	276
Dividends / Interest on capital – Special profit reserve (Note 21b)	-	-	-	2,703	-	(8,207)	-	-	-	-	(5,504)	(242)	(5,746)
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)	-	-	-	(639)	-	-	-	-	-	-	(639)	-	(639)
Other	-	-	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Total comprehensive income	-	-	-	-	-	25,740	(2,171)	(48)	3,099	(1,739)	24,881	416	25,297
Net income	-	-	-	-	-	25,740	-	-	-	-	25,740	416	26,156
Other comprehensive income for the period	-	-	-	-	-	-	(2,171)	(48)	3,099	(1,739)	(859)	-	(859)
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,054	-	(1,054)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	11,823	4,656	(16,479)	-	-	-	-	-	-	-
Balance at 12/31/2015	85,148	(4,353)	1,733	10,067	20,947	-	(2,771)	(225)	4,822	(3,116)	112,252	1,807	114,059
Change in the period	10,148	(3,025)	225	1,857	4,646	-	(2,171)	(48)	3,099	(1,739)	12,992	450	13,442
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	2,471	52	(9,620)	-	(11,574)	-	-	-	-	(6,671)	10,106	3,435
Capital increase - Statutory Reserve	12,000	-	-	(12,000)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options	-	2,471	39	(2,670)	-	-	-	-	-	-	(160)	-	(160)
Granting of stock options – exercised options	-	748	(17)	-	-	-	-	-	-	-	731	-	731
Acquisition of treasury shares (Note 21a)	-	(947)	-	-	-	-	-	-	-	-	(947)	-	(947)
Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	2,670	-	(2,670)	-	-	-	-	-	-	-	-	-
Granted options recognized	-	-	56	-	-	-	-	-	-	-	56	-	56
Share-based payment – variable compensation	-	-	13	-	-	-	-	-	-	-	13	-	13
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	10,199	10,199
Dividends and interest on capital - Statutory Reserve (Note 21b)	-	-	-	5,050	-	(11,574)	-	-	-	-	(6,524)	(93)	(6,617)
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)	-	-	-	(1,586)	-	-	-	-	-	-	(1,586)	-	(1,586)
Other	-	-	-	-	5	-	-	-	-	-	5	-	5
Total comprehensive income	-	-	-	-	-	23,263	2,040	(590)	(2,737)	(697)	21,279	319	21,598
Net income	-	-	-	-	-	23,263	-	-	-	-	23,263	319	23,582
Other comprehensive income for the period	-	-	-	-	-	-	2,040	(590)	(2,737)	(697)	(1,984)	-	(1,984)
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	943	-	(943)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	6,336	4,410	(10,746)	-	-	-	-	-	-	-
Balance at 12/31/2016	97,148	(1,882)	1,785	3,443	25,362	-	(731)	(815)	2,085	(3,813)	122,582	12,232	134,814
Change in the period	12,000	2,471	52	(6,624)	4,415	-	2,040	(590)	(2,737)	(697)	10,330	10,425	20,755
Balance at 01/01/2017	97,148	(1,882)	1,785	3,443	25,362	-	(731)	(815)	2,085	(3,813)	122,582	12,232	134,814
Transactions with owners	-	(861)	145	12,480	-	(19,201)	-	-	-	-	(7,437)	569	(6,868)
Treasury shares - granting of stock options	-	(861)	161	(1,178)	-	-	-	-	-	-	(1,878)	-	(1,878)
Granting of stock options – exercised options	-	1,050	64	-	-	-	-	-	-	-	1,114	-	1,114
Acquisition of treasury shares (Note 21a)	-	(3,089)	-	-	-	-	-	-	-	-	(3,089)	-	(3,089)
Cancellation of Shares – Meeting of the Board of Directors 12/15/2017	-	1,178	-	(1,178)	-	-	-	-	-	-	-	-	-
Granted options recognized	-	-	97	-	-	-	-	-	-	-	97	-	97
Share-based payment – variable compensation	-	-	(16)	-	-	-	-	-	-	-	(16)	-	(16)
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	914	914
Dividends / Interest on capital – Special profit reserve	-	-	-	13,658	-	(19,201)	-	-	-	-	(5,543)	(345)	(5,888)
Dividends / Interest on capital paid in 2017 - Year 2016 - Special profit reserve	-	-	-	(5,048)	-	-	-	-	-	-	(5,048)	-	(5,048)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(63)	-	-	-	-	-	-	(63)	-	(63)
Other	-	-	-	-	(12)	-	-	-	-	-	(12)	-	(12)
Total comprehensive income	-	-	-	-	-	23,903	765	(10)	731	(571)	24,818	365	25,183
Net income	-	-	-	-	-	23,903	-	-	-	-	23,903	365	24,268
Other comprehensive income for the period	-	-	-	-	-	-	765	(10)	731	(571)	915	-	915
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,055	-	(1,055)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	632	3,015	(3,647)	-	-	-	-	-	-	-
Balance at 12/31/2017	97,148	(2,743)	1,930	12,499	28,365	-	34	(825)	2,816	(4,384)	134,840	13,166	148,006
Change in the period	-	(861)	145	9,056	3,003	-	765	(10)	731	(571)	12,258	934	13,192

⁽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 Reals)

	Note	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Adjusted net income		83,366	97,507	56,881
Net income		24,268	23,582	26,156
Adjustments to net income:		59,098	73,925	30,725
Granted options recognized and share-based payment – variable compensation		81	69	180
Effects of changes in exchange rates on cash and cash equivalents		687	17,941	(9,681)
Expenses for allowance for loan and lease losses	12b	20,746	24,379	24,517
Interest and foreign exchange expense from operations with subordinated debt		4,714	942	15,409
Change in reserves for insurance and private pension		22,177	19,490	16,460
Revenue from capitalization plans		(553)	(615)	(587)
Depreciation and amortization	15 and 16	3,169	3,233	2,828
Interest expense from provision for contingent and legal liabilities		12,276	1,610	1,479
Provision for contingent and legal liabilities		685	4,246	3,948
Interest income related to escrow deposits		(344)	(383)	(285)
Deferred taxes (excluding hedge tax effects)	27b	5,101	4,172	(1,869)
Share of profit or (loss) in associates and joint ventures		(548)	(528)	(620)
(Gain) loss on available-for-sale securities	23c	80	851	2,812
Interest and foreign exchange income related to available-for-sale financial assets		(8,946)	(1,719)	(16,941)
Interest and foreign exchange income related to held-to-maturity financial assets		316	(185)	(6,821)
(Gain) loss on sale of assets held for sale	25 and 26	408	124	36
(Gain) loss on sale of investments	25 and 26	(218)	(69)	43
(Gain) loss on sale of fixed assets	25 and 26	(93)	(14)	11
Other		(640)	381	(194)
Change in assets and liabilities (*)		(74,724)	(67,196)	(91,340)
(Increase) decrease in assets		(98,134)	(30,405)	(149,459)
Interbank deposits		(4,040)	521	3,308
Securities purchased under agreements to resell		5,444	2,675	(88,250)
Compulsory deposits with the Central Bank of Brazil		(13,167)	(20,390)	(2,762)
Financial assets held for trading		(65,435)	(34,950)	(31,056)
Derivatives (assets / liabilities)		4,540	(4,047)	3,008
Financial assets designated at fair value through profit or loss		(555)	(655)	435
Loan operations		(11,786)	23,416	(28,103)
Other financial assets		3,352	881	2,476
Other tax assets		(2,545)	5,262	(15,037)
Other assets		(13,942)	(3,118)	6,522
(Decrease) increase in liabilities		23,410	(36,791)	58,119
Deposits		64,200	(18,136)	(16,696)
Deposits received under securities repurchase agreements		(36,623)	8,534	47,833
Financial liabilities held for trading		(54)	206	(434)
Funds from interbank markets		(7,428)	(27,017)	33,199
Other financial liabilities		3,009	1,915	(5,222)
Technical reserve for insurance and private pension		4,979	5,141	3,067
Liabilities for capitalization plans		707	718	621
Provisions		(2,761)	(2,993)	(2,005)
Tax liabilities		5,811	6,359	6,931
Other liabilities		(3,912)	(5,095)	(2,693)
Payment of income tax and social contribution		(4,518)	(6,423)	(6,482)
Net cash from (used in) operating activities		8,642	30,311	(34,459)
Interest on capital / dividends received from investments in associates and joint ventures		427	287	243
Cash received on sale of available-for-sale financial assets		18,707	18,760	12,214
Cash received from redemption of held-to-maturity financial assets		4,025	3,473	3,160
Cash upon sale of assets held for sale		201	336	123
Cash upon sale of investments in associates and joint ventures		223	69	(43)
Cash and cash equivalents, net assets and liabilities from Citibank acquisition		(245)	-	-
Cash and Cash equivalents, net of assets and liabilities arising from the merger with CorpBanca	3	-	5,869	-
Cash and cash equivalents, net of assets and liabilities from Recovery acquisition	3	-	(714)	-
Cash upon sale of fixed assets	15	204	109	104
Cash upon sale of intangible assets	16	26	10	69
Purchase of available-for-sale financial assets		(22,634)	(9,959)	(9,516)
Purchase of held-to-maturity financial assets		(406)	(1,363)	(4,090)
Purchase of investments in associates and joint ventures	13	(772)	(381)	-
Purchase of fixed assets	15	(943)	(991)	(1,466)
(Cash upon sale) Purchase of intangible assets	16	(2,651)	(1,076)	(1,158)
Net cash from (used in) investing activities		(3,838)	14,429	(361)
Funding from institutional markets		8,439	4,864	6,667
Redemptions in institutional markets		(13,573)	(18,198)	(5,242)
(Acquisition) / Disposal of interest of non-controlling stockholders		914	(1,013)	276
Granting of stock options – exercised options		1,114	731	344
Purchase of treasury shares		(3,089)	(947)	(3,324)
Dividends and interest on capital paid to non-controlling interests		(345)	(93)	(242)
Dividends and interest on capital paid		(10,382)	(7,673)	(7,008)
Net cash from (used in) financing activities		(16,922)	(22,329)	(8,529)
Net increase (decrease) in cash and cash equivalents	2.4c and 4	(12,118)	22,411	(43,350)
Cash and cash equivalents at the beginning of the period	4	96,119	91,649	125,318
Effects of changes in exchange rates on cash and cash equivalents		(687)	(17,941)	9,681
Cash and cash equivalents at the end of the period	4	83,314	96,119	91,649
Additional information on cash flow				
Interest received		139,895	168,708	136,277
Interest paid		71,456	79,227	58,436
Non-cash transactions				
Loans transferred to assets held for sale		-	-	-
Dividends and interest on capital declared and not yet paid		1,876	2,869	2,458

(*) 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)

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Income	172,327	193,150	147,337
Interest, similar income and other	147,916	174,607	129,672
Banking services	34,448	31,918	29,452
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,252	5,880	6,672
Result of loan losses	(17,048)	(20,637)	(19,738)
Other	1,759	1,382	1,279
Expenses	(87,981)	(104,771)	(86,175)
Interest, similar income and other	(78,325)	(95,126)	(75,064)
Other	(9,656)	(9,645)	(11,111)
Inputs purchased from third parties	(17,876)	(15,910)	(14,652)
Materials, energy and others	(758)	(738)	(798)
Third party services	(4,161)	(4,340)	(4,044)
Other	(12,957)	(10,832)	(9,810)
Data processing and telecommunications	(4,152)	(3,966)	(4,052)
Advertising, promotions and publication	(1,167)	(1,036)	(1,095)
Installations	(1,256)	(1,161)	(1,022)
Transportation	(339)	(391)	(411)
Security	(723)	(716)	(675)
Travel expenses	(214)	(199)	(212)
Other	(5,106)	(3,363)	(2,343)
Gross added value	66,470	72,469	46,510
Depreciation and amortization	(3,034)	(2,994)	(2,598)
Net added value produced by the company	63,436	69,475	43,912
Added value received through transfer	548	528	620
Total added value to be distributed	63,984	70,003	44,532
Distribution of added value	63,984	70,003	44,532
Personnel	20,925	20,321	17,609
Compensation	16,362	16,512	13,891
Benefits	3,713	2,983	2,914
FGTS – government severance pay fund	850	826	804
Taxes, fees and contributions	17,323	24,620	(522)
Federal	15,810	23,410	(1,661)
State	2	35	16
Municipal	1,511	1,175	1,123
Return on third parties' assets - Rent	1,468	1,480	1,289
Return on own assets	24,268	23,582	26,156
Dividends and interest on capital	19,201	11,574	8,207
Retained earnings (loss) for the period	4,702	11,689	17,533
Minority interest in retained earnings	365	319	416

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

ITAÚ UNIBANCO HOLDING S.A.**Notes to the Consolidated Financial Statements****At December 31, 2017 and December 31, 2016 for balance sheet accounts and****From January 1 to December 31, 2017, 2016 and 2015 for income statement accounts***(In millions of Reais, except information per share)***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, nº 100, in the city of São Paulo, state 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 February 05, 2018.



Note 2 – Significant accounting policies

2.1. Basis of preparation

The 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 issued by the International Accounting Standards Board (IASB).

In the preparation of these Consolidated Financial Statements, ITAÚ UNIBANCO HOLDING adopted the criteria for recognition, measurement and disclosure established in the IFRS and in 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).

The Cash flows of operating activities are calculated by 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 Consolidated Financial Statements is relevant and a faithful representation of the information used in the management of the ITAÚ UNIBANCO HOLDING.

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

a) Accounting standards applicable for period ended December 31, 2017

There were no new accounting pronouncements for the period ended December 31, 2017.

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 9 – Financial Instruments – The pronouncement replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 is applicable to all financial assets and liabilities and will be retrospectively adopted on the date the standard becomes effective, on January 1st, 2018. The new rule is structured to contemplate the pillars:
 - (I) Classification and measurement of financial assets: the classification of financial assets should depend on two criteria: the entity's business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets;
 - Business model: it is determined at a level that reflects how the groups of financial assets are jointly managed to achieve a specific commercial purpose and generate cash flows, not depending of the management's intention regarding an individual instrument. Accordingly, it represents whether cash flows will result from contractual cash flows, sale of financial assets or both; and
 - Characteristics of contractual cash flow of financial assets: identification of asset cash flows what constitute only payment of principal and interest, by applying the SPPI (Solely Payment Principal and Interest) test.
 - (II) Impairment: The new standard brings the concept of expected loss (including the use of prospective information) and classification in three phases. An asset will migrate from the phase of expected credit loss as the credit risk deteriorates. If, in a subsequent period, the quality of a financial asset improves or the significant increase in the previously identified credit risk is reverse, the financial asset may return to phase 1, unless it is a financial asset originated with credit recovery issues.

- Phase 1 – Credit losses expected for 12 months: represented possible default events within 12 months. Applicable to financial assets without significant increase in credit risk and no credit recovery issues in origination;
- Phase 2 – Permanent credit losses expected over the life of the financial instrument: resulting from all possible default events. Applicable to financial assets with a significant increase in credit risk, but which were not originated with recovery issues.
- Phase 3 – Permanent credit losses expected for assets with credit recovery problems: resulting from all possible default events. Applicable to financial assets considered with credit recovery issues due to the occurrence of one or more events that negatively affect the estimated future cash flows for this asset. Financial assets that are not originated with recovery issues, but that subsequently had recovery issues, differ from phase 2 due to the recognition of interest income by applying the effective interest rate at amortized cost (net of provision) rather than the gross carrying amount.

(III) Hedge accounting: The hedge accounting requirements are closed aligned with risk management and should be applied on a prospective basis. ITAÚ UNIBANCO HOLDING will continue applying all requirements for hedge accounting set forth in IAS 39, as permitted by IFRS 9.

ITAÚ UNIBANCO HOLDING conducted simulations during the second half of 2017 for better understanding of the potential effect of the new accounting standard. The transition to IFRS 9 will cause, according to the best estimates, a reduction not higher than 3.00% in stockholder's equity, net of tax effects.

The transition impacts are based on the best estimates on the reporting date and adjustments identified will be recognized in retained earnings on the transition date, directly affecting the stockholders' equity.

The adoption of the new standard shall not bring regulatory or prudential impacts – including capital – on ITAÚ UNIBANCO HOLDING, since these limits are calculated based on Prudential Consolidated, which is prepared according to the standards and generally accepted accounting principles in Brazil applicable to institutions authorized to operate by BACEN.

- IFRS 15 – Revenue from Contracts with Customers: The pronouncement replaces IAS 18 – Revenue and IAS 11– Construction Contracts, as well as respective interpretations (IFRICs 13, 15 and 18). It requires that the recognition of revenue reflect the transfer of goods or services to the client. This standard is effective for the years beginning January 1st, 2018 and there are no impacts for the Consolidated Financial Statements of ITAÚ UNIBANCO HOLDING.
- 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 1st, 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 17 – Insurance Contracts: The pronouncement replaces IFRS 4 – Insurance Contracts and presents three approaches for assessment of insurance contracts:
 - General Model: applicable to all contracts, particularly the long-term contracts;
 - Premium Allocation Approach (PAA): applicable to contracts which term is up to 12 months and with modestly complex cash flows. It is simpler than the standard model; however, it can be used only when it produces results similar to those that would be obtained if the standard model was used;
 - Variable Fee Approach: approach specific for contracts with participation in the result of investments.

Insurance contracts should be recognized based on the analysis of four components:

- Expected Future Cash Flows: estimate of all components of cash flow of the contract, considering inflows and outflows;
- Risk Adjustment: estimate of offset required by deviations that may occur between cash flows;
- Contractual Margin: difference between any amounts received before the beginning of the contract coverage and present value of cash flows estimated in the beginning of the contract;
- Discount: projected cash flows should be discounted at present value, to reflect the time value of money, at rates that reflect the characteristics of respective flows.

This standard is effective for annual periods beginning on January 1st, 2021. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

- Amendment to IFRS 4 – Insurance Contracts – Joint application of IFRS 9: The amendment enables entities that are issuers of insurance contracts to mitigate possible impacts of the adoption of IFRS 9 – Financial Instruments before the effectiveness of IFRS 17 – Insurance Contracts, through two options:
 - Temporary exemption: adoption of IFRS 9 together with IFRS 17, i.e., as from January 2021. This option is applicable only to entities with significant insurance activities (over 80% of total liabilities) and that have not applied IFRS 9 in advance;
 - Overlay approach: adoption of IFRS 9, however, for assets reclassified to the category Fair Value through Profit or Loss, transferring the effects of the adoption of IFRS 9 from Income for the Period to Other Comprehensive Income until the effectiveness of IFRS 17.

Liabilities related to insurance contracts are not representative as compared to total liabilities of ITAÚ UNIBANCO HOLDING.

In 2018, ITAÚ UNIBANCO HOLDING will adopt IFRS 9 for all financial assets of insurance entities, and, therefore, will not use the aforementioned options.

- 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 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 2.4d X). 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.

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

b) Deferred income tax and social contribution

As explained in Note 2.4k, 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 presented 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 departments 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, however, 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 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. 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 goodwill is submitted to the impairment test and, at December 31, 2017 and 2016, ITAÚ UNIBANCO HOLDING did not identify goodwill impairment losses.



2.4. Summary of main accounting practices

a) Consolidation

I. Subsidiaries

In accordance with IFRS 10 - Consolidated Financial Statements, 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.





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 12/31/2017 and 12/31/2016.

		Functional currency	Incorporation country	Activity	Interest in voting capital at		Interest in total capital at	
					12/31/2017	12/31/2016	12/31/2017	12/31/2016
Domestic								
Banco Itaú BBA S.A.			Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Consignado S.A.			Brazil	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%
Itaseg Seguradora S.A. (¹)			Brazil	Insurance	99.99%	99.99%	99.99%	99.99%
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. Sociedade de Crédito, Financiamento e Investimento			Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Redecard S.A.			Brazil	Acquirer	100.00%	100.00%	100.00%	100.00%
Foreing								
Itaú Corpbanca Colombia S.A.	(Note 3)	Colombian peso	Colombia	Financial institution	23.90%	23.67%	23.90%	23.67%
Banco Itaú (Suisse) SA		Swiss franc	Switzerland	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Argentina S.A.		Argentinian peso	Argentina	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Paraguay S.A.		Guarani	Paraguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Uruguay S.A.		Uruguayan peso	Uruguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau Bank, Ltd.		Real	Cayman Islands	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA Colombia S.A. Corporacion Financiera		Colombian peso	Colombia	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau BBA International plc		Dollar	United Kingdom	Financial institution	100.00%	100.00%	100.00%	100.00%
Itau BBA USA Securities Inc.		Real	United States	Broker	100.00%	100.00%	100.00%	100.00%
Itaú CorpBanca	(Note 3)	Chilean peso	Chile	Financial institution	36.06%	35.71%	36.06%	35.71%

(*) New company name of Itaú BMG Seguradora S.A.

ITAÚ UNIBANCO HOLDING is committed to maintaining the minimum capital required by all these joint ventures, noteworthy is that for all Financeira Itaú CBD S.A Crédito, Financiamento e Investimento (FIC) 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 – Business Combinations, a business is defined as an integrated set of activities and assets that is conducted and managed so to provide a return to investors, cost reduction or other economic benefits, and it should be recorded when a business is acquired. In general, a business consists of an integrated set of activities and assets that may be conducted and managed so as to provide a direct return, as dividends, lower costs or other economic benefits, to investors or other stockholders, members or participants. There is goodwill in a set of activities and transferred assets, it 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 2.4h. 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 Reals, 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 Effects of Changes in Foreign Exchange Rates.

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.

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) Financial Assets and Liabilities

In accordance with IAS 39 - Financial instruments: Recognition and Measurement, Financial Assets and Liabilities, including derivative financial instruments, should be recognized in the Balance Sheet, and measured in accordance with the category in which the instrument was classified.

Financial assets and liabilities may be classified as follows:

Categories	Recognition and Measurement
<ul style="list-style-type: none"> Financial assets and liabilities at fair value through profit or loss – held for trading 	<ul style="list-style-type: none"> Initial 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.
<ul style="list-style-type: none"> Financial assets and liabilities at fair value through profit or loss – designated at fair value 	
<ul style="list-style-type: none"> Available-for-sale financial assets (*) 	<ul style="list-style-type: none"> Initial and subsequently recognized 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.
<ul style="list-style-type: none"> Held-to-maturity financial assets (*) 	<ul style="list-style-type: none"> Initially recognized at fair value plus transaction costs; Subsequently measured at amortized cost, using the effective interest rate method.
<ul style="list-style-type: none"> Loans and receivables 	
<ul style="list-style-type: none"> Financial liabilities at amortized cost 	

(*) Interest, including the amortization of premiums and discounts, is recognized in the Consolidated Statement of income under Interest and similar income.

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

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

Interest and similar income and expense are recognized in the Consolidated Statement of Income, in Interest and similar income and Interest and similar expense, respectively.

ITAÚ UNIBANCO HOLDING classifies as loans and receivables and financial liabilities at amortized cost the following Balance Sheet headings:

Loans and receivables	Financial liabilities at amortized cost
<ul style="list-style-type: none"> Central Banks compulsory deposits (Note 2.4dI and Note 5); Interbank deposits (Note 6); Securities purchased under agreements to resell (Note 2.4dII and Note 6); Loan operations (Note 2.4dVIII and Note 12); and Other financial assets (Note 20a). 	<ul style="list-style-type: none"> Deposits (Note 17); Securities sold under repurchase agreements (Note 2.4dII and Note 19a); Funds from interbank markets (Note 19a); Funds from institutional markets (Note 19b); Liabilities for capitalization plans; and Other financial liabilities (Note 20b).

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 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 intention to settle them on a net basis, or simultaneously realize the asset and settle the liability.

I – 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.

II – Securities purchased under agreements to resell

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 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.

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.

III -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.

IV -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.

V- Derivatives

All derivatives are recorded as assets when the fair value is positive and as liabilities when the fair value is 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 the derivative expires or is sold or the hedge no longer meets the accounting hedge criteria or the entity revokes the designation, 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

The 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 disposal of the investment in the foreign operation.

VI - 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.

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 Investments in Securities and Derivatives – Available-for-sale financial assets. Dividends on available-for-sale assets are recognized in the Consolidated Statement of Income as Dividend Income when it is probable that ITAÚ UNIBANCO HOLDING is entitled to receive such dividends and inflow of economic benefits.

VII- 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.

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

VIII- Loan operations

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.

IX - 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.

X- 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, ITAÚ UNIBANCO HOLDING used methodologies are 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 inside and 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.

e) 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

ITAÚ UNIBANCO HOLDING reviews the nature of its joint business to assess whether it has joint operations and joint ventures. Joint ventures are recognized by the equity method in conformity with the requirements of IFRS 11 – Joint Arrangements.

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.

f) 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.

g) Fixed assets

According to IAS 16 – Property, Plant and Equipment, fixed assets are recognized at cost of acquisition less accumulated depreciation, and adjusted for impairment, if applicable. Depreciation is calculated using the straight-line method and rates based on the estimated useful lives of these assets. These rates and other information 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.

h) Goodwill

In accordance with IFRS 3 – 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 – Impairment of assets, 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).

i) 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 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.

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.

j) Assets held for sale

Assets held for sale are recognized in the balance sheet when they are actually repurchased 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.

k) 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 carry forwards 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:

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 15.00% to 20.00% 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 9.00%.

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%.

I) 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. 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.

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

Contracts that contemplate retirement benefits after an accumulation period (known as PGDL, VGDL 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. ITAÚ UNIBANCO HOLDING conducts the liability adequacy test under IFRS by adopting current actuarial assumptions for future cash flows of all insurance contracts in force at 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 30f.

m) 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.

n) 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 – “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. Defined benefit obligations are calculated on a yearly basis by an independent actuarial advisor based on the projected unit credit method. 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, as well as the effects of changes in these assumptions. Gains and losses 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.

Likewise the defined benefit pension plans, 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.



o) 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.

p) 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, based on the best estimate, if 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, a provision will be recognized for such amount.

q) Provisions, contingent assets and contingent liabilities

Provisions, contingent assets and contingent liabilities are assessed, recognized and disclosed in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Contingent assets and liabilities are potential rights and obligations arising from past events for which materialization depends on uncertain 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.

r) 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.

s) 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.

t) 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.

u) 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.

**v) 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.

w) 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

Citibank's Retail Operations

On October 08, 2016, ITAÚ UNIBANCO HOLDING entered, by means of its subsidiaries Itaú Unibanco S.A. (ITAÚ UNIBANCO) and Itaú Corretora de Valores S.A., 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 banking 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\$ 628.

The operation was structured in three phases:

- i. Acquisition of retail operations, cards and insurance brokerage on October 31, 2017;
- ii. Acquisition of securities brokerage on December 1st, 2017;
- iii. Acquisition of ownership interest in TECBAN and CIBRASEC on December 26, 2017.

The difference between the amount paid and net assets acquired resulted in the recognition of goodwill due to expected future profitability on the acquisition date of R\$ 631.

Gestora de Inteligência de Crédito S.A.

On January 21, 2016, o ITAÚ UNIBANCO HOLDING, through its subsidiary ITAÚ UNIBANCO, executing a non-binding Memorandum of Understanding with Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander S.A. and Caixa Econômica Federal, aiming at the creation of a credit intelligence bureau that will develop a databank with the purpose of aggregating, reconciling and addressing master file and credit data of individuals and legal entities.

Gestora de Inteligência de Crédito S.A., located in the city of São Paulo, was organized as a corporation, and each of its shareholders will have a 20% interest in its capital.

After compliance with conditions precedent and approval by proper regulatory authorities, the operation was closed on June 14, 2017. Ownership interest acquired will be assessed under the Equity Method.

Banco Itaú BMG Consignado S.A.

On September 29, 2016, ITAÚ UNIBANCO HOLDING, through its subsidiary ITAÚ UNIBANCO, entered into a purchase and sale agreement with Banco BMG S.A. (BMG) for acquisition of a 40% interest in the capital of Banco Itaú BMG Consignado S.A. (ITAÚ BMG CONSIGNADO), corresponding to BMG's total interest in ITAÚ BMG CONSIGNADO, for the amount of R\$ 1,460, and now holds 100% of ITAÚ BMG CONSIGNADO.

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.

After compliance with conditions precedent and approval by proper regulatory authorities, the transaction was closed on December 28, 2016.

Currently, Itaú Consignado S.A. (current corporate name of ITAÚ BMG CONSIGNADO) is controlled by ITAÚ UNIBANCO HOLDING.

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. (CONNECTCAR) for the amount of R\$ 170.

CONNECTCAR, 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. 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 2.4e II).

Recovery do Brasil Consultoria S.A.

At December 31, 2015, ITAÚ UNIBANCO HOLDING, through its subsidiary ITAÚ UNIBANCO, entered into an agreement for purchase and sale and other covenants with Banco BTG Pactual S.A. (BTG) and with Misben S.A. to acquire 89.08% of interest in the capital stock of Recovery do Brasil Consultoria S.A. (RECOVERY), corresponding to the total interest of the parties in RECOVERY, for R\$ 735.

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 a 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 difference between the amount paid and the net assets at fair value has given rise to the recognition of goodwill from expected future profitability.

Purchase price	735
(-) Fair value of assets and liabilities identified	(74)
(-) Intangible assets to be amortized	(20)
(=) Goodwill	641

On July 7, 2016, ITAÚ UNIBANCO HOLDING, through its subsidiary ITAÚ UNIBANCO, acquired from International Finance Corporation, a 6.92% additional interest, for the amount of R\$ 59 and now holds 96% of RECOVERY's capital.

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 (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, in 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 1st, 2016, when they had full conditions for the corporate reorganization process.

The operation was consummated by means of:

- i. Increase in BIC's capital in the amount of R\$ 2,309 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 is controlled as of April 1st, 2016 by ITAÚ UNIBANCO HOLDING. On the same date, ITAÚ 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 ITAÚ CORPBANCA's shares listed on the Santiago Stock Exchange.

The consideration transferred resulted in goodwill for future expected profitability of R\$ 6,928. Additionally, a goodwill of R\$ 692 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	(1,946)
Net assets assumed at fair value	3,590

In the year after the acquisition, adjustments are made to the amounts presented to reflect any new information obtained on existing facts upon the operation closing, in conformity with IFRS 3 – Business Combinations.

Contingent liabilities have not been recorded due to the acquisition.

ITAÚ UNIBANCO HOLDING, through its subsidiary ITB Holding Brasil Participações Ltda., indirectly acquired the following additional interests in the capital of ITAÚ CORPBANCA:

- On October 26, 2016 – 10,908,002,836 shares (2.13%) for the amount of R\$ 288.1, then holding 35.71%; and
- On September 15, 2017 – 1,800,000,000 shares (0.35%) for the amount of R\$ 55.6, then holding 36.06%.

The possibility of these acquisitions were set forth in ITAÚ CORPBANCA's shareholders agreement, entered into between ITAÚ UNIBANCO HOLDING and CORP GROUP and affiliated companies on April 1st, 2016.

MaxiPago Serviços de Internet Ltda.

On September 3, 2014, ITAÚ UNIBANCO HOLDING, through its subsidiary REDE entered into a share and purchase agreement with the controlling shareholders of MaxiPago Serviços de Internet Ltda. (MAXIPAGO), 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 in the recognition of goodwill due to expected future profitability.

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

In the second semester of 2016, ITAÚ UNIBANCO HOLDING, through its subsidiary REDE, increased the capital of MAXIPAGO by 21.98% and acquired additional interest ownership of 3.02%, for of R\$ 2, and now holds 100% of MAXIPAGO's capital stock.



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:

	12/31/2017	12/31/2016
Cash and deposits on demand	18,749	18,542
Interbank deposits	15,327	13,358
Securities purchased under agreements to resell	49,238	64,219
Total	83,314	96,119

Amounts related to interbank deposits and securities purchased under agreements to resell not included in cash equivalents are R\$ 13,726 (R\$ 9,334 at 12/31/2016) and R\$ 195,469 (R\$ 200,832 at 12/31/2016), respectively.

Note 5 - Central Bank compulsory deposits

	12/31/2017	12/31/2016
Non-interest bearing deposits	4,790	3,002
Interest-bearing deposits	94,047	82,698
Total	98,837	85,700

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

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits ⁽²⁾	28,039	1,014	29,053	21,503	1,189	22,692
Securities purchased under agreements to resell ⁽¹⁾	244,511	196	244,707	264,740	311	265,051
Total	272,550	1,210	273,760	286,243	1,500	287,743

(1) The amounts of R\$ 3,664 (R\$ 4,329 at 12/31/2016) are pledged in guarantee of operations on B3 S.A. - Brasil, Bolsa, Balcão (B3) and Central Bank and the amounts of R\$ 185,305 (R\$ 178,070 at 12/31/2016) are pledged in guarantee of repurchase agreement transactions, in conformity with the policies described in Note 2.4d.

(2) Includes R\$ 6,689 related to Compulsory Deposits with Central Banks of other countries.

**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:

	12/31/2017			12/31/2016		
	Cost	Accumulated gain / (loss) reflected in income	Fair value	Cost	Accumulated gain / (loss) reflected in income	Fair value
Investment funds	3,211	1	3,212	1,170	3	1,173
Brazilian government securities ^(1a)	230,189	378	230,567	159,602	422	160,024
Brazilian external debt bonds ^(1b)	3,148	62	3,210	5,275	50	5,325
Government securities – abroad ^(1c)	3,942	33	3,975	3,714	21	3,735
Argentina	1,446	20	1,466	634	17	651
Chile	50	1	51	126	1	127
Colombia	2,080	12	2,092	2,666	3	2,669
United States	100	-	100	78	-	78
Mexico	5	-	5	6	-	6
Paraguay	6	-	6	88	-	88
Uruguay	222	-	222	32	-	32
Other	33	-	33	84	-	84
Corporate securities ^(1d)	29,286	(129)	29,157	34,425	(34)	34,391
Shares	3,969	(206)	3,763	2,598	(107)	2,491
Bank deposit certificates	347	-	347	1,824	-	1,824
Securitized real estate loans	66	(1)	65	-	-	-
Debentures	3,181	77	3,258	3,129	61	3,190
Eurobonds and other	633	1	634	654	8	662
Financial credit bills	20,612	-	20,612	25,893	-	25,893
Promissory notes	391	-	391	-	-	-
Other	87	-	87	327	4	331
Total ⁽²⁾	269,776	345	270,121	204,186	462	204,648

(1) Assets held for trading pledged as collateral of funding transactions of financial institutions and clients were: a) R\$ 29,002 (R\$ 7,696 at 12/31/2016), b) R\$ 1,508 (R\$ 4,045 at 12/31/2016), c) R\$ 46 (R\$ 1,183 at 12/31/2016) and d) R\$ 28 (R\$ 26 at 12/31/2016), totaling R\$ 30,585 (R\$ 12,950 at 12/31/2016);

(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:

	12/31/2017		12/31/2016	
	Cost	Fair value	Cost	Fair value
Current	48,533	48,411	34,302	34,206
Non-stated maturity	2,671	4,703	3,356	3,206
Up to one year	45,862	43,708	30,946	31,000
Non-current	221,243	221,710	169,884	170,442
From one to five years	168,301	168,558	117,748	118,050
From five to ten years	44,025	44,246	42,135	42,284
After ten years	8,917	8,906	10,001	10,108
Total	269,776	270,121	204,186	204,648

Financial assets held for trading include assets with a fair value of R\$ 169,178 (R\$ 142,081 at 12/31/2016) 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:

	12/31/2017		
	Cost	Accumulated gain / (loss) reflected in income	Fair value
Brazilian external debt bonds	1,670	76	1,746
Total	1,670	76	1,746

	12/31/2016		
	Cost	Accumulated gain/(loss) reflected in income	Fair value
Brazilian external debt bonds	1,183	8	1,191
Total	1,183	8	1,191

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

	12/31/2017		12/31/2016	
	Cost	Fair value	Cost	Fair value
Current	1,006	1,041	1,183	1,191
Up to one year	1,006	1,041	1,183	1,191
Non-current	664	705	-	-
From one to five years	664	705	-	-
Total	1,670	1,746	1,183	1,191

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\$ 18,284 (R\$ 12,246 at 12/31/2016) 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
	12/31/2017	12/31/2017	12/31/2017	12/31/2017
Futures contracts ^(*)	607,980	8	150	158
Purchase commitments	323,102	(4)	137	133
Commodities	187	-	-	-
Indices	109,501	(34)	(16)	(50)
Interbank market	166,833	30	-	30
Foreign currency	28,514	-	153	153
Securities	18,067	-	-	-
Commitments to sell	284,878	12	13	25
Commodities	168	-	-	-
Indices	128,147	67	11	78
Interbank market	118,186	(56)	-	(56)
Foreign currency	26,646	1	-	1
Fixed rate	505	-	2	2
Securities	11,218	-	-	-
Other	8	-	-	-
Swap contracts		(4,770)	268	(4,502)
Asset position	585,574	3,630	5,560	9,190
Indices	228,406	(1,132)	2,595	1,463
Interbank market	48,752	670	(72)	598
Foreign currency	10,145	693	245	938
Floating rate	44,400	(48)	1,135	1,087
Fixed rate	253,854	3,447	1,656	5,103
Securities	4	-	1	1
Other	13	-	-	-
Liability position	590,344	(8,400)	(5,292)	(13,692)
Indices	197,597	(432)	(4,141)	(4,573)
Interbank market	38,398	(293)	15	(278)
Foreign currency	19,289	(596)	(12)	(608)
Floating rate	42,690	(36)	(1,208)	(1,244)
Fixed rate	292,333	(7,043)	54	(6,989)
Other	37	-	-	-
Option contracts	1,847,829	452	92	544
Purchase commitments – long position	245,514	1,256	392	1,648
Commodities	367	11	18	29
Indices	178,839	295	(26)	269
Interbank market	26,484	37	11	48
Foreign currency	31,818	647	(201)	446
Fixed rate	20	3	-	3
Securities	7,902	254	570	824
Other	84	9	20	29
Commitments to sell – long position	736,856	1,457	232	1,689
Commodities	269	4	(1)	3
Indices	691,934	495	241	736
Interbank market	11,623	21	96	117
Foreign currency	24,134	679	(150)	529
Fixed rate	129	6	(5)	1
Securities	8,753	252	51	303
Other	14	-	-	-
Purchase commitments – short position	88,688	(1,008)	(229)	(1,237)
Commodities	278	(6)	(14)	(20)
Indices	30,554	(168)	22	(146)
Interbank market	23,574	(31)	31	-
Foreign currency	27,774	(719)	247	(472)
Fixed rate	77	(2)	-	(2)
Securities	6,347	(73)	(495)	(568)
Other	84	(9)	(20)	(29)
Commitments to sell – short position	776,771	(1,253)	(303)	(1,556)
Commodities	222	(8)	4	(4)
Indices	737,942	(505)	(249)	(754)
Interbank market	8,722	(18)	(86)	(104)
Foreign currency	23,833	(549)	104	(445)
Fixed rate	41	(1)	1	-
Securities	5,998	(172)	(77)	(249)
Other	13	-	-	-

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2017	12/31/2017	12/31/2017	12/31/2017
Forward operations (onshore)	9,954	639	-	639
Purchases receivable	1,654	1,861	-	1,861
Floating rate	499	499	-	499
Fixed rate	1,130	1,337	-	1,337
Securities	25	25	-	25
Purchases payable	-	(1,644)	-	(1,644)
Floating rate	-	(499)	-	(499)
Fixed rate	-	(1,145)	-	(1,145)
Sales receivable	737	5,049	1	5,050
Indices	31	31	-	31
Floating rate	-	1,873	-	1,873
Fixed rate	-	2,447	-	2,447
Securities	706	698	1	699
Sales deliverable	7,563	(4,627)	(1)	(4,628)
Interbank market	3,261	-	-	-
Floating rate	1,874	(1,873)	(1)	(1,874)
Fixed rate	2,428	(2,754)	-	(2,754)
Credit derivatives	10,110	(30)	109	79
Asset position	5,831	38	99	137
Indices	6	1	-	1
Foreign currency	3,588	15	28	43
Fixed rate	89	-	2	2
Securities	1,744	20	59	79
Other	404	2	10	12
Liability position	4,279	(68)	10	(58)
Indices	761	(7)	(1)	(8)
Foreign currency	2,582	(40)	9	(31)
Securities	765	(20)	4	(16)
Other	171	(1)	(2)	(3)
NDF - Non Deliverable Forward	252,628	(948)	153	(795)
Asset position	119,312	2,781	169	2,950
Commodities	81	6	1	7
Indices	1	-	-	-
Foreign currency	119,230	2,775	168	2,943
Liability position	133,316	(3,729)	(16)	(3,745)
Commodities	175	(14)	-	(14)
Indices	249	(6)	-	(6)
Foreign currency	132,880	(3,708)	(16)	(3,724)
Securities	12	(1)	-	(1)
Check of swap	955	(73)	19	(54)
Asset position - Foreign currency	514	-	68	68
Liability position - Interbank market	441	(73)	(49)	(122)
Other derivative financial instruments	4,225	90	(62)	28
Asset position	2,464	100	(8)	92
Foreign currency	126	-	2	2
Fixed rate	1,792	99	(18)	81
Securities	388	1	5	6
Other	158	-	3	3
Liability position	1,761	(10)	(54)	(64)
Foreign currency	35	(7)	5	(2)
Fixed rate	83	(1)	(2)	(3)
Securities	1,285	(2)	(47)	(49)
Other	358	-	(10)	(10)
Asset	16,180	6,663	22,843	
Liability	(20,812)	(5,934)	(26,746)	
Total	(4,632)	729	(3,903)	

Derivative contracts mature as follows (in days):

Off-balance sheet – notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2017
Futures contracts	187,771	152,660	87,819	179,730	607,980
Swaps contracts - difference payable	29,734	96,849	86,922	368,439	581,944
Options	418,679	290,491	457,164	681,495	1,847,829
Forwards (onshore)	6,997	1,933	1,024	-	9,954
Credit derivatives	-	510	1,230	8,370	10,110
NDF - Non Deliverable Forward	63,446	136,650	39,109	13,423	252,628
Check of swap	-	293	-	662	955
Other derivative financial instruments	-	474	851	2,900	4,225

(*) The book value of futures considers only the amount payable or receivable related to the last day of the quarter.

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
	12/31/2016	12/31/2016	12/31/2016	12/31/2016
Futures contracts (*)	666,927	61	66	127
Purchase commitments	200,752	(237)	86	(151)
Commodities	147	-	-	-
Indices	47,295	(213)	3	(210)
Interbank market	109,649	1	-	1
Foreign currency	31,141	(25)	83	58
Securities	12,520	-	-	-
Commitments to sell	466,175	298	(20)	278
Commodities	284	-	-	-
Indices	169,930	306	(1)	305
Interbank market	213,991	(11)	1	(10)
Foreign currency	70,719	3	(22)	(19)
Fixed rate	941	-	2	2
Securities	10,275	-	-	-
Other	35	-	-	-
Swap contracts		(4,446)	1,767	(2,679)
Asset position	471,221	6,602	3,940	10,542
Commodities	5	-	-	-
Indices	196,505	794	456	1,250
Interbank market	47,210	1,897	7	1,904
Foreign currency	13,582	1,136	(1)	1,135
Floating rate	38,262	(21)	1,471	1,450
Fixed rate	175,609	2,795	2,007	4,802
Securities	12	-	-	-
Other	36	1	-	1
Liability position	475,667	(11,048)	(2,173)	(13,221)
Commodities	131	-	-	-
Indices	147,560	(2,729)	(2,115)	(4,844)
Interbank market	36,554	(328)	(68)	(396)
Foreign currency	21,156	(915)	17	(898)
Floating rate	36,438	(140)	(1,204)	(1,344)
Fixed rate	233,780	(6,926)	1,195	(5,731)
Securities	20	(10)	2	(8)
Other	28	-	-	-
Option contracts	583,527	(2,108)	2,348	240
Purchase commitments – long position	163,069	1,490	(625)	865
Commodities	404	16	1	17
Indices	99,978	111	(8)	103
Interbank market	1,247	1	20	21
Foreign currency	45,106	1,205	(835)	370
Fixed rate	11	-	-	-
Securities	16,254	150	187	337
Other	69	7	10	17
Commitments to sell – long position	142,234	1,713	2,214	3,927
Commodities	162	4	5	9
Indices	92,088	106	(9)	97
Interbank market	7,533	6	(2)	4
Foreign currency	33,078	1,348	2,101	3,449
Fixed rate	145	6	(3)	3
Securities	9,211	243	122	365
Other	17	-	-	-
Purchase commitments – short position	129,392	(2,674)	1,721	(953)
Commodities	239	(3)	(8)	(11)
Indices	83,283	(161)	29	(132)
Interbank market	95	-	-	-
Foreign currency	39,900	(2,447)	1,875	(572)
Fixed rate	94	(1)	-	(1)
Securities	5,599	(54)	(166)	(220)
Other	182	(8)	(9)	(17)
Commitments to sell – short position	148,832	(2,637)	(962)	(3,599)
Commodities	268	(17)	(3)	(20)
Indices	104,268	(137)	51	(86)
Interbank market	3,438	(10)	2	(8)
Foreign currency	34,132	(2,258)	(884)	(3,142)
Fixed rate	28	(1)	-	(1)
Securities	6,681	(214)	(128)	(342)
Other	17	-	-	-

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2016	12/31/2016	12/31/2016	12/31/2016
Forwards operations (onshore)	13,429	1,446	(5)	1,441
Purchases receivable	1,186	1,240	(5)	1,235
Floating rate	546	545	1	546
Fixed rate	395	450	-	450
Securities	245	245	(6)	239
Purchases payable	-	(971)	-	(971)
Floating rate	-	(545)	-	(545)
Fixed rate	-	(421)	-	(421)
Securities	-	(5)	-	(5)
Sales receivable	8,139	3,734	2	3,736
Interbank market	4,396	8	-	8
Floating rate	300	300	-	300
Fixed rate	2,250	2,257	-	2,257
Securities	1,193	1,169	2	1,171
Sales deliverable	4,104	(2,557)	(2)	(2,559)
Interbank market	4,104	-	(2)	(2)
Floating rate	-	(300)	-	(300)
Fixed rate	-	(2,257)	-	(2,257)
Credit derivatives	12,100	-	34	34
Asset position	5,306	190	(9)	181
Foreign currency	3,876	188	(56)	132
Fixed rate	114	-	2	2
Securities	1,161	2	41	43
Other	155	-	4	4
Liability position	6,794	(190)	43	(147)
Foreign currency	5,487	(189)	70	(119)
Fixed rate	33	(1)	-	(1)
Securities	974	-	(21)	(21)
Other	300	-	(6)	(6)
NDF - Non Deliverable Forward	250,775	472	162	634
Asset position	134,049	3,283	176	3,459
Commodities	206	18	1	19
Indices	148	9	-	9
Foreign currency	133,693	3,256	175	3,431
Securities	2	-	-	-
Liability position	116,726	(2,811)	(14)	(2,825)
Commodities	244	(27)	2	(25)
Indices	27	-	-	-
Foreign currency	116,437	(2,784)	(16)	(2,800)
Securities	18	-	-	-
Check of swap	1,493	(326)	61	(265)
Asset position - Foreign currency	923	18	70	88
Liability position - Interbank market	570	(344)	(9)	(353)
Other derivative financial instruments	4,217	45	(44)	1
Asset position	2,569	48	23	71
Foreign currency	148	(3)	8	5
Fixed rate	1,174	48	(5)	43
Securities	940	3	14	17
Other	307	-	6	6
Liability position	1,648	(3)	(67)	(70)
Commodities	2	-	-	-
Foreign currency	84	-	(32)	(32)
Fixed rate	81	(1)	(1)	(2)
Securities	1,317	(2)	(30)	(32)
Other	164	-	(4)	(4)
Asset	18,379	5,852	24,231	24,231
Liability	(23,235)	(1,463)	(24,698)	(24,698)
Total	(4,856)	4,389	(467)	(467)

Derivative contracts mature as follows (in days):

Off-balance sheet - notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2016
Futures contracts	184,309	221,487	50,749	210,382	666,927
Swaps contracts - difference payable	17,588	67,405	50,000	329,626	464,619
Options	191,242	191,998	175,220	25,067	583,527
Forwards (onshore)	9,197	4,230	2	-	13,429
Credit derivatives	-	1,233	1,098	9,769	12,100
NDF - Non Deliverable Forward	63,764	124,695	42,700	19,616	250,775
Check of swap	-	180	913	400	1,493
Other derivative financial instruments	32	579	418	3,188	4,217

(*) The book value of futures considers only the amount payable or receivable related to the last day of the quarter.



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.

	12/31/2017							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
Assets								
Futures contracts - B3	158	0.7	153	11	(2)	(3)	38	(39)
Swaps – difference receivable	9,190	40.2	189	187	327	744	1,661	6,082
B3	1,161	5.1	63	26	39	109	95	829
Companies	2,834	12.4	66	40	95	245	400	1,988
Financial institutions	4,647	20.3	59	121	192	237	1,010	3,028
Individuals	548	2.4	1	-	1	153	156	237
Option premiums	3,337	14.6	430	440	353	955	865	294
B3	1,715	7.5	374	274	96	515	396	60
Companies	580	2.6	27	45	64	117	210	117
Financial institutions	1,039	4.5	29	121	192	321	259	117
Individuals	3	0.0	-	-	1	2	-	-
Forwards (onshore)	6,911	30.3	6,529	293	46	43	-	-
B3	755	3.3	386	281	46	42	-	-
Companies	6,156	27.0	6,143	12	-	1	-	-
Credit derivatives - financial Institutions	137	0.6	-	-	1	8	21	107
NDF - Non Deliverable Forward	2,950	12.9	677	717	624	610	166	156
B3	644	2.8	195	166	194	89	-	-
Companies	819	3.6	184	238	165	120	68	44
Financial institutions	1,485	6.5	298	313	264	400	98	112
Individuals	2	0.0	-	-	1	1	-	-
Check of swap - Companies	68	0.3	-	-	6	-	-	62
Other	92	0.4	-	-	-	3	5	84
Companies	11	0.0	-	-	-	2	3	6
Financial institutions	81	0.4	-	-	-	1	2	78
Total (*)	22,843	100.0	7,978	1,648	1,355	2,360	2,756	6,746
% per maturity term			34.9	7.2	5.9	10.3	12.1	29.6

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ 13,341 refers to current and R\$ 9,502 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.

	12/31/2016							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
Assets								
Futures	127	0.5	85	51	13	(18)	(6)	2
B3	128	0.5	85	52	13	(18)	(6)	2
Financial institutions	(1)	0.0	-	(1)	-	-	-	-
Swaps – difference receivable	10,542	43.5	828	723	585	659	1,497	6,250
B3	1,417	5.8	178	156	218	58	206	601
Companies	4,585	18.9	322	354	227	390	764	2,528
Financial institutions	4,256	17.6	319	197	122	196	447	2,975
Individuals	284	1.2	9	16	18	15	80	146
Option premiums	4,792	19.7	354	582	759	1,540	1,397	160
B3	1,679	6.9	144	209	182	1,075	41	28
Companies	507	2.1	23	19	88	134	188	55
Financial institutions	2,603	10.7	187	354	488	329	1,168	77
Individuals	3	0.0	-	-	1	2	-	-
Forwards (onshore)	4,971	20.6	3,947	735	287	2	-	-
B3	1,418	5.9	427	703	286	2	-	-
Companies	2,783	11.5	2,750	32	1	-	-	-
Financial institutions	770	3.2	770	-	-	-	-	-
Credit derivatives - financial institutions	181	0.7	-	-	3	5	13	160
NDF - Non Deliverable Forward	3,459	14.3	601	1,252	444	579	245	338
B3	305	1.3	82	123	56	44	-	-
Companies	1,243	5.1	185	344	216	231	200	67
Financial institutions	1,908	7.9	333	783	172	304	45	271
Individuals	3	0.0	1	2	-	-	-	-
Check of swap - Companies	88	0.4	-	-	35	53	-	-
Other	71	0.3	-	-	1	6	13	51
Companies	29	0.1	-	-	-	5	8	16
Financial institutions	42	0.2	-	-	1	1	5	35
Total (*)	24,231	100.0	5,815	3,343	2,127	2,826	3,159	6,961
% per maturity term			24.0	13.8	8.8	11.7	13.0	28.7

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ 14,111 refers to current and R\$ 10,120 to non-current.





	12/31/2017							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
Liabilities								
Swaps – Difference payable	(13,692)	51.2	(65)	(202)	(451)	(1,711)	(3,747)	(7,516)
B3	(1,515)	5.7	(3)	(17)	(29)	(128)	(211)	(1,127)
Companies	(2,251)	8.4	(24)	(77)	(224)	(347)	(497)	(1,082)
Financial institutions	(5,585)	20.9	(30)	(97)	(184)	(203)	(1,270)	(3,801)
Individuals	(4,341)	16.2	(8)	(11)	(14)	(1,033)	(1,769)	(1,506)
Option premiums	(2,793)	10.4	(332)	(174)	(304)	(821)	(889)	(273)
B3	(1,286)	4.8	(279)	(49)	(102)	(412)	(429)	(15)
Companies	(672)	2.5	(25)	(44)	(99)	(140)	(247)	(117)
Financial institutions	(829)	3.1	(28)	(81)	(101)	(268)	(210)	(141)
Individuals	(6)	0.0	-	-	(2)	(1)	(3)	-
Forwards (onshore) - Companies	(6,272)	23.5	(6,272)	-	-	-	-	-
Credit derivatives - Financial institutions	(58)	0.2	-	-	(1)	(2)	(7)	(48)
NDF - Non Deliverable Forward	(3,745)	14.0	(927)	(735)	(547)	(785)	(225)	(526)
B3	(638)	2.4	(289)	(134)	(155)	(60)	-	-
Companies	(750)	2.8	(145)	(266)	(128)	(131)	(50)	(30)
Financial institutions	(2,356)	8.8	(493)	(335)	(263)	(594)	(175)	(496)
Individuals	(1)	0.0	-	-	(1)	-	-	-
Check of swap - Companies	(122)	0.5	-	-	(73)	-	-	(49)
Other - Companies	(64)	0.2	-	(2)	(2)	(6)	(9)	(45)
Total (*)	(26,746)	100.0	(7,596)	(1,113)	(1,378)	(3,325)	(4,877)	(8,457)
% per maturity term			28.4	4.2	5.2	12.4	18.2	31.6

(*) Of the total liability portfolio of Derivative Financial Instruments, R\$ (13,412) refers to current and R\$ (13,334) to non-current.





	12/31/2016							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
Liabilities								
Swaps – difference payable	(13,221)	53.4	(461)	(228)	(742)	(732)	(2,352)	(8,706)
B3	(1,614)	6.5	(304)	(75)	(124)	(97)	(125)	(889)
Companies	(2,531)	10.2	(67)	(32)	(90)	(248)	(573)	(1,521)
Financial institutions	(4,106)	16.6	(79)	(103)	(128)	(311)	(554)	(2,931)
Individuals	(4,970)	20.1	(11)	(18)	(400)	(76)	(1,100)	(3,365)
Option premiums	(4,552)	18.5	(837)	(659)	(516)	(713)	(1,116)	(711)
B3	(1,437)	5.8	(524)	(216)	(201)	(455)	(30)	(11)
Companies	(631)	2.6	(48)	(28)	(103)	(170)	(200)	(82)
Financial institutions	(2,463)	10.0	(265)	(414)	(208)	(81)	(882)	(613)
Individuals	(21)	0.1	-	(1)	(4)	(7)	(4)	(5)
Forwards (onshore)	(3,530)	14.3	(3,530)	-	-	-	-	-
B3	(6)	0.0	(6)	-	-	-	-	-
Companies	(2,754)	11.2	(2,754)	-	-	-	-	-
Financial institutions	(770)	3.1	(770)	-	-	-	-	-
Credit derivatives - Financial institutions	(147)	0.6	-	-	-	(2)	(10)	(135)
NDF - Non Deliverable Forward	(2,825)	11.5	(466)	(881)	(527)	(299)	(99)	(553)
B3	(259)	1.0	(102)	(76)	(41)	(40)	-	-
Companies	(648)	2.6	(166)	(158)	(124)	(129)	(37)	(34)
Financial institutions	(1,916)	7.9	(198)	(647)	(360)	(130)	(62)	(519)
Individuals	(2)	0.0	-	-	(2)	-	-	-
Check of swap - Companies	(353)	1.4	-	-	-	(214)	(139)	-
Other - Companies	(70)	0.3	-	(1)	(1)	(1)	(10)	(57)
Total (*)	(24,698)	100.0	(5,294)	(1,769)	(1,786)	(1,961)	(3,726)	(10,162)
% per maturity term			21.4	7.2	7.2	7.9	15.1	41.2

(*) Of the total liability portfolio of Derivative Financial Instruments, R\$ (10,810) refers to current and R\$ (13,888) 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.

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.

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.

12/31/2017					
	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	6,416	1,200	2,412	2,804	-
Total by instrument	6,416	1,200	2,412	2,804	-
By risk rating					
Investment grade	1,416	449	347	620	-
Below investment grade	5,000	751	2,065	2,184	-
Total by risk	6,416	1,200	2,412	2,804	-
By reference entity					
Brazilian government	3,597	406	1,671	1,520	-
Government – abroad	329	144	90	95	-
Private entities	2,490	650	651	1,189	-
Total by entity	6,416	1,200	2,412	2,804	-
12/31/2016					
	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	8,094	1,989	3,487	2,585	33
Total by instrument	8,094	1,989	3,487	2,585	33
By risk rating					
Investment grade	1,854	564	974	283	33
Below investment grade	6,240	1,425	2,513	2,302	-
Total by risk	8,094	1,989	3,487	2,585	33
By reference entity					
Brazilian government	5,163	1,291	1,806	2,066	-
Government – abroad	529	81	413	35	-
Private entities	2,402	617	1,268	484	33
Total by entity	8,094	1,989	3,487	2,585	33

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.

12/31/2017			
	Notional amount of credit protection sold	Notional amount of credit protection purchased with identical underlying amount	Net position
CDS	(6,416)	3,694	(2,722)
Total	(6,416)	3,694	(2,722)

12/31/2016			
	Notional amount of credit protection sold	Notional amount of credit protection purchased with identical underlying amount	Net position
CDS	(8,094)	4,006	(4,088)
Total	(8,094)	4,006	(4,088)



**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 consolidated 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:

12/31/2017						
	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	244,707	-	244,707	(575)	-	244,132
Derivatives	22,843	-	22,843	(3,138)	-	19,705

12/31/2016						
	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	265,051	-	265,051	(334)	-	264,717
Derivatives	24,231	-	24,231	(4,039)	(540)	19,652

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

12/31/2017						
	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	312,634	-	312,634	(14,489)	-	298,145
Derivatives	26,746	-	26,746	(3,138)	(452)	23,156

12/31/2016						
	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	349,164	-	349,164	(17,829)	-	331,335
Derivatives	24,698	-	24,698	(4,039)	-	20,659

(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.

a) 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 B3 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 and Dollar Purchase Options, traded on B3, 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 highly probable forecast transactions: to protect the payment cash flow of contractual agreements in foreign currency related to the volatility risk of foreign exchange rate;
- 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;
- Hedge of asset-backed securities under repurchase agreements: changes in cash flows from interest received on changes in Selic (benchmark interest 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 2017. 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 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 redeemable preferred shares: interest paid / received every monthly.

Following we present gains (or losses) of the effective and ineffective of the strategies of cash flow hedge.

Hedge instruments	12/31/2017		12/31/2016	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate futures	(2,127)	152	(2,051)	10
Foreign exchange option	(6)	-	-	-
Interest rate swap	(31)	7	(27)	(2)
Total	(2,164)	159	(2,078)	8

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 and Dollar Purchase Options, traded on B3 and NDF (Non Deliverable Forward) contracts traded in the over-the-counter market.

At 12/31/2017, the gain (loss) on cash flow hedge expected to be reclassified from Comprehensive Income to Income in the following 12 months is R\$ (1,750) (R\$ 130 at 12/31/2016).



b) 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 B3, 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 2017 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.

Following we present gains (or losses) of the effective and ineffective of the strategies of Hedge of net investment in foreign operations:

Hedge instrument	12/31/2017		12/31/2016	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
DDI futures	(7,501)	(41)	(7,490)	(51)
Forward	623	38	683	(48)
NDF	1,411	9	2,312	(35)
Financial assets	(40)	(2)	43	2
Total	(5,507)	5	(4,452)	(132)

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

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 operations expressed in Chilean Unit of Account - CLF, fixed rate and denominated in 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 2017, and maturities of related swaps will occur between 2018 and 2035. 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 fair value hedge.

Hedge instrument used	12/31/2017		12/31/2016	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate swap	105	(6)	(90)	(6)
Total	105	(6)	(90)	(6)

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 adjustments of hedge instruments and the carrying amount of the hedged item:

Strategies	12/31/2017			12/31/2016		
	Hedge instruments		Hedged item	Hedge instruments		Hedged item
	Notional amount	Fair value adjustments	Carrying value	Notional amount	Fair value adjustments	Carrying value
Hedge of deposits and repurchase agreements	62,667	(32)	62,667	83,068	(8)	83,580
Hedge of syndicated loan (Cash flow)	-	-	-	6,844	(46)	6,844
Hedge of highly probable forecast transactions	232	2	219	-	-	-
Hedge of net investment in foreign operations ^(*)	22,701	49	13,074	21,449	221	12,330
Hedge of loan operations (Market risk)	5,977	52	5,977	2,692	(91)	2,692
Hedge of loan operations (Cash flow)	1,124	14	1,124	1,121	15	1,121
Hedge of funding (Market risk)	12,157	(114)	12,157	8,659	9	8,659
Hedge of funding (Cash flow)	6,444	(16)	6,444	4,273	(22)	4,273
Hedge of syndicated loan (Market risk)	794	0	794	-	-	-
Hedge of assets transactions	23,919	2	23,490	24,168	312	26,495
Hedge of Asset-backed securities under repurchase agreements	31,855	11	31,099	2,546	24	2,524
Hedge of assets denominated in UF	15,227	(28)	15,227	13,147	(20)	13,147
Hedge of available-for-sale securities	482	34	482	472	(14)	472
Total	183,579	(26)	172,754	168,439	380	162,137

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

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

Strategies	12/31/2017						
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years
Hedge of deposits and repurchase agreements	31,471	11,205	6,210	12,125	-	1,656	-
Hedge of highly probable forecast transactions	162	70	-	-	-	-	-
Hedge of net investment in foreign operations ^(*)	22,701	-	-	-	-	-	-
Hedge of loan operations (Market risk)	268	143	628	1,502	1,335	642	1,459
Hedge of loan operations (Cash flow)	-	-	27	157	75	865	-
Hedge of funding (Market risk)	2,399	3,669	799	218	348	2,099	2,625
Hedge of funding (Cash flow)	1,646	749	1,026	884	525	1,614	-
Hedge of syndicated loan (Market risk)	794	-	-	-	-	-	-
Hedge of assets transactions	16,726	5,940	-	1,253	-	-	-
Hedge of Asset-backed securities under repurchase agreements	251	25,209	3,956	1,349	-	1,090	-
Hedge of assets denominated in UF	12,352	2,822	-	53	-	-	-
Hedge of available-for-sale securities	-	-	223	-	-	259	-
Total	88,770	49,807	12,869	17,541	2,283	8,225	4,084

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

Strategies	12/31/2016						
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years
Hedge of deposits and repurchase agreements	32,132	28,616	10,188	5,646	6,070	416	-
Hedge of syndicated loan (Cash flow)	6,844	-	-	-	-	-	-
Hedge of net investment in foreign operations ^(*)	21,449	-	-	-	-	-	-
Hedge of loan operations (Cash flow)	123	-	-	24	141	833	-
Hedge of assets transactions	4,627	13,719	4,890	-	932	-	-
Hedge of assets denominated in UF	8,940	2,598	1,558	-	51	-	-
Hedge of funding (Cash flow)	121	1,485	73	536	774	1,284	-
Hedge of Asset-backed securities under repurchase agreements	-	-	1,465	918	163	-	-
Hedge of loan operations (Market risk)	189	422	63	29	93	335	1,561
Hedge of available-for-sale securities	-	-	-	218	-	254	-
Hedge of funding (Market risk)	1,266	2,460	3,433	701	72	488	239
Total	75,691	49,300	21,670	8,072	8,296	3,610	1,800

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

Context



Our profile



Our governance



Our risk management



Performance F-246



Sustainability



Attachments



**Note 10 – Available-for-sale financial assets**

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

	12/31/2017			12/31/2016		
	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value
Investment funds	301	-	301	42	-	42
Brazilian external debt bonds ^(1b)	12,480	310	12,790	14,465	(400)	14,065
Brazilian government securities ^(1a)	25,623	866	26,489	17,652	286	17,938
Government securities – abroad ^(1c)	24,508	(118)	24,390	14,488	(16)	14,472
Colombia	3,316	30	3,346	1,105	50	1,155
Chile	9,714	(4)	9,710	5,832	12	5,844
Korea	1,944	-	1,944	2,673	-	2,673
Denmark	1,951	-	1,951	819	-	819
Spain	2,936	-	2,936	923	-	923
United States	1,585	(18)	1,567	1,446	(19)	1,427
Netherlands	-	-	-	101	-	101
Mexico	559	(15)	544	-	-	-
Paraguay	1,915	(115)	1,800	1,167	(56)	1,111
Uruguay	588	4	592	413	(2)	411
Other	-	-	-	9	(1)	8
Corporate securities ^(1d)	38,657	(343)	38,314	42,176	(416)	41,760
Shares	1,713	630	2,343	1,020	365	1,385
Rural product note	2,858	(30)	2,828	1,477	(52)	1,425
Bank deposit certificates	803	-	803	2,639	2	2,641
Securitized real estate loans	1,743	19	1,762	2,150	(55)	2,095
Debentures	21,737	(991)	20,746	21,863	(693)	21,170
Eurobonds and others	5,551	25	5,576	7,671	44	7,715
Financial bills	619	-	619	2,822	(6)	2,816
Promissory notes	3,246	(2)	3,244	2,191	(18)	2,173
Other	387	6	393	343	(3)	340
Total ⁽²⁾	101,569	715	102,284	88,823	(546)	88,277

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and Clients were: a) R\$ 14,877 (R\$ 9,120 at 12/31/2016), b) R\$ 11,892 (R\$ 3,240 at 12/31/2016), c) R\$ 37 and d) R\$ 6,865 (R\$ 5,075 at 12/31/2016), totaling R\$ 33,671 (R\$ 17,435 at 12/31/2016);

(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:

	12/31/2017		12/31/2016	
	Cost	Fair value	Cost	Fair value
Current	25,519	26,107	23,516	23,636
Non-stated maturity	2,030	2,659	1,010	1,375
Up to one year	23,489	23,448	22,506	22,261
Non-current	76,050	76,177	65,307	64,641
From one to five years	44,780	44,722	39,149	38,969
From five to ten years	17,521	17,439	12,521	12,329
After ten years	13,749	14,016	13,637	13,343
Total	101,569	102,284	88,823	88,277

Note 11 - Held-to-maturity financial assets

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

	12/31/2017	12/31/2016
	Amortized cost	Amortized cost
Corporate securities	13,376	14,977
Brazilian external debt bonds ⁽¹⁾	9,073	12,042
Brazilian government securities	13,650	12,937
Government securities – abroad	461	539
Colombia	448	526
Uruguay	13	13
Total ⁽²⁾	36,560	40,495

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients were R\$ 974 (R\$ 11,778 at 12/31/2016).

(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\$ 2,896 (R\$ 3,788 from 01/01 to 12/31/2016 and R\$ 3,758 from 01/01 to 12/31/2015).

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:

	12/31/2017	12/31/2016
	Amortized cost	Amortized cost
Current	10,296	2,498
Up to one year	10,296	2,498
Non-current	26,264	37,997
From one to five years	9,437	19,376
From five to ten years	10,243	10,957
After ten years	6,584	7,664
Total	36,560	40,495

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	12/31/2017	12/31/2016
Individuals	190,153	183,147
Credit card	66,650	59,022
Personal loan	25,193	25,813
Payroll loans	44,419	44,636
Vehicles	14,083	15,434
Mortgage loans	39,808	38,242
Corporate	107,617	121,754
Small and medium businesses	59,453	58,935
Foreign loans - Latin America	136,144	126,530
Total loan operations and lease operations	493,367	490,366
Allowance for loan and lease losses	(27,895)	(26,972)
Total loan operations and lease operations, net of allowance for loan and lease losses	465,472	463,394
By maturity	12/31/2017	12/31/2016
Overdue as from 1 day	17,622	16,843
Falling due up to 3 months	127,402	130,313
Falling due more than 3 months but less than 1 year	116,089	112,923
Falling due after 1 year	232,254	230,287
Total loan operations and lease operations	493,367	490,366
By concentration	12/31/2017	12/31/2016
Largest debtor	4,078	3,543
10 largest debtors	20,365	21,609
20 largest debtors	30,761	32,720
50 largest debtors	50,089	52,992
100 largest debtors	69,427	72,441

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\$ 1,725, R\$ 2,017 e R\$ 1,882 in interest and similar income as of 12/31/2017, 12/31/2016 and 12/31/2015 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 12/31/2016	Write-offs	Net increase / (Reversal)	Closing balance 12/31/2017
Individuals	14,259	(12,538)	11,271	12,992
Credit card	3,693	(4,252)	4,028	3,469
Personal loans	7,756	(6,412)	5,500	6,844
Payroll loans	2,108	(1,357)	1,331	2,082
Vehicles	644	(476)	382	550
Mortgage loans	58	(41)	30	47
Corporate	5,862	(1,648)	2,744	6,958
Small and medium businesses	4,743	(4,168)	3,244	3,819
Foreign loans - Latin America	2,108	(1,469)	3,487	4,126
Total	26,972	(19,823)	20,746	27,895

Composition of the carrying amount by class of assets	Opening balance 12/31/2015	Write-offs	Net increase / (Reversal)	Closing balance 12/31/2016
Individuals	14,717	(13,682)	13,224	14,259
Credit card	4,141	(4,905)	4,457	3,693
Personal loans	8,330	(6,745)	6,171	7,756
Payroll loans	1,319	(1,273)	2,062	2,108
Vehicles	874	(709)	479	644
Mortgage loans	53	(50)	55	58
Corporate	6,459	(4,985)	4,388	5,862
Small and medium businesses	4,809	(4,267)	4,201	4,743
Foreign loans - Latin America	859	(1,317)	2,566	2,108
Total	26,844	(24,251)	24,379	26,972

Composition of the carrying amount by class of assets	Opening balance 12/31/2014	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:

	12/31/2017	12/31/2016
Public sector	4	5
Industry and commerce	4,634	5,253
Services	6,835	5,237
Natural resources	824	872
Other sectors	629	19
Individuals	14,969	15,586
Total	27,895	26,972

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 or, in aggregate, for financial assets that are not individually significant (Note 2.4d X).



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:

	12/31/2017						12/31/2016					
	Impaired		Not impaired		Total		Impaired		Not impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated												
Corporate ^(*)	14,615	6,509	93,002	449	107,617	6,958	14,138	5,351	107,616	511	121,754	5,862
II- Collectively evaluated												
Individuals	9,842	6,091	180,311	6,901	190,153	12,992	10,763	6,756	172,384	7,503	183,147	14,259
Credit card	3,421	2,040	63,229	1,429	66,650	3,469	3,512	2,150	55,510	1,543	59,022	3,693
Personal loans	4,058	2,777	21,135	4,067	25,193	6,844	4,837	3,302	20,976	4,454	25,813	7,756
Payroll loans	1,470	973	42,949	1,109	44,419	2,082	1,431	954	43,205	1,154	44,636	2,108
Vehicles	476	278	13,607	272	14,083	550	591	326	14,843	318	15,434	644
Mortgage loans	417	23	39,391	24	39,808	47	392	24	37,850	34	38,242	58
Small and medium businesses	2,895	1,904	56,558	1,915	59,453	3,819	3,646	2,523	55,289	2,220	58,935	4,743
Foreign loans - Latin America	2,665	1,409	133,479	2,717	136,144	4,126	1,770	727	124,760	1,381	126,530	2,108
Total	30,017	15,913	463,350	11,982	493,367	27,895	30,317	15,357	460,049	11,615	490,366	26,972

(*) As detailed in Note 2.4d X, the majority of Large Companies' credits with objective evidence of impairment are individually evaluated. Credits without objective evidence of impairment are collectively evaluated, in accordance with the characteristics of the operations.



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:

	12/31/2017		
	Minimum future payments	Future financial income	Present value
Current	3,292	(1,898)	1,394
Up to 1 year	3,292	(1,898)	1,394
Non-current	9,223	(2,859)	6,364
From 1 to 5 years	5,334	(2,803)	2,531
Over 5 years	3,889	(56)	3,833
Total	12,515	(4,757)	7,758

	12/31/2016		
	Minimum future payments	Future financial income	Present value
Current	3,572	(1,636)	1,936
Up to 1 year	3,572	(1,636)	1,936
Non-current	9,726	(2,955)	6,771
From 1 to 5 years	5,741	(2,778)	2,963
Over 5 years	3,985	(177)	3,808
Total	13,298	(4,591)	8,707

The allowance for loan and lease losses related to the lease portfolio amounts to: R\$ 317 (R\$ 254 at 12/31/2016).

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 December 31, 2017 and December 31, 2016:

Nature of operation	12/31/2017				12/31/2016			
	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	2,651	2,651	2,570	2,570	2,768	2,768	2,768	2,768
Companies - loan ⁽²⁾	-	-	4	4	-	-	8	8
Individuals - vehicles ⁽²⁾	-	-	2	2	-	-	4	4
Individuals – mortgage loan	2,460	2,405	2,453	2,390	3,061	2,960	3,055	2,944
Total	5,111	5,056	5,029	4,966	5,829	5,728	5,835	5,724

(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 12/31/2017		12/31/2017					
	Total	Voting	Stockholders' equity	Other Comprehensive Income	Net income	Investment	Equity in earnings	Market value ^(h)
Associates								
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	4,744	39	795	2,783	327	3,571
BSF Holding S.A. ^(c)	49.00	49.00	2,097	1	233	1,610	109	-
IRB-Brasil Resseguros S.A. ^{(a) (d) (e)}	11.20	11.20	3,550	(19)	987	402	130	-
Other ^(f)	-	-	-	-	-	172	10	-
Joint Ventures - Other ^(g)	-	-	-	-	-	204	(28)	-
Total	-	-	-	-	-	5,171	548	-

	Interest % at 12/31/2016		12/31/2016						12/31/2015
	Total	Voting	Stockholders' equity	Other comprehensive income	Net income	Investment	Equity in earnings	Market value ^(h)	Equity in earnings
Associates									
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	4,251	26	293	2,587	241	2,644	289
BSF Holding S.A. ^(c)	49.00	49.00	2,067	(1)	396	1,687	194	-	219
IRB-Brasil Resseguros S.A. ^{(a) (d) (e)}	15.01	15.01	3,230	(17)	745	478	109	-	102
Other ^(f)	-	-	-	-	-	114	13	-	12
Joint Ventures - Other ^(g)	-	-	-	-	-	207	(29)	-	(2)
Total	-	-	-	-	-	5,073	528	-	620

(a) For purpose of recording the participation in earnings, at 12/31/2017 the position at 11/30/2017 was used and at 12/31/2016 the position at 11/30/2016 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\$ 746 at 12/31/2017 and R\$ 762 at 12/31/2016 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\$ 582 to goodwill on 12/31/2017.

(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) Investments partially sold on 07/28/2017 and 08/28/2017.

(f) At 12/31/2017, includes interest in total capital and voting capital of the following companies: Gestora de Inteligência de Crédito S.A. (20% total and voting capital), Companhia Uruguaya de Medios de Procesamiento S.A. (35.83% total and voting capital and 39.58% on 12/31/2016), Rias Redbanc S.A. (25% total and voting capital and 25% on 12/31/2016), Kinea Private Equity Investimentos S.A. (80% total capital and 49% voting capital; 80% total capital and 49% voting capital on 12/31/2016) and Tecnologia Bancária S.A. (28.95% total capital and voting capital and 24.92% on 12/31/2016).

(g) At 12/31/2017, includes interest in total capital and voting capital of the following companies: Olimpia Promoção e Serviços S.A. (50% total and voting capital and 50% on 12/31/2016); Conectcar Soluções de Mobilidade Eletrônica S.A. (50% capital total e votante; 50% on 12/31/2016) and includes income not arising from profit subsidiaries.

(h) Disclosed only for public companies.

At 12/31/2017, 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\$ 87 (R\$ 104 at 12/31/2016 and R\$ 73 at 12/31/2015), BSF Holding S.A. in the amount of R\$ 281 (R\$ 62 at 12/31/2016 and R\$ 58 at 12/31/2015) and Porto Seguro Itaú Unibanco Participações S.A. in the amount of R\$ 246 (R\$ 222 at 12/31/2016 and 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.

	12/31/2017	12/31/2016	12/31/2015
Total Assets ^(*)	21,472	20,819	20,183
Total Liabilities ^(*)	11,081	11,272	11,477
Total Income ^(*)	12,388	14,868	22,083
Total Expenses ^(*)	(10,374)	(13,401)	(20,255)

(*) Represented by IRB-Brasil Resseguros S.A., in the amount of R\$ 14,631 (R\$ 14,313 at 12/31/2016 and 14,690 at 31/12/2015) related to assets, R\$ 11,080 (R\$ 11,083 at 12/31/2016 and R\$ 11,477 em 31/12/2015) related to liabilities, R\$ 11,340 (R\$ 14,142 at 12/31/2016 and R\$ 20,928 at 31/12/2015) related to income and of R\$ (10.353) (R\$ (13.397) at 12/31/2016 and R\$ (20,254) em 31/12/2015) 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\$ 4 (R\$ 26 at 12/31/2016).

The table below shows the total future minimum payments:

	12/31/2017	12/31/2016
Current	4	26
Up to 1 year	4	26
Non-current	-	-
From 1 to 5 years	-	-
Total future minimum payments	4	26
(-) Future interest	-	-
Present value	4	26

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\$ 1,134 from 01/01 to 12/31/2017 (R\$ 1,145 from 01/01 to 12/31/2016 and R\$ 1,102 from 01/01 to 12/31/2015).

ITAÚ UNIBANCO HOLDING has no relevant sublease contracts.

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

	12/31/2017	12/31/2016
Current	1,113	1,336
Up to 1 year	1,113	1,336
Non-current	4,310	5,402
From 1 to 5 years	3,927	4,689
Over 5 years	383	713
Total future minimum payments	5,423	6,738



Note 15 - Fixed assets

Fixed Assets ⁽¹⁾	Fixed assets under construction	Real estate in use ⁽²⁾		Other fixed assets ⁽²⁾					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 12/31/2016	387	1,047	3,099	1,857	1,901	1,205	8,543	1,075	19,114
Acquisitions	302	-	-	147	7	111	294	82	943
Disposal	-	(1)	(69)	(46)	(1)	(14)	(313)	(20)	(464)
Exchange variation	-	4	5	37	15	(12)	5	1	55
Transfers	(320)	-	86	122	26	-	86	-	-
Other	(2)	(6)	(14)	87	7	(138)	64	10	8
Balance at 12/31/2017	367	1,044	3,107	2,204	1,955	1,152	8,679	1,148	19,656
Depreciation									
Balance at 12/31/2016	-	-	(1,840)	(1,114)	(986)	(674)	(5,804)	(654)	(11,072)
Accumulated depreciation	-	-	(80)	(211)	(154)	(104)	(910)	(105)	(1,564)
Disposal	-	-	16	29	-	6	283	19	353
Exchange variation	-	-	-	(12)	10	28	(16)	(4)	6
Other	-	-	11	(67)	(21)	29	36	(8)	(20)
Balance at 12/31/2017	-	-	(1,893)	(1,375)	(1,151)	(715)	(6,411)	(752)	(12,297)
Impairment									
Balance at 12/31/2016	-	-	-	-	-	-	-	-	-
Additions/ assumptions	-	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-	-
Balance at 12/31/2017	-	-	-	-	-	-	-	-	-
Book value									
Balance at 12/31/2017	367	1,044	1,214	829	804	437	2,268	396	7,359

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 181 achievable by 2019 (Note 36 - Off balance sheet).

(2) Includes the amount of R\$ 3 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⁾				Other (communication, security and transportation)	Total
		Land	Buildings	Improvements	Installations	Furniture and equipment	EDP systems ⁽³⁾		
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	341	57	70	137	47	309	246	223	1,430
Disposal	-	(4)	(13)	(56)	(15)	(8)	(449)	(6)	(551)
Exchange variation	(2)	(15)	(11)	(22)	(3)	(67)	151	3	34
Transfers	(738)	-	27	125	-	1	515	4	(66)
Other	(6)	1	-	-	71	(5)	(137)	(7)	(83)
Balance at 12/31/2016	387	1,047	3,099	1,857	1,901	1,205	8,543	1,075	19,114
Depreciation									
Balance at 12/31/2015	-	-	(1,764)	(930)	(841)	(579)	(5,138)	(557)	(9,809)
Accumulated depreciation	-	-	(80)	(245)	(142)	(102)	(1,038)	(95)	(1,702)
Disposal	-	-	11	53	6	5	377	4	456
Exchange variation	-	-	(8)	8	9	(1)	(101)	(8)	(101)
Other	-	-	1	-	(18)	3	96	2	84
Balance at 12/31/2016	-	-	(1,840)	(1,114)	(986)	(674)	(5,804)	(654)	(11,072)
Impairment									
Balance at 12/31/2015	-	-	-	-	-	-	-	-	-
Additions/ assumptions	-	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-	-
Balance at 12/31/2016	-	-	-	-	-	-	-	-	-
Book value									
Balance at 12/31/2016	387	1,047	1,259	743	915	531	2,739	421	8,042

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 48 achievable by 2017 (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⁾					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	Association for the promotion and offer of financial products and services ⁽⁴⁾	Other intangible assets			Total
			Acquisition of software	Development of software	Other intangible assets	
Amortization rates p.a.	20%	8%	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2016	1,046	1,748	3,840	3,525	1,078	11,237
Acquisitions	345	18	1,206	350	388	2,307
Terminated agreements/ write off	(329)	(16)	-	(1)	(22)	(368)
Exchange variation	-	25	(77)	-	685	633
Other ⁽⁴⁾	(2)	677	(398)	479	(604)	152
Balance at 12/31/2017	1,060	2,452	4,571	4,353	1,525	13,961
Amortization ⁽²⁾						
Balance at 12/31/2016	(555)	(376)	(1,701)	(532)	(284)	(3,448)
Amortization expense	(215)	(273)	(495)	(446)	(176)	(1,605)
Terminated agreements/ write off	310	16	-	(6)	22	342
Exchange variation	-	(17)	79	-	(134)	(72)
Other ⁽⁴⁾	(11)	3	119	(283)	58	(114)
Balance at 12/31/2017	(471)	(647)	(1,998)	(1,267)	(514)	(4,897)
Impairment ⁽³⁾						
Balance at 12/31/2016	(19)	-	(54)	(335)	-	(408)
Additions / assumptions	-	-	-	(14)	-	(14)
Write off	19	-	-	6	-	25
Balance at 12/31/2017	-	-	(54)	(343)	-	(397)
Book value						
Balance at 12/31/2017	589	1,805	2,519	2,743	1,011	8,667

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 984 achievable by 2020 (Note 36 - Off balance sheet).

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

(3) Note 2.4i.

(4) Reclassifications were made in the balances at December 31, 2017 aiming at permitting the proper presentation of operation balances, in accordance with their respective accounting natures.





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	342	719	1,293	215	277	2,846
Terminated agreements / write off	(308)	(73)	(3)	(1)	-	(385)
Exchange variation	-	(12)	120	-	(130)	(22)
Other	7	(295)	68	-	(29)	(249)
Balance at 12/31/2016	1,046	1,748	3,840	3,525	1,078	11,237
Amortization ⁽²⁾						
Balance at 12/31/2015	(600)	(330)	(1,190)	(252)	(342)	(2,714)
Amortization expense	(261)	(263)	(429)	(280)	(298)	(1,531)
Terminated agreements / write off	306	67	1	-	-	374
Exchange variation	-	84	(107)	-	110	87
Other	-	66	24	-	246	336
Balance at 12/31/2016	(555)	(376)	(1,701)	(532)	(284)	(3,448)
Impairment ⁽³⁾						
Balance at 12/31/2015	(18)	(2)	-	(18)	-	(38)
Additions / assumptions	(1)	-	(57)	(317)	-	(375)
Reversals	-	2	3	-	-	5
Balance at 12/31/2016	(19)	-	(54)	(335)	-	(408)
Book value						
Balance at 12/31/2016	472	1,372	2,085	2,658	794	7,381

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 262 achievable by 2017 (Note 36 - Off balance sheet).

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

(3) Note 2.4i.





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 2.4i.



Note 17 - Deposits

The table below shows the breakdown of deposits:

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	204,363	129,599	333,962	187,882	80,399	268,281
Time deposits	82,718	129,082	211,800	75,913	80,361	156,274
Interbank deposits	1,665	517	2,182	3,719	38	3,757
Savings deposits	119,980	-	119,980	108,250	-	108,250
Non-interest bearing deposits	68,976	-	68,976	61,133	-	61,133
Demand deposits	68,973	-	68,973	61,133	-	61,133
Others Deposits	3	-	3	-	-	-
Total	273,339	129,599	402,938	249,015	80,399	329,414

Note 18 – Financial liabilities held for trading

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

	12/31/2017	12/31/2016
Structured notes		
Shares	58	49
Debt securities	407	470
Total	465	519

The effect of the changes in credit risk of these instruments is not significant at 12/31/2017 and 12/31/2016.

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:

	12/31/2017	12/31/2016
	Cost / Fair value	Cost / Fair value
Current - up to one year	55	134
Non-current	410	385
From one to five years	319	295
From five to ten years	50	52
After ten years	41	38
Total	465	519

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:

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	240,808	71,826	312,634	234,569	114,595	349,164
Transactions backed by own financial assets ^(*)	93,955	71,826	165,781	101,400	114,595	215,995
Transactions backed by third party financial assets	146,853	-	146,853	133,169	-	133,169
Interbank market debt	73,414	56,202	129,616	75,352	60,131	135,483
Real estate credit bills	14,046	4,479	18,525	12,830	6,349	19,179
Agribusiness credit bills	7,562	7,539	15,101	9,158	6,284	15,442
Financial credit bills	13,234	14,457	27,691	5,976	13,590	19,566
Import and export financing	30,548	8,541	39,089	38,123	7,510	45,633
On-lending - domestic	7,991	16,190	24,181	9,205	20,623	29,828
Liabilities from transactions related to credit assignments (Note 12d)	33	4,996	5,029	60	5,775	5,835

(*) It includes R\$ 58,837 (R\$ 132,149 at 12/31/2016) 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 ^(*)	40% of CDI to 16.93%	1.60% to 4.93%
Real estate credit bills	81% to 100% of CDI	-
Financial credit bills	IGPM to 113% of CDI	-
Agribusiness credit bills	77% to 100% of CDI	-
Import and export financing	1.4% to 6.0%	0.79% to 11%
On-lending - domestic	2.5% to 14.5%	-
Liabilities from transactions related to credit assignments	6.78% to 13.17%	-

(*) Note 2.4d presents the operations comprising Deposits received under securities repurchased agreements. Final repurchase dates are set until December 2034.

b) Institutional market debt

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

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Subordinated debt ⁽¹⁾	12,500	40,196	52,696	11,056	46,364	57,420
Foreign borrowing through securities	11,764	29,636	41,400	5,947	27,636	33,583
Structured Operations Certificates ⁽²⁾	1,762	2,624	4,386	2,050	3,186	5,236
Total	26,026	72,456	98,482	19,053	77,186	96,239

(1) At 12/31/2017, the amount of R\$ 42,687 (R\$ 51,875 at 12/31/2016) 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 December 31, 2017, the market value of the funding from Structured Operations Certificates issued is R\$ 4,605.

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

	Brazil	Foreign
Subordinated debt	CDI+ 1.1% to IGPM + 7.60%	3.8% to 10.79%
Foreign borrowing through securities	0.89% to 12.73%	1.4% to 27.54%
Structured Operations Certificates	IPCA to 16.54%	-

Note 20 - Other assets and liabilities

a) Other assets

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Financial ⁽¹⁾	46,718	12,850	59,568	41,648	12,269	53,917
Receivables from credit card issuers	32,073	-	32,073	26,124	-	26,124
Insurance and reinsurance operations	1,224	10	1,234	1,306	14	1,320
Deposits in guarantee for contingent liabilities (Note 32)	1,520	11,892	13,412	2,118	11,144	13,262
Deposits in guarantee for foreign borrowing program	639	-	639	893	-	893
Negotiation and intermediation of securities	6,202	18	6,220	6,770	-	6,770
Receivables from reimbursement of contingent liabilities (Note 32c)	244	821	1,065	258	870	1,128
Receivables from services provided	2,842	1	2,843	2,510	-	2,510
Amounts receivable from FCVS – Salary Variations Compensation Fund ⁽²⁾	1	105	106	7	234	241
Operations without credit granting characteristics	1,973	3	1,976	1,662	7	1,669
Non-financial	8,633	1,820	10,453	7,804	2,223	10,027
Prepaid expenses	2,432	643	3,075	2,101	687	2,788
Retirement plan assets (Notes 29c and d)	-	1,067	1,067	-	1,113	1,113
Sundry domestic	2,642	-	2,642	1,634	32	1,666
Premiums from loan operations	240	77	317	531	319	850
Sundry foreign	1,847	29	1,876	1,776	65	1,841
Other	1,472	4	1,476	1,762	7	1,769

(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

	12/31/2017			12/31/2016		
	Current	Non-current	Total	Current	Non-current	Total
Financial	77,598	15	77,613	71,798	34	71,832
Credit card operations	71,892	-	71,892	58,920	-	58,920
Foreign exchange portfolio	197	-	197	620	-	620
Negotiation and intermediation of securities	4,606	15	4,621	10,538	-	10,538
Finance leases (Note 14a)	4	-	4	26	-	26
Funds from consortia participants	102	-	102	84	-	84
Other	797	-	797	1,610	34	1,644
Non-financial	24,381	1,980	26,361	25,968	1,142	27,110
Collection and payment of taxes and contributions	325	-	325	297	-	297
Sundry creditors - domestic	2,009	143	2,152	2,488	117	2,605
Funds in transit	8,800	989	9,789	10,214	190	10,404
Provision for sundry payments	1,721	135	1,856	2,007	203	2,210
Social and statutory	4,931	137	5,068	5,541	35	5,576
Related to insurance operations	167	-	167	224	-	224
Liabilities for official agreements and rendering of payment services	985	-	985	864	-	864
Provision for retirement plan benefits (Note 29c and e)	197	525	722	201	548	749
Personnel provision	1,496	51	1,547	1,352	49	1,401
Provision for health insurance	842	-	842	742	-	742
Provision for Citibank integration expenditures	504	-	504	-	-	-
Deferred income	2,326	-	2,326	1,975	-	1,975
Other	78	-	78	63	-	63

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, by capitalizing 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 of Brazil 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 by capitalizing amounts recorded in Revenue Reserves – Statutory Reserve. This process was approved by the Central Bank of Brazil on June 7, 2016.

At the Meeting of the Board of Directors held on December 15, 2017, the cancellation of 31,793,105 common shares of own issue and held in treasury was approved, with no change in capital, upon capititation of the amounts recorded in Revenue Reserves – Statutory Reserve.

As a result of this last cancellation, capital is represented by 6,550,514,438 book-entry shares with no par value, of which 3,319,951,112 are common and 3,230,563,326 are preferred shares with no voting rights, but with tag-along rights, in the event of disposal of control, to be included in a public offering of shares, so as to ensure the price equal to eight per cent (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 amounts to R\$ 97,148 (R\$ 97,148 at December 31, 2016), of which R\$ 65,482 (R\$ 65,534 at December 31, 2016) refers to stockholders domiciled in the country and R\$ 31,666 (R\$ 31,614 at December 31, 2016) refers to stockholders domiciled abroad. The consequent statutory change in the number of shares will be resolved in the next Annual Stockholders' Meeting.

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:



12/31/2017				
	Number			Amount
	Common	Preferred	Total	
Residents in Brazil at 12/31/2016	3,335,350,311	1,104,963,731	4,440,314,042	
Residents abroad at 12/31/2016	16,393,906	2,125,599,595	2,141,993,501	
Shares of capital stock at 12/31/2016	3,351,744,217	3,230,563,326	6,582,307,543	
(-) Cancellation of Shares – Meeting of the Board of Directors December 15, 2017	(31,793,105)	-	(31,793,105)	
Shares of capital stock at 12/31/2017	3,319,951,112	3,230,563,326	6,550,514,438	
Residents in Brazil at 12/31/2017	3,299,073,506	1,116,291,341	4,415,364,847	
Residents abroad at 12/31/2017	20,877,606	2,114,271,985	2,135,149,591	
Treasury shares at 12/31/2016 ⁽¹⁾	3,074	69,604,462	69,607,536	(1,882)
Purchase of shares	46,214,237	37,982,900	84,197,137	(3,089)
Exercised options – granting of stock options	-	(28,008,923)	(28,008,923)	728
Disposals – stock option plan	-	(8,118,725)	(8,118,725)	322
(-) Cancellation of Shares – Meeting of the Board of Directors December 15, 2017	(31,793,105)	-	(31,793,105)	1,178
Treasury shares at 12/31/2017 ⁽¹⁾	14,424,206	71,459,714	85,883,920	(2,743)
Outstanding shares at 12/31/2017	3,305,526,906	3,159,103,612	6,464,630,518	
Outstanding shares at 12/31/2016	3,351,741,143	3,160,958,864	6,512,700,007	

12/31/2016				
	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	304,704,019	293,687,575	598,391,594	
Shares of capital stock at 12/31/2016	3,351,744,217	3,230,563,326	6,582,307,543	
Residents in Brazil at 12/31/2016	3,335,350,311	1,104,963,731	4,440,314,042	
Residents abroad at 12/31/2016	16,393,906	2,125,599,595	2,141,993,501	
Treasury shares at 12/31/2015 ⁽¹⁾	2,795	162,562,650	162,565,445	(4,353)
Purchase of shares	-	30,640,000	30,640,000	(947)
Exercised options - granting of stock options	-	(19,931,626)	(19,931,626)	315
Disposals – stock option plan	-	(8,293,957)	(8,293,957)	433
(-) 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 - Carried out at 09/23/2016	279	4,627,395	4,627,674	-
Treasury shares at 12/31/2016 ⁽¹⁾	3,074	69,604,462	69,607,536	(1,882)
Outstanding shares at 12/31/2016	3,351,741,143	3,160,958,864	6,512,700,007	
Outstanding shares at 12/31/2015 ⁽²⁾	3,351,741,143	3,161,744,411	6,513,485,554	

(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) 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 12/31/2017	
	Common	Preferred
Minimum	37.06	33.48
Weighted average	37.06	36.25
Maximum	37.06	38.56
Treasury shares		
Average cost	37.05	30.90
Market value at 12/31/2017	37.69	42.58

Cost / market value	01/01 to 12/31/2016	
	Common	Preferred
Minimum	-	23.79
Weighted average	-	30.13
Maximum	-	36.05
Treasury shares		
Average cost	6.59	27.04
Market value at 12/31/2016	30.00	33.85

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

	12/31/2017	12/31/2016	12/31/2015
Statutory net income	21,108	18,853	21,084
Adjustments:			
(-) Legal reserve	(1,055)	(943)	(1,054)
Dividend calculation basis	20,053	17,910	20,030
Mandatory dividend	5,013	4,478	5,007
Dividends and Interest on Capital Paid / Provided for / Identified	17,558	10,000	7,305

Stockholders' compensation

	12/31/2017		
	Gross	WHT	Net
Paid / prepaid	3,666	(389)	3,277
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2017	1,074	-	1,074
Interest on capital - R\$ 0.3990 per share paid on 08/25/2017	2,592	(389)	2,203
Provided for (Recorded in Other Liabilities)	1,877	(140)	1,737
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/02/2018	98	-	98
Dividends provision - R\$ 0.1304 per share	843	-	843
Interest on capital - R\$ 0.1445 per share, credited on 12/28/2017, paid by 04/30/2018	936	(140)	796
Identified in Revenue Reserve In Stockholders' Equity - R\$ 2.1126 per share	13,658	(1,114)	12,544
Total from 01/01 to 12/31/2017	19,201	(1,643)	17,558
	12/31/2016		
	Gross	WHT	Net
Paid / prepaid	3,355	(355)	3,000
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2016	987	-	987
Interest on capital - R\$ 0.3990 per share paid on 08/25/2016	2,368	(355)	2,013
Declared until 12/31/2016 (Recorded in Other Liabilities)	3,169	(461)	2,708
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/02/2017	98	-	98
Interest on capital - R\$ 0.4714 per share, credited on 12/30/2016, paid by 04/28/2017	3,071	(461)	2,610
Identified in Revenue Reserve In Stockholders' Equity - R\$ 0.7754 per share	5,050	(758)	4,292
Total from 01/01 to 12/31/2016	11,574	(1,574)	10,000
	12/31/2015		
	Gross	WHT	Net
Paid / prepaid	3,002	(311)	2,691
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2015	932	-	932
Interest on capital - R\$ 0.3460 per share paid on 08/25/2015	2,070	(311)	1,759
Declared until 12/31/2015 (recorded in other liabilities)	2,502	(186)	2,316
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/04/2016	89	-	89
Interest on capital - R\$ 0.1980 per share	1,173	-	1,173
Interest on capital - R\$ 0.2090 per share, credited on 12/30/2015, paid on 04/30/2016	1,240	(186)	1,054
Identified in Revenue Reserve In Stockholders' Equity - R\$ 0.4564 per share	2,703	(405)	2,298
Total from 01/01 to 12/31/2015	8,207	(902)	7,305

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

	12/31/2017	12/31/2016	12/31/2015
Capital reserves ⁽¹⁾	285	285	285
Premium on subscription of shares	284	284	284
Reserves from tax incentives, restatement of equity securities and other	1	1	1
Revenue reserves	12,214	3,158	9,782
Legal ⁽²⁾	8,893	7,838	6,895
Statutory	588	1,132	9,461
Dividends equalization ⁽³⁾	499	337	3,355
Working capital increase ⁽⁴⁾	-	-	1,655
Increase in capital of investees ⁽⁵⁾	89	795	4,451
Corporate reorganizations (Note 2.4 a III)	(10,925)	(10,862)	(9,277)
Unrealized profits ⁽⁶⁾	13,658	5,050	2,703
Total reserves at parent company	12,499	3,443	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 provided for up to December 31 for each period, in compliance with BACEN Circular Letter nº 3,516, of July 21, 2011.

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	
	12/31/2017	12/31/2016	01/01 to 12/31/2017	01/01 to 12/31/2016
Itaú CorpBanca (Note 3)	11,255	10,117	219	119
Itaú Corpbanca Colombia S.A. (Note 3)	1,198	1,231	(41)	22
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	327	519	92	119
Banco Itaú Consignado S.A.	-	-	-	(20)
Luizacred S.A. Soc. De Crédito, Financiamento e Investimento	294	275	69	51
Others	92	90	26	28
Total	13,166	12,232	365	319

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.

From 01/01 to 12/31/2017, the accounting effect of the share-based payment in income was R\$ (536) (R\$ (591) from 01/01 to 12/31/2016 and R\$ (734) from 01/01 to 12/31/2015).

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 awards 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 inflation-adjusted 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 B3.
- 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 B3 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 B3, 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 12/31/2016	38,033,506	36.94	
Options exercisable at the end of the period	23,440,177	40.98	
Options outstanding but not exercisable	14,593,329	30.45	
Options:			
Granted	-	-	
Canceled / Forfeited (*)	(1,204,728)	41.11	
Exercised	(20,485,872)	35.58	42.06
Balance at 12/31/2017	16,342,906	37.81	
Options exercisable at the end of the period	16,342,906	37.81	
Options outstanding but not exercisable	-	-	
Range of exercise prices			
Granting 2010-2011		21.71 - 41.31	
Granting 2012		30.45	
Weighted average of the remaining contractual life (in years)	1.28		

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

	Simple options		
	Quantity	Weighted average exercise price	Weighted average market value
Opening balance 12/31/2015	50,543,148	31.89	
Options exercisable at the end of the period	35,647,958	33.40	
Options outstanding but not exercisable	14,895,190	28.29	
Options:			
Granted	-	-	
Canceled / Forfeited (*)	(127,798)	35.91	
Exercised	(12,381,844)	26.92	35.15
Balance at 12/31/2016	38,033,506	36.94	
Options exercisable at the end of the period	23,440,177	40.98	
Options outstanding but not exercisable	14,593,329	30.45	
Range of exercise prices			
Granting 2009-2010		25.66 - 41.69	
Granting 2011-2012		30.45 - 40.72	
Weighted average of the remaining contractual life (in years)	2.63		

(*) 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	60,678,323	29.48	
Options exercisable at the end of the period	31,759,519	29.23	
Options outstanding but not exercisable	28,918,804	29.75	
Options:			
Granted	-	-	
Canceled / Forfeited (*)	(9,968,681)	36.44	
Exercised	(166,494)	22.11	31.24
Balance at 12/31/2015	50,543,148	31.89	
Options exercisable at the end of the period	35,647,958	33.40	
Options outstanding but not exercisable	14,895,190	28.29	
Range of exercise prices			
Granting 2008-2009		23.95 - 36.62	
Granting 2010-2012		21.71 - 38.90	
Weighted average of the remaining contractual life (in years)	2.60		

(*) 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\$ 32.33 per share at 12/31/2017 (R\$ 19.45 per share at 12/31/2016 and R\$ 26.56 per share at 12/31/2015).

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, with conform with this new legislation.

Changes in the Partner Program

	Quantity
Balance at 12/31/2016	35,462,379
New granted	7,041,957
Cancelled	(931,658)
Exercised	(7,523,051)
Balance at 12/31/2017	34,049,627
Weighted average of remaining contractual life (years)	2.46

	Quantity
Balance at 12/31/2015	33,666,355
New granted	12,392,845
Cancelled	(370,039)
Exercised	(10,226,782)
Balance at 12/31/2016	35,462,379
Weighted average of remaining contractual life (years)	2.73

	Quantity
Balance at 12/31/2014	29,407,871
New granted	11,442,795
Cancelled	(889,690)
Exercised	(6,294,621)
Balance at 12/31/2015	33,666,355
Weighted average of remaining contractual life (years)	2.02

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\$ 38.23 per share at 12/31/2017 (R\$ 21.96 per share at 12/31/2016 and R\$ 28.40 per share at 12/31/2015).

Change in variable compensation in shares	2017
	Quantity
Opening balance 12/31/2016	24,539,406
New	8,556,882
Delivered	(12,048,631)
Cancelled	(227,675)
Balance at 12/31/2017	20,819,982

Change in variable compensation in shares	2016
	Quantity
Opening balance 12/31/2015	22,325,573
New	13,422,462
Delivered	(11,136,079)
Cancelled	(72,550)
Balance at 12/31/2016	24,539,406

Change in variable compensation in shares	2015
	Quantity
Opening balance 12/31/2014	17,492,005
New	13,792,517
Delivered	(8,306,134)
Cancelled	(652,815)
Balance at 12/31/2015	22,325,573

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

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Central Bank compulsory deposits	7,201	6,920	5,748
Interbank deposits	744	677	1,628
Securities purchased under agreements to resell	25,712	34,162	27,572
Financial assets held for trading	22,944	23,669	19,826
Available-for-sale financial assets	8,886	11,160	8,979
Held-to-maturity financial assets	2,896	3,788	3,758
Loan and lease operations	75,584	80,118	79,392
Other financial assets	723	1,001	886
Total	144,690	161,495	147,789

b) Interest and similar expense

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Deposits	(13,340)	(14,701)	(13,587)
Securities sold under repurchase agreements	(33,082)	(45,932)	(32,879)
Interbank market debt	(10,059)	(8,348)	(7,970)
Institutional market debt	(6,852)	(8,248)	(8,030)
Financial expense from technical reserves for insurance and private pension	(14,918)	(17,790)	(12,556)
Other	(74)	(107)	(42)
Total	(78,325)	(95,126)	(75,064)

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

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Financial assets held for trading	1,358	2,514	(1,625)
Derivatives ^(*)	2,029	7,320	(6,071)
Financial assets designated at fair value through profit or loss	181	49	51
Available-for-sale financial assets	(80)	(1,685)	(4,345)
Held-to-Maturity Financial Assets (Permanent Loss)	(276)	(740)	-
Financial liabilities held for trading	(37)	(147)	128
Total	3,175	7,311	(11,862)

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

During the period ended 12/31/2017, ITAÚ UNIBANCO HOLDING recognized impairment expenses of R\$ 1,063 (R\$ 1,882 from 01/01 to 12/31/2016 and R\$ 1,533 from 01/01 to 12/31/2015), with on Available-for-sale securities in the amount R\$ 788 (R\$ 1,142 from 01/01 to 12/31/2016) and Held-to-Maturity Financial Assets in the amount of R\$ 276 (R\$ 740 from 01/01 to 12/31/2016). Total loss, net of reversals, amounted to R\$ 982 (R\$ 1,522 of loss at 12/31/2016) and was recorded in the statement of income in line item Securities and derivative financial instruments.

Note 24 - Banking service fees

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Current account services	10,355	9,528	8,815
Asset management fees	4,141	3,514	2,932
Collection commissions	1,378	1,315	1,250
Fees from credit card services	14,036	13,330	12,722
Fees for guarantees issued and credit lines	1,783	1,773	1,609
Brokerage commission	606	295	248
Other	2,149	2,163	1,876
Total	34,448	31,918	29,452

Note 25 - Other income

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Gains on sale of assets held for sale, fixed assets and investments in associates and joint ventures	398	233	97
Recovery of expenses	254	331	210
Reversal of provisions	201	156	455
Program for Cash or Installment Payment of Federal Taxes	-	13	65
Other	906	649	452
Total	1,759	1,382	1,279



Note 26 - General and administrative expenses

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Personnel expenses	(23,276)	(22,360)	(19,573)
Compensation	(9,234)	(8,752)	(7,982)
Payroll taxes	(2,832)	(2,567)	(2,540)
Welfare benefits	(3,374)	(3,070)	(2,472)
Retirement plans and post-employment benefits (Note 29)	(107)	279	(240)
Defined benefit	(92)	(81)	(78)
Defined contribution	(15)	360	(162)
Stock option plan (Note 22d)	(234)	(306)	(214)
Training	(232)	(192)	(202)
Employee profit sharing	(3,836)	(3,610)	(3,387)
Dismissals	(457)	(571)	(351)
Provision for labor claims (Note 32)	(2,970)	(3,571)	(2,185)
Administrative expenses	(16,289)	(15,959)	(15,112)
Data processing and telecommunications	(4,152)	(3,966)	(4,052)
Third party services	(4,161)	(4,340)	(4,044)
Installations	(1,256)	(1,161)	(1,022)
Advertising, promotions and publications	(1,167)	(1,036)	(1,095)
Rent	(1,468)	(1,480)	(1,289)
Transportation	(339)	(391)	(411)
Materials	(350)	(313)	(380)
Financial services	(833)	(731)	(614)
Security	(723)	(716)	(675)
Utilities	(408)	(425)	(418)
Travel	(214)	(199)	(212)
Other	(1,218)	(1,201)	(900)
Depreciation	(1,564)	(1,702)	(1,688)
Amortization	(1,470)	(1,292)	(910)
Insurance acquisition expenses	(310)	(721)	(1,138)
Other expenses	(11,209)	(8,870)	(9,205)
Expenses related to credit cards	(3,753)	(3,165)	(3,415)
Losses with third party frauds	(596)	(571)	(468)
Loss on sale of assets held for sale, fixed assets and investments in associates and joint ventures	(495)	(274)	(187)
Provision for civil lawsuits (Note 32)	(1,519)	(1,489)	(2,069)
Provision for tax and social security lawsuits	(670)	(915)	(1,361)
Refund of interbank costs	(288)	(294)	(262)
Provision for Citibank integration expenditures	(504)	-	-
Other	(3,384)	(2,162)	(1,443)
Total	(54,118)	(50,904)	(47,626)

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

Demonstration of Income tax and social contribution expense calculation:

Due on operations for the period	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Income before income tax and social contribution	32,211	38,192	18,265
Charges (income tax and social contribution) at the rates in effect (Note 2.4 k)	(14,495)	(17,187)	(7,611)
Increase / decrease in income tax and social contribution charges arising from:			
Share of profit or (loss) of associates and joint ventures net	169	165	176
Foreign exchange variation on investments abroad	397	(4,313)	8,329
Interest on capital	3,873	3,617	2,585
Corporate reorganizations (Note 2.4 a III)	628	628	631
Dividends and interest on external debt bonds	420	365	271
Other nondeductible expenses net of non taxable income ^(*)	4,469	12,827	(13,346)
Income tax and social contribution expenses	(4,539)	(3,898)	(8,965)
Related to temporary differences			
Increase (reversal) for the period	(3,474)	(10,774)	13,006
Increase (reversal) of prior periods	70	62	(71)
Increase in the social contribution tax rate (Note 27b III)	-	-	3,921
(Expenses)/Income related to deferred taxes	(3,404)	(10,712)	16,856
Total income tax and social contribution expenses	(7,943)	(14,610)	7,891

(*) Includes temporary (additions) and exclusions.

b) Deferred taxes

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

	12/31/2016	Realization / reversal	Increase	12/31/2017
Reflected in income	47,883	(16,199)	14,496	46,180
Allowance for loan and lease losses	26,975	(9,453)	6,457	23,979
Related to income tax and social contribution tax carryforwards	6,928	(197)	794	7,525
Provision for contingent liabilities	<u>5,707</u>	<u>(2,733)</u>	<u>2,223</u>	<u>5,197</u>
Civil lawsuits	1,955	(576)	595	1,974
Labor claims	2,168	(1,233)	1,265	2,200
Tax and social security	1,582	(924)	362	1,020
Other	2	-	1	3
Goodwill on purchase of investments	165	(758)	734	141
Legal liabilities – tax and social security	387	(557)	658	488
Adjustments of operations carried out on the futures settlement market	485	(239)	31	277
Adjustment to market value of financial assets held for trading and derivatives	145	(145)	380	380
Provision related to health insurance operations	300	-	41	341
Other	6,791	(2,117)	3,178	7,852
Reflected in stockholders' equity	2,994	(1,126)	141	2,009
Corporate reorganizations (Note 2.4 a III)	1,256	(628)	-	628
Adjustment to market value of available-for-sale securities	642	(498)	-	144
Cash flow hedge	843	-	140	983
Other	253	-	1	254
Total ⁽¹⁾⁽²⁾	50,877	(17,325)	14,637	48,189

(1) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 33,547 and R\$ 441.

(2) 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 Itaúcard 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.

	12/31/2015	Realization / reversal	Increase	12/31/2016
Reflected in income	48,911	(16,508)	15,480	47,883
Allowance for loan and lease losses	25,572	(6,337)	7,740	26,975
Related to income tax and social contribution tax carryforwards	6,655	(288)	561	6,928
Provision for contingent liabilities	<u>5,385</u>	<u>(1,784)</u>	<u>2,106</u>	<u>5,707</u>
Civil lawsuits	2,149	(701)	507	1,955
Labor claims	1,812	(1,010)	1,366	2,168
Tax and social security	1,420	(71)	233	1,582
Other	4	(2)	-	2
Goodwill on purchase of investments	511	(346)	-	165
Legal liabilities – tax and social security	508	(200)	79	387
Adjustments of operations carried out in futures settlement market	1,253	(797)	29	485
Adjustment to market value of financial assets held for trading and derivatives	4,951	(4,951)	145	145
Provision related to health insurance operations	322	(22)	-	300
Other	3,754	(1,783)	4,820	6,791
Reflected in stockholders' equity	4,253	(1,970)	711	2,994
Corporate reorganizations (Note 2.4 a III)	1,883	(627)	-	1,256
Adjustment to market value of available-for-sale securities	1,980	(1,338)	-	642
Cash flow hedge	137	-	706	843
Other	253	(5)	5	253
Total ^(*)	53,164	(18,478)	16,191	50,877

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 37,395 and R\$ 643.

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

	12/31/2016	Realization / reversal	Increase	12/31/2017
Reflected in income	13,507	(8,716)	9,690	14,481
Depreciation in excess – finance lease	936	(323)	-	613
Adjustment of escrow deposits and contingent liabilities	1,193	(179)	266	1,280
Pension plans	233	-	71	304
Adjustments of operations carried out on the futures settlement market	1,095	-	326	1,421
Adjustment to market value of financial assets held for trading and derivatives	7,293	(7,293)	7,592	7,592
Taxation of results abroad – capital gains	1,502	-	382	1,884
Other	1,255	(921)	1,053	1,387
Reflected in stockholders' equity accounts	618	(132)	116	602
Adjustment to market value of available-for-sale securities	486	(85)	13	414
Cash flow hedge	63	-	103	166
Provision for pension plan benefits	35	(25)	-	10
Other	34	(22)	-	12
Total (*)	14,125	(8,848)	9,806	15,083

(*) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 33,547 and R\$ 441.

	12/31/2015	Realization / reversal	Increase	12/31/2016
Reflected in income	4,277	(2,283)	11,513	13,507
Depreciation in excess – finance lease	1,487	(551)	-	936
Adjustment of escrow deposits and contingent liabilities	1,130	(168)	231	1,193
Pension plans	336	(143)	40	233
Adjustments of operations carried out on the futures settlement market	51	(100)	1,144	1,095
Adjustment to market value of financial assets held for trading and derivatives	198	(198)	7,293	7,293
Taxation of results abroad – capital gains	286	-	1,216	1,502
Other	789	(1,123)	1,589	1,255
Reflected in stockholders' equity accounts	1,804	(1,639)	453	618
Adjustment to market value of available-for-sale securities	53	-	433	486
Cash flow hedge	1,313	(1,250)	-	63
Provision for pension plan benefits	424	(389)	-	35
Other	14	-	20	34
Total (*)	6,081	(3,922)	11,966	14,125

(*) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 37,395 and R\$ 643.

III - The estimate of realization and present value of tax credits and from the Provision for Deferred Income Tax and Social Contribution existing at 12/31/2017, are:

Deferred tax assets										
	Temporary differences	%	Tax loss / social contribution loss carryforwards	%	Total	%	Deferred tax liabilities	%	Net deferred taxes	%
2018	22,219	55%	3,248	43%	25,467	53%	(3,132)	21%	22,335	67%
2019	9,824	24%	162	2%	9,986	20%	(4,654)	31%	5,332	16%
2020	1,983	5%	768	10%	2,751	6%	(2,020)	14%	731	2%
2021	1,286	3%	725	10%	2,011	4%	(1,787)	11%	224	1%
2022	832	2%	918	12%	1,750	4%	(825)	5%	925	3%
After 2022	4,520	11%	1,704	23%	6,224	13%	(2,665)	18%	3,559	11%
Total	40,664	100%	7,525	100%	48,189	100%	(15,083)	100%	33,106	100%
Present value (*)	37,701		6,682		44,383		(13,427)		30,956	

(*) 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 12/31/2017 and 12/31/2016.

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	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Net income	23,903	23,263	25,740
Minimum non-cumulative dividend on preferred shares in accordance with our by laws	(69)	(70)	(71)
Subtotal	23,834	23,193	25,669
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)	(73)	(74)
Subtotal	23,760	23,120	25,595
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis			
To common equity owners	12,230	11,880	13,036
To preferred equity owners	11,530	11,240	12,559
Total net income available to common equity owners	12,304	11,953	13,110
Total net income available to preferred equity owners	11,599	11,310	12,630
Weighted average number of shares outstanding (Note 21a)			
Common shares	3,347,889,957	3,351,741,143	3,351,741,143
Preferred shares	3,156,020,074	3,171,215,661	3,228,881,081
Earnings per share - basic – R\$			
Common shares	3.68	3.57	3.91
Preferred shares	3.68	3.57	3.91
Net income attributable to owners of the parent company – diluted earnings per share	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Total net income available to preferred equity owners	11,599	11,310	12,630
Dividend on preferred shares after dilution effects	79	82	83
Net income available to preferred equity owners considering preferred shares after the dilution effect	11,678	11,392	12,713
Total net income available to ordinary equity owners	12,304	11,953	13,110
Dividend on preferred shares after dilution effects	(79)	(82)	(83)
Net income available to ordinary equity owners considering preferred shares after the dilution effect	12,225	11,871	13,027
Adjusted weighted average of shares (Note 21a)			
Common shares	3,347,889,957	3,351,741,143	3,351,741,143
Preferred shares	3,197,763,868	3,216,235,372	3,270,734,307
Preferred shares	3,156,020,074	3,171,215,661	3,228,881,081
Incremental shares from stock options granted under our share-based payment	41,743,794	45,019,711	41,853,226
Earnings per share - diluted – R\$			
Common shares	3.65	3.54	3.89
Preferred shares	3.65	3.54	3.89

Potential anti-dilution effects of shares under our share-based payment, which were excluded from the calculation of diluted earnings per share, totaled 357,433 preferred shares at 12/31/2017, 6,901,686 preferred shares at 12/31/2016 and 4,805,473 preferred shares at 12/31/2015.

**Note 29 – Post-employment benefits**

The accounting policies and procedures adopted by ITAÚ UNIBANCO HOLDING for employee benefits are summarized below:

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		
	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Cost of current service	(69)	(62)	(68)	-	-	-	-	-	-	(69)	(62)	(68)
Net interest	(15)	(13)	(6)	76	239	219	(22)	(19)	(17)	39	207	196
Contribution	-	-	-	(91)	121	(381)	-	-	-	(91)	121	(381)
Benefits paid	-	-	-	-	-	-	14	13	13	14	13	13
Total Amounts Recognized	(84)	(75)	(74)	(15)	360	(162)	(8)	(6)	(4)	(107)	279	(240)

(*) In the period, contributions to the defined contributions plan, including PGDL, totaled R\$ 334 (R\$ 339 from 01/01 to 12/31/2016 and R\$ 207 from 01/01 to 12/31/2015), of which R\$ 91 (R\$ 115 from 01/01 to 12/31/2016 and R\$ 144 from 01/01 to 12/31/2015) arising from social security funds.

Total amounts recognized in Stockholders' Equity – Other comprehensive income

	Defined benefit			Defined contribution			Other benefits			Total		
	12/31/2017	12/31/2016	12/31/2015	12/31/2017	12/31/2016	12/31/2015	12/31/2017	12/31/2016	12/31/2015	12/31/2017	12/31/2016	12/31/2015
At the beginning of the period	(70)	(45)	(75)	(1,322)	(314)	(221)	(48)	(13)	(8)	(1,440)	(372)	(304)
Effects on asset ceiling	98	(633)	(103)	(386)	(1,244)	(38)	-	-	-	(288)	(1,877)	(141)
Remeasurements	12	608	133	339	236	(55)	(28)	(36)	(5)	323	808	73
Acquisition Citibank portfolio	(1)	-	-	-	-	-	-	-	-	(1)	-	-
Total Amounts Recognized	39	(70)	(45)	(1,369)	(1,322)	(314)	(76)	(49)	(13)	(1,406)	(1,441)	(372)



a) Retirement plans

ITAÚ UNIBANCO HOLDING and certain 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 Itaú 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

	12/31/2017	12/31/2016	12/31/2015
Discount rate ⁽¹⁾	9.98% p.a.	10.24% p.a.	11.28% p.a.
Mortality table ⁽²⁾	AT-2000	AT-2000	AT-2000
Turnover ⁽³⁾	Exp.Itaú 2008/2010	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.	5.04 to 7.12% p.a.
Growth of the pension fund and social security benefits	4.00% p.a.	4.00% p.a.	4.00% p.a.
Inflation	4.00% p.a.	4.00% p.a.	4.00% p.a.
Actuarial method ⁽⁴⁾	Projected Unit Credit	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 12/31/2017 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 women, respectively.

(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			
	12/31/2017	12/31/2016	12/31/2015	12/31/2017	12/31/2016	12/31/2015	Target 2018
Fixed income securities	16,851	15,134	12,369	95.81%	91.61%	90.73%	53% a 100%
Variable income securities	19	685	537	0.11%	4.15%	3.94%	0% a 20%
Structured investments	24	9	27	0.14%	0.05%	0.20%	0% a 10%
Real estate	615	623	633	3.49%	3.77%	4.64%	0% a 7%
Loans to participants	79	69	67	0.45%	0.42%	0.49%	0% a 5%
Total	17,588	16,520	13,633	100.00%	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\$ 12 (R\$ 575 at 12/31/2016 and R\$ 452 at 12/31/2015), and real estate rented to Group companies, with a fair value of R\$ 531 (R\$ 597 at 12/31/2016 and 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 2017, 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:

	12/31/2017	12/31/2016	12/31/2015
1 - Net assets of the plans	17,588	16,520	13,633
2- Actuarial liabilities	(14,491)	(13,723)	(11,587)
3- Surplus (1-2)	3,097	2,797	2,046
4- Asset ceiling ^(*)	(3,217)	(3,008)	(2,134)
5- Net amount recognized in the balance sheet (3-4)	(120)	(211)	(88)
Amount recognized in assets (Note 20a)	345	317	224
Amount recognized in liabilities (Note 20b)	(465)	(528)	(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:

	12/31/2017				
	Plan net assets	Actuarial liabilities	Surplus	Asset ceiling	Recognized amount
Value at the beginning of the period	16,520	(13,723)	2,797	(3,008)	(211)
Cost of current service	-	(69)	(69)	-	(69)
Net interest ⁽¹⁾	1,639	(1,347)	292	(307)	(15)
Benefits paid	(1,141)	1,141	-	-	-
Contributions of sponsors	71	-	71	-	71
Contributions of participants	12	-	12	-	12
Effects on asset ceiling	-	-	-	97	97
Exchange Variation	2	(6)	(4)	-	(4)
Remeasurements ^{(2) (3)}	485	(487)	(2)	1	(1)
Value end of the period	17,588	(14,491)	3,097	(3,217)	(120)

	12/31/2016				
	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	-	(62)	(62)	-	(62)
Net interest ⁽¹⁾	1,483	(1,255)	228	(241)	(13)
Benefits paid	(1,060)	1,060	-	-	-
Contributions of sponsors	149	-	149	-	149
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(633)	(633)
Balance arising from the Corpbanca acquisition (Note 3)	-	(207)	(207)	-	(207)
Exchange Variation	(8)	43	35	-	35
Remeasurements ^{(2) (3)}	2,308	(1,715)	593	-	593
Value end of the period	16,520	(13,723)	2,797	(3,008)	(211)

	12/31/2015				
	Plan net assets	Actuarial liabilities	Surplus	Asset ceiling	Recognized amount
Value 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 01/01/2017 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 10.24% p.a. (At 01/01/2016 used by the discount rate of 11.28% p.a. and 01/01/2015 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\$ 2,124 (R\$ 3,791 at 12/31/2016 and R\$ 1,028 at 12/31/2015).

During the period, the contributions made totaled R\$ 71 (R\$ 149 from 01/01 to 12/31/2016 and R\$ 60 from 01/01 to 12/31/2015). The contribution rate increases based on the beneficiary's salary.

In 2018, contribution to the retirement plans sponsored by ITAÚ UNIBANCO HOLDING is expected to amount to R\$ 56.

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

Period	Payment estimate
2018	1,103
2019	1,126
2020	1,157
2021	1,190
2022	1,220
2023 to 2027	6,563

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%	740	5.11%	(269)
- Increase by 0.5%	(677)	(4.67%)	153

(*) 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:

	12/31/2017			12/31/2016			12/31/2015		
	Pension plan fund	Asset ceiling	Recognized amount	Pension plan fund	Asset ceiling	Recognized amount	Pension plan fund	Asset ceiling	Recognized amount
Value beginning of the period	1,287	(491)	796	2,229	(270)	1,959	2,438	(224)	2,214
Net interest	126	(50)	76	269	(30)	239	239	(20)	219
Contribution (Note 29)	(91)	-	(91)	121	-	121	(381)	-	(381)
Receivables – allocation of funds (*)	(12)	-	(12)	(515)	-	(515)	-	-	-
Effects on asset ceiling (Note 29)	(15)	(371)	(386)	(1,053)	(191)	(1,244)	-	(38)	(38)
Remeasurements	339	-	339	236	-	236	(67)	12	(55)
Value end of the period (Note 20a)	1,634	(912)	722	1,287	(491)	796	2,229	(270)	1,959

(*) Refers to the allocation of the surplus of Plano Itaú Banco CD's social security fund.

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:

	12/31/2017	12/31/2016	12/31/2015
At the beginning of the period	(221)	(179)	(170)
Interest cost	(22)	(19)	(17)
Benefits paid	14	13	13
Remeasurements	(28)	(36)	(5)
At the end of the period (Note 20b)	(257)	(221)	(179)

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

Period	Payment estimate
2018	15
2019	16
2020	17
2021	18
2022	19
2023 to 2027	115

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	3	(3)
Present value of obligation	Other comprehensive income	32	(26)

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 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2017	01/01 to 12/31/2016
Group accident insurance	7.8	5.0	38.0	42.1
Individual accident	23.5	19.5	12.5	12.4
Commercial multiple peril	36.4	63.3	21.2	21.1
Internal credit	139.6	221.7	0.9	3.9
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	84.5	85.7	1.2	1.4
Serious or terminal diseases	21.1	22.1	10.7	10.7
Extended warranty - assets	16.0	17.1	62.1	63.8
Credit Life	16.9	18.7	18.7	19.0
Multiple risks	27.2	7.8	57.8	62.1
Home insurance in market policies – Credit Life	13.0	14.7	20.7	(0.3)
Group life	24.2	46.8	8.3	13.6

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		
	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Group accident insurance	667	780	862	(1)	(4)	(2)	666	776	860
Individual accident	290	224	214	(1)	(12)	(11)	289	212	203
Commercial multiple peril	53	56	57	-	-	-	53	56	57
Internal Credit	64	63	151	-	-	-	64	63	151
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	24	37	37	-	-	-	24	37	37
Serious or terminal diseases	172	167	169	-	(1)	(2)	172	166	167
Warranty extension - assets	-	112	252	-	-	-	-	112	252
Disability Savings Pension	323	298	256	(4)	(3)	(6)	319	295	250
PGBL	2,084	1,955	1,840	-	-	-	2,084	1,955	1,840
Credit Life	623	570	726	(2)	-	(1)	621	570	725
Multiple risks	151	162	172	-	-	-	151	162	172
Home Insurance in Market Policies – Credit Life	282	261	224	(10)	(18)	(19)	272	243	205
Traditional	129	142	159	-	-	-	129	142	159
VGBL	20,318	18,153	15,501	-	-	-	20,318	18,153	15,501
Group life	1,001	1,278	1,453	(11)	(44)	(37)	990	1,234	1,416
Other lines	733	591	561	(9)	(12)	(11)	724	579	550
Total	26,914	24,849	22,634	(38)	(94)	(89)	26,876	24,755	22,545



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**

	12/31/2017				12/31/2016			
	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	3,926	37,679	112,471	154,076	4,755	32,688	91,862	129,305
(+) Additions arising from premiums / contribution	4,059	2,536	20,318	26,913	4,302	2,395	18,153	24,850
(-) Deferral of risk	(4,225)	(323)	-	(4,548)	(5,124)	(297)	-	(5,421)
(-) Payment of claims / benefits	(1,228)	(402)	(70)	(1,700)	(1,623)	(370)	(39)	(2,032)
(+) Reported claims	1,291	-	-	1,291	1,620	-	-	1,620
(-) Redemptions	(2)	(1,687)	(10,847)	(12,536)	(1)	(1,939)	(13,277)	(15,217)
(+/-) Net portability	-	2,683	753	3,436	-	380	709	1,089
(+) Adjustment of reserves and financial surplus	16	1,717	6,037	7,770	20	4,371	13,171	17,562
(+) Corporate Reorganization	(282)	-	-	(282)	-	-	-	-
(+/-) Other (recognition / reversal)	(91)	1,685	5,218	6,812	(23)	451	1,892	2,320
Reserves for insurance and private pension	3,464	43,888	133,880	181,232	3,926	37,679	112,471	154,076

II.II - Technical provisions balances

	Insurance		Private pension		Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Unearned premiums	1,883	2,204	15	17	1,898	2,221
Mathematical reserve for benefits to be granted and benefits granted	173	24	175,992	148,341	176,165	148,365
Redemptions and Other Unsettled Amounts	11	11	264	210	275	221
Financial surplus	2	2	604	581	606	583
Unsettled claims ⁽¹⁾	560	769	34	23	594	792
IBNR	401	435	27	27	428	462
Administrative and Related Expenses	28	39	95	71	123	110
Other	406	442	737	880	1,143	1,322
Total ⁽²⁾	3,464	3,926	177,768	150,150	181,232	154,076

(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 01/01/2017	429
Increase	772
Amortization	(948)
Balance at 12/31/2017	253
Balance to be amortized in up to 12 months	209
Balance to be amortized after 12 months	44
Balance at 01/01/2016	901
Increase	902
Amortization	(1,374)
Balance at 12/31/2016	429
Balance to be amortized in up to 12 months	335
Balance to be amortized after 12 months	94

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.

I – Gross of reinsurance

Reserve for unsettled claims (*)	594
(-) DPVAT operations	11
(-) IBNER (claims incurred but not sufficiently reported)	181
(-) Retrocession and other estimates	(32)
Liability claims presented in the development table (Ia + Ib)	434

(*) Provision for unsettled claims stated in Note 30c II.II of 12/31/2017, gross of reinsurance

Ia - Administratives claims - gross of reinsurance

Occurrence date	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	Total
At the end of reporting period	980	967	1,067	1,063	914	
After 1 year	978	957	1,076	1,054		
After 2 years	982	972	1,100			
After 3 years	986	978				
After 4 years	988					
Current estimate	988	978	1,100	1,054	914	
Accumulated payments through base date	984	972	1,084	1,024	739	4,803
Liabilities recognized in the balance sheet	4	6	16	30	175	231
Liabilities in relation to prior years						18
Total administratives claims included in balance sheet						249

Ib - Judicial claims - gross of reinsurance

Occurrence date	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	Total
At the end of reporting period	28	31	32	32	32	
After 1 year	42	41	43	39		
After 2 years	48	49	50			
After 3 years	56	54				
After 4 years	60					
Current estimate	60	54	50	39	32	
Accumulated payments through base date	47	42	37	31	24	181
Liabilities recognized in the balance sheet	13	12	13	8	8	54
Liabilities in relation to prior years						131
Total judicial claims included in balance sheet						185

II - Net of reinsurance

Reserve for unsettled claims ⁽¹⁾	594
(-) DPVAT operations	11
(-) IBNER	181
(-) Reinsurance ⁽²⁾	27
(-) Retrocession and other estimates	(32)
Liability claims presented in the development table (IIa + IIb)	407

(1) Provision refers to provision for unsettled claims stated in Note 30c II.II of 12/31/2017.

(2) Reinsurance operations stated in Note 30I III of 12/31/2017.

IIa - Administratives claims - net of reinsurance

Occurrence date	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	Total
At the end of reporting period	956	954	1,045	1,053	898	
After 1 year	954	944	1,045	1,045		
After 2 years	958	955	1,068			
After 3 years	961	960				
After 4 years	962					
Current estimate	962	960	1,068	1,045	898	
Accumulated payments through base date	958	954	1,052	1,015	728	4,707
Liabilities recognized in the balance sheet	4	6	16	30	170	226
Liabilities in relation to prior years						11
Total administratives claims included in balance sheet						237

IIb - Judicial claims - net of reinsurance

Occurrence date	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	Total
At the end of reporting period	28	31	32	29	32	
After 1 year	42	41	43	37		
After 2 years	48	49	50			
After 3 years	56	54				
After 4 years	60					
Current estimate	60	54	50	37	32	
Accumulated payments through base date	47	42	37	28	24	178
Liabilities recognized in the balance sheet	13	12	13	8	8	54
Liabilities in relation to prior years						116
Total judicial claims included in balance sheet						170

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 indicate insufficiency in the periods ended of 2017, 2016 and 2015.

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⁾					
	12/31/2017			12/31/2016		
	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	24	-	-	21	(3)	(3)
5% decrease in mortality rates	(25)	(1)	(1)	(23)	3	3
0.1% increase in risk-free interest rates	26	5	5	49	6	6
0.1% decrease in risk-free interest rates	(27)	(5)	(5)	(50)	(6)	(6)
5% increase in conversion in income rates	(13)	-	-	(6)	-	-
5% decrease in conversion in income rates	13	-	-	6	-	-
5% increase in claims	-	(37)	(36)	-	(50)	(48)
5% decrease in claims	-	37	36	-	50	48

(1) Amounts net of tax effects.

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 Seguradora Líder dos Consórcios de DPVAT.



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

	01/01 to 12/31/2017			01/01 to 12/31/2016			01/01 to 12/31/2015		
	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)	24	24	100.0	37	37	100.0	37	37	100.0
Extended warranty	-	-	0.0	112	112	100.0	252	252	100.0
Individuals									
Group accident insurance	667	666	99.8	780	776	99.5	862	860	99.7
Individual accident	290	289	99.8	224	212	94.8	214	203	94.8
Credit life	623	621	99.7	570	570	100.0	726	725	99.9
Group life	1,001	990	98.9	1,278	1,234	96.5	1,453	1,416	97.5

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. The main risks inherent in these products are described below and their definitions are presented in their respective chapters.

- Underwriting risk: possibility of losses arising from insurance, pension plan and capitalization operations contrary to the institution's expectations, directly or indirectly associated with technical and actuarial bases adopted to calculate premiums, contributions and provisions;
- Market risk;
- Credit risk;
- Operational risk;
- Liquidity risk in insurance operations.

j) Duties and responsibilities

In line with good national and international practices, ITAÚ UNIBANCO HOLDING has a risk management structure that ensures that the risks arising from insurance, pension plan and capitalization products are properly reported to the proper bodies.

The management process of insurance, pension plan and capitalization risks is independent and focused on the specifics of each risk.

Finally, 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.

k) Market, credit and liquidity risk

l) 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.

Class	12/31/2017		12/31/2016	
	Account balance	DV01	Account balance	DV01
Government securities				
NTN-C	4,936	(2.87)	5,141	(3.03)
NTN-B	5,343	(6.78)	2,969	(3.53)
LTN	279	(0.09)	-	-
DI Future			-	-
Private securities				
Indexed to IPCA	336	(0.10)	307	(0.14)
Indexed to PRE	31	(0.00)	240	(0.00)
Shares	0	0.00	0	0.00
Floating assets	5,132		5,852	-
Under agreements to resell	6,856		6,266	-



II) 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	12/31/2017			12/31/2016		
		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	1,882	24.7	12.0	2,202	13.5	12.7
IBNR, PDR e PSL	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	985	20.4	18.3	1,242	13.8	18.9
Other provisions	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	565	70.6	26.2	446	119.0	33.3
Subtotal	Subtotal	3,432			3,890		
Pension plan, VGBL and individual life operations							
Related expenses	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	95	116.8	78.9	71	107.4	80.9
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB and debentures	16	-	9.7	19	-	14.1
Unsettled claims	LFT, repurchase agreements, NTN-B, CDB and debentures	37	-	9.8	25	-	13.9
IBNR	LFT, repurchase agreements, NTN-B, CDB and debentures	28	17.0	9.7	27	11.4	14.1
Redemptions and Other Unsettled Amounts	LFT, repurchase agreements, NTN-B, CDB and debentures	275	-	9.8	221	-	14.0
Mathematical reserve for benefits granted	LFT, repurchase agreements, NTN-B, CDB and debentures	2,404	116.8	79.1	1,737	107.4	81.1
Mathematical reserve for benefits to be granted – PGBL/ VGBL	LFT, repurchase agreements, NTN-B, CDB, LF and debentures ⁽³⁾	169,149	197.2	38.9	142,039	169.9	39.4
Mathematical reserve for benefits to be granted – traditional	LFT, repurchase agreements, NTN-B, NTN-C, Debentures	4,454	-	95.1	4,584	210.9	92.0
Other provisions	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	737	116.8	95.1	880	210.9	92.0
Financial surplus	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	605	116.8	95.0	583	210.6	91.8
Subtotal	Subtotal	177,800			150,186		
Total technical reserves	Total backing assets	181,232			154,076		

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

(2) DU = Duration in months

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



III) Credit Risk

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 45.07% (56.14% at 12/31/2016) and Munich Re do Brasil with 53.80% (43.33% at 12/31/2016).
- **Social Security Operations:** social security operations related to reinsurance premiums are entirely represented by Munich Re do Brasil with 70% (70% at 12/31/2016) and General Reinsurance AG with 30% (30% at 12/31/2016).





IV) Risk level of financial assets

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

Internal rating ^(*)	12/31/2017					
	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	7,558	156,478	194	6,312	3,447	173,989
Satisfactory	-	-	-	-	-	-
Higher Risk	-	26	-	-	-	26
Total	7,558	156,504	194	6,312	3,447	174,015
%	4.3	89.9	0.2	3.6	2.0	100.0

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

Internal rating ^(*)	12/31/2016					
	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	7,859	125,944	284	3,558	4,629	142,274
Satisfactory	-	13	-	-	-	13
Higher Risk	-	-	-	-	-	-
Total	7,859	125,957	284	3,558	4,629	142,287
%	5.5	88.5	0.2	2.5	3.3	100.0

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



I) 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 be 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	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	46	18	74	103
Issued contracts	-	-	30	79
Recoverable claims	-	32	-	-
Prepayments / payments to reinsurer	(10)	(3)	(55)	(108)
Other increase / reversal	(9)	(1)	-	-
Closing balance	27	46	49	74

II – Balances of technical reserves with reinsurance assets

	12/31/2017	12/31/2016
Reinsurance claims	57	52
Reinsurance premiums	10	15
Closing balance	67	67

III – Changes in balances of technical reserves for reinsurance claims

	12/31/2017	12/31/2016
Opening balance	52	52
Reported claims	21	70
Paid claims	(22)	(99)
Other increase / reversal	2	2
Monetary adjustment and interest of claims	4	27
Closing balance (*)	57	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 ell.

IV – Changes in balances of technical reserves for reinsurance premiums

	12/31/2017	12/31/2016
Opening balance	15	24
Receipts	8	65
Payments	(13)	(74)
Other increase / reversal	-	-
Closing balance	10	15

V – Changes in balances of technical reserves for reinsurance commission

	12/31/2017	12/31/2016
Opening balance	-	-
Receipts	-	6
Payments	-	(6)
Other increase / reversal	-	-
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:

	12/31/2017		12/31/2016	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	117,586	117,586	104,242	104,242
Interbank deposits	29,053	29,117	22,692	22,731
Securities purchased under agreements to resell	244,707	244,707	265,051	265,051
Financial assets held for trading ^(*)	270,121	270,121	204,648	204,648
Financial assets designated at fair value through profit or loss ^(*)	1,746	1,746	1,191	1,191
Derivatives ^(*)	22,843	22,843	24,231	24,231
Available-for-sale financial assets ^(*)	102,284	102,284	88,277	88,277
Held-to-maturity financial assets	36,560	37,792	40,495	40,749
Loan operations and lease operations	465,472	471,846	463,394	472,704
Other financial assets	59,568	59,568	53,917	53,917
Financial liabilities				
Deposits	402,938	402,911	329,414	329,371
Securities sold under repurchase agreements	312,634	312,634	349,164	349,164
Financial liabilities held for trading ^(*)	465	465	519	519
Derivatives ^(*)	26,746	26,746	24,698	24,698
Interbank market debt	129,616	129,286	135,483	134,730
Institutional market debt	98,482	97,103	96,239	95,012
Liabilities for capitalization plans	3,301	3,301	3,147	3,147
Other financial liabilities	77,613	77,613	71,832	71,832

^(*) 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 financial guarantees provided, which amount to R\$ 79,703 (R\$ 77,453 at 12/31/2016) with an estimated fair value of R\$ 935 (R\$ 1,066 at 12/31/2016).

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

- 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.
- 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.
- 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 B3, 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 12/31/2017 and 12/31/2016 for financial assets held for trading and available-for-sale financial assets.

	12/31/2017				12/31/2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	238,369	30,719	1,033	270,121	165,883	37,760	1,005	204,648
Investment funds	1,738	1,474	-	3,212	14	1,159	-	1,173
Brazilian government securities	227,749	2,817	1	230,567	157,369	2,654	1	160,024
Brazilian external debt bonds	3,210	-	-	3,210	5,325	-	-	5,325
Government securities – other countries	1,647	2,328	-	3,975	819	2,916	-	3,735
Argentina	1,466	-	-	1,466	651	-	-	651
Chile	39	12	-	51	-	127	-	127
Colombia	-	2,092	-	2,092	-	2,669	-	2,669
United States	100	-	-	100	78	-	-	78
Mexico	5	-	-	5	6	-	-	6
Paraguay	4	2	-	6	-	88	-	88
Uruguay	-	222	-	222	-	32	-	32
Other	33	-	-	33	84	-	-	84
Corporate securities	4,025	24,100	1,032	29,157	2,356	31,031	1,004	34,391
Shares	2,940	-	823	3,763	1,533	-	958	2,491
Bank deposit certificates	1	346	-	347	12	1,812	-	1,824
Securitized real estate loans	-	-	65	65	-	-	-	-
Debentures	487	2,637	134	3,258	216	2,949	25	3,190
Eurobonds and others	597	37	-	634	595	49	18	662
Financial credit bills	-	20,612	-	20,612	-	25,893	-	25,893
Promissory notes	-	391	-	391	-	-	-	-
Other	-	77	10	87	-	328	3	331
Available-for-sale financial assets	43,369	50,491	8,424	102,284	34,840	43,903	9,534	88,277
Investment funds	-	301	-	301	-	42	-	42
Brazilian government securities	25,561	709	219	26,489	17,039	671	228	17,938
Brazilian external debt bonds	12,790	-	-	12,790	14,065	-	-	14,065
Government securities – other countries	2,111	22,181	98	24,390	1,536	12,850	86	14,472
Chile	-	9,612	98	9,710	-	5,758	86	5,844
Colombia	-	3,346	-	3,346	-	1,155	-	1,155
Korea	-	1,944	-	1,944	-	2,673	-	2,673
Denmark	-	1,951	-	1,951	-	819	-	819
Spain	-	2,936	-	2,936	-	923	-	923
United States	1,567	-	-	1,567	1,427	-	-	1,427
France	544	-	-	544	-	-	-	-
Netherlands	-	-	-	-	101	-	-	101
Paraguay	-	1,800	-	1,800	-	1,111	-	1,111
Uruguay	-	592	-	592	-	411	-	411
Other	-	-	-	-	8	-	-	8
Corporate securities	2,907	27,300	8,107	38,314	2,200	30,340	9,220	41,760
Shares	1,085	63	1,195	2,343	817	-	568	1,385
Rural Product Note	-	2,288	540	2,828	-	876	549	1,425
Bank deposit certificates	-	688	115	803	-	2,527	114	2,641
Securitized real estate loans	-	1	1,761	1,762	-	-	2,095	2,095
Debentures	438	16,326	3,982	20,746	277	16,007	4,886	21,170
Eurobonds and others	1,384	3,678	514	5,576	1,105	5,615	995	7,715
Financial credit bills	-	619	-	619	-	2,816	-	2,816
Promissory notes	-	3,244	-	3,244	1	2,172	-	2,173
Other	-	393	-	393	-	327	13	340
Financial assets designated at fair value through profit or loss	1,746	-	-	1,746	1,191	-	-	1,191
Brazilian government securities	1,746	-	-	1,746	1,191	-	-	1,191
Financial liabilities held for trading	-	465	-	465	-	519	-	519
Structured notes	-	465	-	465	-	519	-	519

The following table presents the breakdown of risk levels at 12/31/2017 and 12/31/2016 for our derivative assets and liabilities.

	12/31/2017				12/31/2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives - assets	158	22,249	436	22,843	127	23,583	521	24,231
Futures	158	-	-	158	127	-	-	127
Swap – differential receivable	-	8,821	369	9,190	-	10,074	468	10,542
Options	-	3,271	66	3,337	-	4,745	47	4,792
Forwards (onshore)	-	6,911	-	6,911	-	4,971	-	4,971
Credit derivatives	-	137	-	137	-	181	-	181
Forwards (offshore)	-	2,950	-	2,950	-	3,459	-	3,459
Check of swap	-	68	-	68	-	88	-	88
Other derivatives	-	91	1	92	-	65	6	71
Derivatives - liabilities	-	(26,643)	(103)	(26,746)	-	(24,638)	(60)	(24,698)
Swap – differential payable	-	(13,590)	(102)	(13,692)	-	(13,165)	(56)	(13,221)
Options	-	(2,792)	(1)	(2,793)	-	(4,548)	(4)	(4,552)
Forwards (onshore)	-	(6,272)	-	(6,272)	-	(3,530)	-	(3,530)
Credit derivatives	-	(58)	-	(58)	-	(147)	-	(147)
Forwards (offshore)	-	(3,745)	-	(3,745)	-	(2,825)	-	(2,825)
Check of swap	-	(122)	-	(122)	-	(353)	-	(353)
Other derivatives	-	(64)	-	(64)	-	(70)	-	(70)

There were no significant transfer between Level 1 and Level 2 during the period from December 31, 2017 and December 31, 2016. 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\$ 81,210 in financial instruments classified as Level 2, at December 31, 2017, pricing service or brokers were used to evaluate securities at the fair value of R\$ 47,187, 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.

	Fair value at 12/31/2016	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2017	Total gains (losses) related to assets and liabilities still held at 12/31/2017
Financial assets held for trading	1,005	(269)	187	(351)	461	1,033	(290)
Brazilian government securities	1	-	-	-	-	1	-
Corporate securities	1,004	(269)	187	(351)	461	1,032	(290)
Shares	958	(135)	-	-	-	823	(287)
Securitized real estate loans	-	(111)	176	-	-	65	(1)
Debentures	25	(13)	2	(296)	416	134	(2)
Eurobonds and others	18	(17)	9	(19)	9	-	-
Financial credit bills	-	-	-	(36)	36	-	-
Other	3	7	-	-	-	10	-
Available-for-sale financial assets	9,534	(2,110)	4,348	(4,465)	1,117	8,424	(1,121)
Brazilian government securities	228	(9)	-	-	-	219	22
Government securities – abroad - Chile	86	4	469	(461)	-	98	-
Corporate securities	9,220	(2,105)	3,879	(4,004)	1,117	8,107	(1,143)
Shares	568	292	98	-	237	1,195	13
Rural Product Note	549	(99)	417	(419)	92	540	(80)
Bank deposit certificates	114	11	390	(400)	-	115	-
Securitized real estate loans	2,095	(402)	68	-	-	1,761	19
Debentures	4,886	(1,784)	2,363	(2,137)	654	3,982	(1,092)
Eurobonds and others	995	(112)	543	(1,046)	134	514	(3)
Other	13	(11)	-	(2)	-	-	-

	Fair value at 12/31/2016	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2017	Total gains (losses) related to assets and liabilities still held at 12/31/2017
Derivatives - assets	521	(33)	101	(245)	92	436	17
Swap – differential receivable	468	(41)	-	(100)	42	369	32
Options	47	12	101	(143)	49	66	(14)
Credit derivatives	-	-	-	(1)	1	-	-
Other derivatives	6	(4)	-	(1)	-	1	(1)
Derivatives - liabilities	(60)	(117)	(15)	111	(22)	(103)	(57)
Swap – differential payable	(56)	(122)	-	97	(21)	(102)	(60)
Options	(4)	5	(15)	13	-	(1)	3
Credit derivatives	-	-	-	1	(1)	-	-

	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 12/31/2016	Total gains (losses) related to assets and liabilities still held at 12/31/2016
Financial assets held for trading	60	(151)	87	(344)	1,353	1,005	(154)
Brazilian government securities	3	-	-	(2)	-	1	-
Corporate securities	57	(151)	87	(342)	1,353	1,004	(154)
Shares	-	(114)	-	-	1,072	958	(152)
Debentures	48	(37)	33	(306)	287	25	(2)
Eurobonds and others	6	-	54	(36)	(6)	18	-
Other	3	-	-	-	-	3	-
Available-for-sale financial assets	4,259	(677)	4,626	(4,380)	5,706	9,534	(685)
Investment funds	114	313	-	(427)	-	-	-
Brazilian government securities	212	(208)	-	220	4	228	11
Government securities – abroad - Chile	29	(44)	321	(220)	-	86	-
Corporate securities	3,904	(738)	4,305	(3,953)	5,702	9,220	(696)
Shares	267	119	-	(227)	409	568	76
Rural Product Note	52	(54)	1,205	(851)	197	549	(57)
Bank deposit certificates	130	2	483	(501)	-	114	-
Securitized real estate loans	2,037	58	11	(10)	(1)	2,095	(55)
Debentures	844	(739)	2,111	(994)	3,664	4,886	(653)
Eurobonds and others	26	(130)	446	(837)	1,490	995	(7)
Financial credit bills	367	14	-	(301)	(80)	-	-
Promissory notes	54	-	-	(54)	-	-	-
Other	127	(8)	49	(178)	23	13	-

	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 12/31/2016	Total gains (losses) related to assets and liabilities still held at 12/31/2016
Derivatives - Assets	1,251	(713)	254	(728)	457	521	(7)
Swaps - differential receivable	1,189	(731)	8	(455)	457	468	21
Options	33	36	246	(268)	-	47	(28)
Other derivatives	29	(18)	-	(5)	-	6	-
Derivatives - Liabilities	(33)	18	(35)	96	(106)	(60)	(2)
Swaps - differential payable	(21)	9	(5)	67	(106)	(56)	(8)
Options	(12)	9	(30)	29	-	(4)	6

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		12/31/2017	
Risk factor groups	Scenarios	Impact	
		Result	Stockholders' equity
Interest rates	I	(1.9)	(2.4)
	II	(47.0)	(55.4)
	III	(93.9)	(114.5)
Currency, commodities, and ratios	I	(146.6)	-
	II	(293.2)	-
Nonlinear	I	(9.2)	-
	II	(11.9)	-

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	12/31/2017	12/31/2016
Civil	5,300	5,172
Labor	7,283	7,232
Tax and social security	7,003	8,246
Other	150	259
Total	19,736	20,909
Current	4,974	4,434
Non-current	14,762	16,475

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.

In December 2017, through mediation of the Federal Attorney's Office (AGU) and supervision of the Central Bank of Brazil (BCB), savers (represented by two civil associations, FEBRAPO and IDEC) and FEBRABAN entered into an instrument of agreement aiming at resolving lawsuits related to economic plans, and Itaú has already adhered to its terms. For effectiveness and validity of the agreement, it needs to be approved by the STF, which is expected to occur in the first half of 2018. As from that approval, the savers will have 24 months to adhere to the terms of the agreement.

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\$ 3,494 (R\$ 3,388 at 12/31/2016), 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\$ 122 (R\$ 79 at 12/31/2016).

- 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 12/31/2017			
	Civil	Labor	Other	Total
Opening balance	5,172	7,232	259	12,663
Balance arising from Corpbanca acquisition (Note 3)	(1)	-	-	(1)
Balance arising from the acquisition of Citibank operations (Note 3)	39	284	-	323
(-) Contingencies guaranteed by indemnity clause (Note 2.4.q)	(256)	(1,066)	-	(1,322)
Subtotal	4,954	6,450	259	11,663
Interest (Note 26)	99	613	-	712
Changes in the period reflected in results (Note 26)	1,420	2,357	(109)	3,668
Increase (*)	1,962	2,592	4	4,558
Reversal	(542)	(235)	(113)	(890)
Payment	(1,416)	(3,135)	-	(4,551)
Subtotal	5,057	6,285	150	11,492
(+) Contingencies guaranteed by indemnity clause (Note 2.4.q)	243	998	-	1,241
Closing balance	5,300	7,283	150	12,733
Escrow deposits at 12/31/2017 (Note 20a)	1,457	2,200	-	3,657

(*) Civil provisions include the provision for economic plans amounting to R\$ 184.

	01/01 to 12/31/2016			
	Civil	Labor	Other	Total
Opening balance	5,227	6,132	135	11,494
Balance arising from the merger with Corpbanca (Note 3)	2	5	133	140
(-) Contingencies guaranteed by indemnity clause (Note 2.4.q)	(236)	(1,089)	-	(1,325)
Subtotal	4,993	5,048	268	10,309
Interest (Note 26)	248	625	-	873
Changes in the period reflected in results (Note 26)	1,241	2,946	(9)	4,178
Increase (*)	1,901	3,149	(7)	5,043
Reversal	(660)	(203)	(2)	(865)
Payment	(1,566)	(2,453)	-	(4,019)
Subtotal	4,916	6,166	259	11,341
(+) Contingencies guaranteed by indemnity clause (Note 2.4.q)	256	1,066	-	1,322
Closing balance	5,172	7,232	259	12,663
Escrow deposits at 12/31/2016 (Note 20a)	1,541	2,337	-	3,878

(*) Civil provisions include the provision for economic plans amounting to R\$ 408.

- 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 12/31/2017	01/01 to 12/31/2016
Opening balance	8,246	7,500
(-) Contingencies guaranteed by indemnity clause	(69)	(65)
Subtotal	8,177	7,435
Interest ⁽¹⁾	613	737
Changes in the period reflected in results	(27)	68
Increase ⁽¹⁾	452	287
Reversal ⁽¹⁾	(479)	(219)
Payment ⁽²⁾	(1,826)	(63)
Subtotal	6,937	8,177
(+) Contingencies guaranteed by indemnity clause	66	69
Closing balance	7,003	8,246

(1) The amounts are included in the headings Tax Expenses, General and Administrative Expenses and Current Income Tax and Social Contribution;

(2) Includes the adhesion to PERT (Special Tax Regularization Program) which allowed the use of deferred tax assets.

Escrow deposits	01/01 to 12/31/2017	01/01 to 12/31/2016
Opening balance	4,847	4,339
Appropriation of interest	344	383
Changes in the period	(3)	125
Deposits made	240	217
Withdrawals	(202)	(66)
Deposits released	(41)	(26)
Closing balance (Note 20a)	5,188	4,847
Reclassification of assets pledged as collateral for contingencies (Note 32d)	(18)	-
Closing balance after reclassification	5,170	4,847

Main discussions related to the provisions recognized for Tax and Social Securities Lawsuits are described as follows:

- CSLL – Isonomy – R\$ 1,289: 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\$ 1,273;
- PIS and COFINS – Calculation basis – R\$ 687: defending the levy of PIS and COFINS on revenue, a tax on revenue from the sales of assets and services. The balance of the deposit in court totals R\$ 601;

Off-balance sheet contingencies

The amounts involved in tax and social security lawsuits for which the likelihood of loss is possible are not recognized as a provision. The estimated amounts at risk in the principal tax and social security lawsuits with a likelihood of loss deemed possible, which total R\$ 19,595, are described below:

- INSS – Non-compensatory amounts – R\$ 5,220: 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\$ 2,580: the deductibility of goodwill with future expected profitability on the acquisition of investments;
- PIS and COFINS - Reversal of Revenues from Depreciation in Excess – R\$ 1,658: discussing the accounting and tax treatment granted to PIS and COFINS upon settlement of leasing operations;
- IRPJ, CSLL, PIS and COFINS – Requests for offsetting dismissed - R\$ 1,650: cases in which the liquidity and the ability of offset credits are discussed;
- IRPJ and CSLL – Interest on capital – R\$ 1,487: 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\$ 1,123: 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 and CSLL – Deductibility of Losses in Credit Operations – R\$ 705 – Assessments 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\$ 1,065 (R\$ 1,128 at 12/31/2016) (Note 20a). This value is derived basically from 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 contingencies refer to lawsuits involving contingent liabilities and are restricted or in escrow deposits, as shown in the table below:

	12/31/2017	12/31/2016
Financial assets held for trading and Available-for-sale financial assets (basically financial treasury bills)	962	950
Escrow deposits (Note 20a)	4,585	4,537

ITAÚ UNIBANCO HOLDING's litigation provisions are long-term, considering the time required to conclude legal cases through the court system in Brazil, which prevents the disclosure of a deadline for their conclusion.

The legal advisors, believe that ITAÚ UNIBANCO HOLDING is not a party to this or any other administrative proceedings or lawsuits that could significantly affect the results of its operations.

e) Programs for Settlement or Installment Payment of Municipal Taxes

ITAÚ UNIBANCO conglomerate companies adhered to the Installment Payment Incentive Program – PPI, established by a number of Municipality Authorities, among which are São Paulo and Rio de Janeiro (Laws No. 16.680/17 and No. 6.156/17, respectively).

The programs permitted to regularize tax or other debts, with discounts on interest and fine amounts.

f) Special Tax Regularization Program - PERT

In the federal levels, ITAÚ UNIBANCO conglomerate companies adhered to the Special Tax Regularization Program - PERT, established by Law No. 13.496, of October 24, 2017, related to tax and social security debts management by the Federal Revenue Service and by the General Attorney's Office of the National Treasury.



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.

a) Capital Requirements in Place and In Progress

ITAÚ UNIBANCO HOLDING's minimum capital requirements comply with the set of BACEN resolutions and circulars, which established in Brazil the global capital requirement standards known as Basel III. They are expressed as indices obtained from the ratio between available capital - represented by Referential Equity (PR), or Total Capital, composed of Tier I Capital (which comprises Common Equity and Additional Tier I Capital) and Tier II Capital, and the Risk-Weighted Assets (RWA).

The Total Capital, Tier 1 Capital and Common Equity Tier I Capital ratios are calculated on a consolidated basis, applied to entities that are part of Prudential Conglomerate, which comprises not only financial institutions but also collective financing plans ("consórcios"), payment entities, factoring companies or companies that directly or indirectly assume credit risk, and investment funds in which ITAÚ UNIBANCO HOLDING retains substantially all risks and rewards.

For purposes of calculating these minimum capital requirements, the total RWA is determined as the sum of the risk weighted asset amounts for credit, market, and operational risks. ITAÚ UNIBANCO HOLDING uses the standardized approaches to calculate credit and operational risk-weighted asset amounts.

As from September 1, 2016, BACEN authorized ITAÚ UNIBANCO HOLDING to use market risk internal models to determine the total amount of regulatory capital (RWA_{MINT}), replacing the RWA_{MPAD} portion, as set forth in BACEN Circular 3,646.

For foreign units, the standardized approach is adopted. Therefore, the internal models are not used for Argentina, Chile, Itaú BBA *International*, Itaú BBA Colombia, Paraguay, and Uruguay units.

From January 1, 2017 to December 31, 2017, the minimum capital ratio required is 9.25%, and, following the gradual decrease schedule, it will be 8% on January 1, 2019.

In addition to minimum regulatory capital requirements, BACEN rules established the Additional Common Equity (ACP), corresponding to the sum of the portions of $ACP_{Conservation}$, $ACP_{Countercyclical}$ and $ACP_{Systemic}$, which, in conjunction with the above-mentioned requirements, increase the need for capital over time. The amounts of each one of the portions, as established by CMN Resolution 4,193, are shown in the table below.

Basel III also reformulated the requirements for qualification of instruments eligible for Tier I and Tier II Capital, as regulated in Brazil by CMN Resolution 4,192. This reform includes a phase-out schedule for instruments already considered in capital, issued prior to the effectiveness of the rule, and that do not fully meet the new requirements.

The table below shows the schedule for implementation of Basel III rules in Brazil, as established by BACEN, and the figures refer to the percentage of ITAÚ UNIBANCO HOLDING's risk-weighted assets.

Basel III Implementation Calendar	From January 1,				
	2015	2016	2017	2018	2019
Common Equity Tier I	4.5%	4.5%	4.5%	4.5%	4.5%
Tier I	6.0%	6.0%	6.0%	6.0%	6.0%
Total Capital	11%	9.875%	9.25%	8.625%	8.0%
Additional Common Equity Tier I (ACP)	0.0%	0.625%	1.50%	2.375%	3.5%
Conservation	0%	0.625%	1.25%	1.875%	2.5%
Countercyclical ⁽¹⁾	0%	0%	0%	0%	0%
Systemic	0%	0%	0.25%	0.5%	1.0%
Common Equity Tier I + ACP	4.5%	5.125%	6.0%	6.875%	8.0%
Total Capital + ACP	11.0%	10.5%	10.75%	11.0%	11.5%
Prudential Adjustments Deductions	40%	60%	80%	100%	100%

(1) ACP_{Countercyclical} is triggered during the credit cycle expansion phase, and, currently, according to BACEN Circular 3,769, the amount required for the countercyclical capital is zero. Furthermore, in the event of increase in ACP_{Countercyclical}, the new percentage will be effective only twelve months after it is announced.

Additionally, in March 2015, Circular BACEN 3,751, of March 19, 2015 came into force, it provides for the calculation of the relevant indicators for assessing the Global Systemically Important Banks (G-SIBs) of financial institutions in Brazil. Information on the values of the G-SIBs indicators, which are not part of its financial statements, can be found at www.itaubank.com.br/investor-relations, “Corporate Governance” section, “Global Systemically Important Banks”.

In March 2017, Additional Common Equity Tier I Capital of systemic importance (ACP_{Systemic}) went into effect, regulated by BACEN Circular 3,768, of October 29, 2015. The purpose of ACP_{Systemic} is to reduce the probability of insolvency of an institution systemically important in the domestic level (D-SIB: Domestic Systemically Important Bank) and the impact on the stability of the financial system and economy. The calculation of ACP_{Systemic} associates the system importance, represented by the institution's total exposure, with the Gross Domestic Product (GDP).

Further details on ACP_{Systemic}, which are not part of the financial statements, can be viewed on the website www.itaubank.com.br/investor-relations, “Corporate Governance” / Risk and Capital Management – Pillar 3.

The Leverage Ratio is defined as the ratio between the Tier I Capital and Total Exposure, calculated as prescribed by BACEN Circular 3,748. The objective of this ratio is to be a simple, risk-insensitive leverage measure. Therefore, it does not take into consideration risk-weighting or mitigation factors. In line with the instructions set out in BACEN Circular 3,706, since October 2015, ITAÚ UNIBANCO HOLDING has reported its Leverage Ratio to BACEN on a monthly basis. However, according to recommendations in Basel III Accord, a minimum Leverage Ratio should be required in 2018, which will be defined based on the period over which the ratio's behavior was monitored, since its implementation in 2011 up to 2017.

More information on the composition of the Leverage Ratio, which are not part of its financial statements, is available at www.itaubank.com.br/investors-relations, “Corporate Governance section/Risk and Capital Management – Pillar 3.

b) Capital Management

The Board of Directors is the main body in the management of ITAÚ UNIBANCO HOLDING's capital and it is responsible for approving the institutional capital management policy and guidelines for the institution's capitalization level. The Board is also responsible for fully approving the ICAAP report (Internal Capital Adequacy Assessment Process), which is intended to assess the adequacy of ITAÚ UNIBANCO HOLDING's capital.

At the executive level, corporate bodies are responsible for approving risk assessment and capital calculation methodologies, as well as revising, monitoring and recommending capital-related documents and topics to the Board of Directors.

In order to provide the Board of Directors with necessary information, management reports are prepared to inform on the institution's capital adequacy, and the projections of capital levels under normal and stress situations. There is a structure that coordinates and consolidates related information and processes, all of them subject to verification by the independent validation, internal controls and audit areas.

The “Public Access Report – Capital Management”, which are not part of its financial statements, which provides the guidelines established in the institutional capital management policy can be accessed at www.itaubank.com.br/investor-relations, under Corporate Governance, Regulations and Policies.

c) Risk appetite

In 2016 ITAÚ UNIBANCO HOLDING revisited its risk appetite policy, established and approved by the Board of Directors, which guides its business strategy. The institute's risk appetite is based on the following statement issued by the Board of Directors:

"We are a universal bank, operating mostly in Latin America. Supported by our risk culture, we operate within the highest ethical standards and regulatory compliance, seeking increasingly improved results, with low volatility, through an ongoing client relationship, accurate risk pricing, diversified funding and proper use of capital."

Based on this statement, defined five dimensions, each composed of a series of metrics associated with the main risks involved, by combining supplementary manners of measurement and seeking to reach a comprehensive vision of our exposures:

- Capitalization: establishes that ITAÚ UNIBANCO HOLDING must have capital sufficient to face any serious recession period or a stress event without the need to adjust its capital structure under unfavorable circumstances. It is monitored through the follow-up of ITAÚ UNIBANCO HOLDING's capital ratios, both in normal and stress scenarios, and of the ratings of the institution's debt issues.
- Liquidity: establishes that the institution's liquidity must withstand long stress periods. It is monitored through the follow-up of liquidity ratios.
- Composition of results: defines that business will be focused primarily in Latin America, where ITAÚ UNIBANCO HOLDING has a diversified base of clients and products, with low appetite for volatility of results and high risks. This dimension comprises aspects related to business and profitability, and market and credit risks. By adopting exposure concentration limits, such as industry sectors, counterparty quality, countries and geographical regions and risk factors, these monitored metrics seek to ensure the proper composition of our portfolios, aimed at the low volatility of results and business sustainability.
- Operational risk: focuses on the control of operational risk events that may adversely impact the operation and business strategy, and is carried out by monitoring the main operational risk events and incurred losses.
- Reputation: addresses risks that may impact the institution's brand value and reputation with clients, employees, regulatory bodies, investors and the general public. The risk monitoring in this dimension is carried out by the follow-up of client satisfaction and dissatisfaction and media exposure, in addition to monitoring the institution's conduct.

The Board of Directors is responsible for approving risk appetite limits and guidelines, performing its duties with the support of the Risk and Capital Management Committee (CGRC) and the Chief Risk Officer (CRO).

These metrics are monitored from time to time and must respect the defined limits. Monitoring is reported to the risk committees and the Board of Directors, and guides preventive measures to ensure that any exposures are within the limits established and in line with our strategy.

d) Composition of capital

The Referential Equity (PR) used to monitor compliance with the operational limits imposed by BACEN is the sum of three items, namely:

- Common Equity Tier I: the sum of capital, reserves and retained earnings, less deductions and prudential adjustments.
- Additional Tier I Capital: consists of instruments of a perpetual nature, which meet eligibility requirements. Together with Common Equity Tier I it makes up Tier I.
- Tier II: consists of subordinated debt instruments with defined maturity dates that meet eligibility requirements. Together with Common Equity Tier I and Additional Tier I Capital, makes up Total Capital.

The table below presents the composition of the referential equity segregated into Common Equity Tier I, Additional Tier I Capital and Tier II Capital, taking into consideration their respective prudential adjustments, as required by current regulations.

Composition of Referential Equity	12/31/2017	12/31/2016
Stockholders' equity Itaú Unibanco Holding S.A. (Consolidated)	126,924	115,590
Non-controlling Interests	11,942	11,568
Changes in Subsidiaries' Interests in Capital Transactions	1,482	2,777
Consolidated Stockholders' Equity (BACEN)	140,348	129,935
Common Equity Tier I Prudential Adjustments	(17,952)	(14,527)
Common Equity Tier I	122,396	115,408
Additional Tier I Prudential Adjustments	57	532
Additional Tier I Capital	57	532
Tier I (Common Equity Tier I + Additional Tier I Capital)	122,453	115,940
Instruments Eligible to Comprise Tier II	19,723	23,488
Tier II Prudential Adjustments	76	49
Tier II	19,799	23,537
Referential Equity (Tier I + Tier II)	142,252	139,477

The table below shows the most significant Prudential Adjustments for ITAÚ UNIBANCO HOLDING. Together, they correspond to more than 90% of the prudential adjustments as at December 31, 2017.

Composition of Prudential Adjustments	12/31/2017	12/31/2016
Goodwill paid on the acquisition of investments	8,123	7,408
Intangible assets	5,456	3,254
Tax credits	5,208	3,678
Surplus of Common Equity Tier I Capital - Noncontrolling interests	286	909
Adjustments relating to the fair value of derivatives used as cash flow hedge, for hedged items that do not have their mark-to-market adjustments accounted for	(1,399)	(1,254)
Other	278	532
Total	17,952	14,527

During 2017, ITAÚ UNIBANCO HOLDING bought back shares in the amount of R\$ 3,089. These shares are recorded in line item "Treasury Shares", which totaled R\$ (2,743) as at December 31, 2017. Treasury shares reduce the institution's Equity, causing its capital base to be decreased.

In this period, the amount of dividends and interest on capital paid / accrued that affected the base of the institution's capital totaled R\$ 10,582. Dividends are deducted from the institution's Equity, thus reducing the base of its capital. Whereas, interest on capital, which is accounted for as an expense directly in profit (loss), reduces the institution's net income and, consequently, the base of its capital.

For details on capital requirements, which are not part of its financial statements, are available at www.itaubr.com.br/investors-relations, Corporate Governance section / Risk and Capital Management – Pillar 3.

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 December 2017, 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.	Account balance 12/31/2017
Subordinated financial bills - BRL					
	42	2011	2018	IGPM + 7%	64
	30			IPCA + 7.53% to 7.7%	51
	6,373	2012	2018	108% to 113% of CDI	7,347
	461			IPCA + 4.4% to 6.58%	805
	3,782			100% of CDI + 1.01% to 1.32%	3,888
	112			9.95% to 11.95%	193
	2	2011	2019	109% to 109.7% of CDI	4
	1	2012	2019	110% of CDI	2
	12			11.96%	23
	100			IPCA + 4.7% to 6.3%	173
	1	2012	2020	111% of CDI	2
	20			IPCA + 6% to 6.17%	40
	6	2011	2021	109.25% to 110.5% of CDI	12
	2,307	2012	2022	IPCA + 5.15% to 5.83%	4,199
	20			IGPM + 4.63%	26
	13,269			Total	16,829
Subordinated euronotes - USD					
	990	2010	2020	6.20%	3,310
	1,000	2010	2021	5.75%	3,395
	730	2011	2021	5.75% to 6.20%	2,430
	550	2012	2021	6.20%	1,819
	2,600	2012	2022	5.50% to 5.65%	8,752
	1,851	2012	2023	5.13%	6,152
	7,721			Total	25,858
Total					42,687

On December 12, 2017, ITAÚ UNIBANCO HOLDING issued perpetual subordinated notes/AT1, in the total amount of R\$ 4.135. The Notes were issued at the fixed rate of 6.125% to be validated until the 5th anniversary of the issue date. As from this date, inclusive, the interest rate will be recalculated every 5 years based on the interest rate of securities issued by the Treasury of the United States of America for the same period. The offer price of the Notes was 100%, which will result to investors in a return of 6.125% until the 5th anniversary of the Issue date. The Issue is neither subject to registration rules with the Securities Exchange Commission - SEC, in compliance with the Federal North-American law "Securities Act of 1933", as amended (Securities Act), nor to registration with CVM, in Brazil, in compliance with applicable law and regulations. Notes are subject to BACEN's approval for composition of Supplementary Capital of its Referential Equity, thus increased by approximately 0.6 p.p. the Company's Tier I capitalization ratio, in compliance with CMN Resolution 4,192/13.

e) Risk-Weighted Assets (RWA)

According to CMN Resolution No. 4,193, as amended, minimum capital requirements are calculated by the RWA amount, which is obtained by adding the terms listed below:

$$RWA = RWA_{CPAD} + RWA_{MINT} + RWA_{OPAD}$$

RWA_{CPAD} = portion related to exposures to credit risk, calculated using the standardized approach;

RWA_{MINT} = portion related to capital required for market risk, compose of the maximum between the internal model and 80% of the standardized model, regulated by BACEN Circulars 3,646 and 3,674;

RWA_{OPAD} = portion related to capital required for operational risk, calculated based on the standardized approach.

The table below shows the amounts of risk weighted assets for Credit Risk (RWA_{CPAD}):

	12/31/2017	12/31/2016
Risk exposures		
Exposure Weighted by Credit Risk (RWA_{CPAD})	660,516	669,284
a) Per Weighting Factor (FPR):		
FPR at 2%	92	105
FPR at 20%	7,674	8,011
FPR at 35%	15,900	12,056
FPR at 50%	42,896	44,251
FPR at 75%	145,376	142,194
FPR at 85%	75,673	82,494
FPR at 100%	320,976	325,890
FPR at 250%	34,053	33,213
FPR at 300%	3,906	7,357
FPR up to 1250% ^(*)	2,096	1,608
Derivatives - Changes in the Counterparty Credit Quality	6,417	6,168
Derivatives - Future Potential Gain	5,457	5,937
b) Per Type:		
Securities	45,629	45,741
Loan Operations - Retail	114,141	114,481
Loan Operations - Non-Retail	240,815	247,911
Joint Liabilities - Retail	172	205
Joint Liabilities - Non-Retail	45,405	47,108
Loan Commitments - Retail	31,058	27,504
Loan Commitments - Non-Retail	9,017	10,234
Other Exposures	174,279	176,100

(*) Taking into consideration the application of the "F" factor required by Article 29 of BACEN Circular 3,644.

We present below the breakdown of Risk-weighted assets of market risk (RWA_{MINT}), as follows:

	12/31/2017 ⁽¹⁾	12/31/2016 ⁽²⁾
Market Risk Weighted Assets - Standard Approach (RWA_{MPAD})	32,893	26,811
Operations subject to interest rate variations	31,076	24,919
Fixed rate denominated in Real	6,119	4,952
Foreign currency coupon	17,153	15,497
Price index coupon	7,804	4,470
Operations subject to commodity price variation	361	353
Operations subject to stock price variation	239	401
Operations subject to risk exposures in gold, foreign currency and foreign exchange variation	1,217	1,138
Minimum Market Risk Weighted Assets - Standard Approach (RWA_{MPAD})^{(1) (2)} (a)	26,314	24,130
Market Risk Weighted Assets calculated based on internal methodology (b)	32,915	19,799
Reduction of Market Risk Weighted Assets due to Internal Models Approach (IMA)	-	(2,681)
Market Risk Weighted Assets (RWA_{MINT}) - maximum of (a) and (b)	32,915	24,130

(1) Market risk weighted-assets calculated based on internal models, with maximum saving possibility of 20% of the standard model.

(2) Market risk weighted-assets calculated based on internal models, with maximum saving possibility of 10% of the standard model.

At December 31, 2017, $RWAMINT$ totaled R\$ 32,915 corresponding to the need for capital calculated through internal models, exceeding 80% of $RWAMPAD$, which totaled R\$ 26,314.

The table below shows the amounts of risk weighted assets for Operational Risk (RWA_{OPAD}):

	12/31/2017	12/31/2016
Risk-weighted assets of operational risk (RWA_{OPAD})	63,277	37,826
Retail	11,870	10,887
Commercial	24,857	24,166
Corporate finance	2,663	2,789
Negotiation and sales	7,434	(11,026)
Payments and settlement	7,532	3,418
Financial agent services	3,892	3,471
Asset management	5,010	4,109
Retail brokerage	18	12

f) Capital Adequacy Assessment

Upon annually assessing its capital adequacy, ITAÚ UNIBANCO HOLDING adopts the following flow:

- Identification of risks to which the institution is exposed and analysis of their materiality;
- Evaluation of capital requirements for material risks;
- Development of methodologies for quantifying additional capital;
- Quantification and internal capital adequacy evaluation;
- Capital and Contingency Plan;
- Sending the capital adequacy report to BACEN.

Adopting a prospective attitude to manage its capital, ITAÚ UNIBANCO HOLDING implemented its capital management structure and ICAAP, thus complying with CMN Resolution 3,988, BACEN Circular 3,547 and BACEN Circular Letter 3,774.

The result of the last ICAAP – conducted as of December 2016 – indicated that, in addition to capital to face all material risks, ITAÚ UNIBANCO HOLDING has significant capital surplus, thus assuring the institution's equity soundness.

g) Capital Adequacy

ITAÚ UNIBANCO HOLDING, through the ICAAP, assesses the sufficiency of capital to face its risks, represented by regulatory capital for credit, market and operational risk and capital required to cover the other risks.

In order to ensure the soundness of ITAÚ UNIBANCO HOLDING and the availability of capital to support business growth, ITAÚ UNIBANCO HOLDING maintains PR levels above the minimum level required to face risks, as evidenced by the Common Equity, Tier I Capital and Basel ratios.

Composition of Referential Equity (PR)	12/31/2017	12/31/2016
Tier I	122,453	115,940
Common Equity Tier I	122,396	115,408
Additional Tier I Capital	57	532
Tier II	19,799	23,537
Deductions	-	-
Referential Equity	142,252	139,477
Minimum Referential Equity Required	69,995	72,210
Surplus Capital in relation to the Minimum Referential Equity Required	72,257	67,267
Additional Common Equity Tier I Required (ACP_{Required})	11,351	4,570
Referential equity calculated for covering the interest rate risk on operations not classified in the trading portfolio (RBAN)	2,470	2,264

The table below shows the Basel and Fixed Asset Ratios:

	12/31/2017	12/31/2016
Basel Ratio	18.8%	19.1%
Tier I	16.2%	15.9%
Common Equity Tier I	16.2%	15.8%
Additional Tier I Capital	0.0%	0.1%
Tier II	2.6%	3.2%
Fixed Asset Ratio	23.9%	25.4%
Surplus Capital in Relation to Fixed Assets	37,101	34,298

h) Stress testing

The stress test is a process of simulation of extreme economic and market conditions in the institution's results and capital. The institution has conducted this test since 2010 aiming at assessing its solvency in plausible scenarios of a systemic crisis, as well as at identifying areas that are more susceptible to the impact of stress, and that can be subject to risk mitigation.



To perform the test, macroeconomic variables for each stress scenario are estimated by the economic research department. The scenarios are established considering their relevance to the bank's result, and the probability of occurrence, and they are submitted to the approval of the Board of Directors on an annual basis.

Projections of macroeconomic variables (GDP, benchmark interest rate and inflation) and of the credit market (fundraising, loans, default rate, spread and fees) for these scenarios are generated based on exogenous shocks or by using models validated by an independent area.

These projections affect the budgeted result and balance sheet that then change the risk-weighted assets and capital and liquidity ratios.

The stress test is also an integral part of ICAAP, with the main purpose of assessing whether, even in severe adverse conditions, the institution would have appropriate capital levels, not impacting the development of its activities.

This information allows to identify potential factors of risks on businesses, supporting the Board of Directors' strategic decisions, the budgetary process and discussions on credit granting policies, in addition to being used as input for risk appetite metrics.



Note 34 – Segment Information

ITAÚ UNIBANCO HOLDING is a banking institution that offers its customers a wide range of financial products and services.

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 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.

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.

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 January 1 to December 31, 2017
(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	69,600	28,748	10,620	108,968	2,082	111,050
Interest margin ⁽¹⁾	38,381	19,426	10,508	68,315	1,276	69,591
Banking service fees	23,963	8,876	46	32,885	1,563	34,448
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	7,256	446	66	7,768	(2,516)	5,252
Other income	-	-	-	-	1,759	1,759
Cost of Credit and Claims	(13,324)	(5,882)	(6)	(19,212)	972	(18,240)
Expenses for allowance for loan and lease losses	(14,005)	(5,053)	(6)	(19,064)	(1,682)	(20,746)
Impairment	-	(1,094)	-	(1,094)	1,094	-
Discounts granted	(785)	(263)	-	(1,048)	1,048	-
Recovery of loans written off as loss	2,688	581	-	3,269	429	3,698
Expenses for claims / recovery of claims under reinsurance	(1,222)	(53)	-	(1,275)	83	(1,192)
Operating margin	56,276	22,866	10,614	89,756	3,054	92,810
Other operating income (expenses)	(37,280)	(14,523)	(1,647)	(53,450)	(7,149)	(60,599)
Non-interest expenses ⁽²⁾	(32,885)	(13,265)	(831)	(46,981)	(7,137)	(54,118)
Tax expenses for ISS, PIS and COFINS and Other	(4,395)	(1,258)	(816)	(6,469)	(560)	(7,029)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	548	548
Net income before income tax and social contribution	18,996	8,343	8,967	36,306	(4,095)	32,211
Income tax and social contribution	(7,146)	(2,412)	(1,777)	(11,335)	3,392	(7,943)
Non-controlling interest in subsidiaries	(166)	117	(22)	(71)	(294)	(365)
Result of Citibank's operations	(21)	-	-	(21)	21	-
Net income	11,663	6,048	7,168	24,879	(976)	23,903

(1) Includes net interest and similar income and expenses of R\$ 66,365 dividend income of R\$ 301, net gain (loss) on investment securities and derivatives of R\$ 3,175 and results from foreign exchange results and exchange variation of transactions abroad of R\$ (250).

(2) Refers to general and administrative expenses including depreciation expenses of R\$ 1,564 amortization expenses of R\$ 1,470 and insurance acquisition expenses of R\$ 310.

Total assets ⁽¹⁾ - 12/31/2017	970,137	604,384	119,309	1,503,503	(68,534)	1,434,969
Total liabilities - 12/31/2017	934,835	548,185	71,873	1,364,566	(77,603)	1,286,963

(1) Includes:

Investments in associates and joint ventures	1,168	-	3,986	5,154	17	5,171
Goodwill	1,452	6,666	-	8,118	2,598	10,716
Fixed assets, net	5,105	1,290	-	6,395	964	7,359
Intangible assets, net	7,286	1,028	-	8,314	353	8,667

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.

Context



Our profile



Our governance



Our risk management



Performance F-327



Sustainability



Attachments



ITAÚ UNIBANCO HOLDING S.A.
From January 1 to December 31, 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	70,496	30,498	9,412	110,406	8,255	118,661
Interest margin ⁽¹⁾	40,073	21,929	9,264	71,266	8,215	79,481
Banking service fees	22,659	8,072	59	30,790	1,128	31,918
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	7,764	497	89	8,350	(2,470)	5,880
Other income	-	-	-	-	1,382	1,382
Cost of Credit and Claims	(15,820)	(10,645)	71	(26,394)	4,272	(22,122)
Expenses for allowance for loan and lease losses	(16,717)	(8,914)	71	(25,560)	1,181	(24,379)
Impairment	(26)	(1,856)	-	(1,882)	1,882	-
Discounts granted	(893)	(318)	-	(1,211)	1,211	-
Recovery of loans written off as loss	3,242	502	-	3,744	(2)	3,742
Expenses for claims / recovery of claims under reinsurance	(1,426)	(59)	-	(1,485)	-	(1,485)
Operating margin	54,676	19,853	9,483	84,012	12,527	96,539
Other operating income (expenses)	(37,202)	(13,410)	(2,387)	(52,999)	(5,348)	(58,347)
Non-interest expenses ⁽²⁾	(32,883)	(12,034)	(1,616)	(46,533)	(4,371)	(50,904)
Tax expenses for ISS, PIS and COFINS and Other	(4,319)	(1,376)	(771)	(6,466)	(1,505)	(7,971)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	528	528
Net income before income tax and social contribution	17,474	6,443	7,096	31,013	7,179	38,192
Income tax and social contribution	(6,328)	(1,081)	(1,237)	(8,646)	(5,964)	(14,610)
Non-controlling interest in subsidiaries	(223)	79	(1)	(145)	(174)	(319)
Net income	10,923	5,441	5,858	22,222	1,041	23,263

⁽¹⁾ Includes net interest and similar income and expenses of R\$ 66,369 dividend income of R\$ 288, net gain (loss) on investment securities and derivatives of R\$ 7,311 and foreign exchange results and exchange variation on transactions of abroad R\$ 5,513.

⁽²⁾ Refers to general and administrative expenses including depreciation expenses of R\$ 1,702 amortization expenses of R\$ 1,292 and insurance acquisition expenses of R\$ 721.

Total assets ⁽¹⁾ - 12/31/2016	909,779	585,088	116,401	1,427,084	(73,843)	1,353,241
Total liabilities - 12/31/2016	877,792	525,390	80,810	1,299,869	(81,442)	1,218,427

⁽¹⁾ Includes:

Investments in associates and joint ventures	1,325	-	3,106	4,431	642	5,073
Goodwill	1,398	6,171	-	7,569	2,106	9,675
Fixed assets, net	5,635	1,177	-	6,812	1,230	8,042
Intangible assets, net	6,559	1,105	-	7,664	(283)	7,381

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 December 31, 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	71,203	25,898	7,641	104,742	(12,731)	92,011
Interest margin ⁽¹⁾	41,705	18,171	7,513	67,389	(12,781)	54,608
Banking service fees	21,159	7,282	59	28,500	952	29,452
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	8,339	445	69	8,853	(2,181)	6,672
Other income	-	-	-	-	1,279	1,279
Cost of Credit and Claims	(14,601)	(6,055)	98	(20,558)	(777)	(21,335)
Expenses for allowance for loan and lease losses	(16,232)	(6,764)	98	(22,898)	(1,619)	(24,517)
Impairment	-	(85)	-	(85)	85	-
Discounts granted	(708)	(39)	-	(747)	747	-
Recovery of loans written off as loss	3,886	883	-	4,769	10	4,779
Expenses for claims / recovery of claims under reinsurance	(1,547)	(50)	-	(1,597)	-	(1,597)
Operating margin	56,602	19,843	7,739	84,184	(13,508)	70,676
Other operating income (expenses)	(35,924)	(11,130)	(1,948)	(49,002)	(3,409)	(52,411)
Non-interest expenses ⁽²⁾	(31,547)	(9,877)	(1,522)	(42,946)	(4,680)	(47,626)
Tax expenses for ISS, PIS and COFINS and Other	(4,377)	(1,253)	(426)	(6,056)	651	(5,405)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	620	620
Net income before income tax and social contribution	20,678	8,713	5,791	35,182	(16,917)	18,265
Income tax and social contribution	(7,263)	(2,691)	(1,040)	(10,994)	18,885	7,891
Non-controlling interest in subsidiaries	(342)	-	(14)	(356)	(60)	(416)
Net income	13,073	6,022	4,737	23,832	1,908	25,740

(1) Includes net interest and similar income and expenses of R\$ 72,725, dividend income of R\$ 98 net gain (loss) on investment securities and derivatives of R\$ (11,862) and foreign exchange results and exchange variation on transactions of abroad R\$ (6,353).

(2) Refers to general and administrative expenses including depreciation expenses of R\$ 1,688, amortization expenses of R\$ 910 and insurance acquisition expenses of R\$ 1,138.

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 12/31/2017			01/01 to 12/31/2016			01/01 to 12/31/2015		
	Brazil	Abroad	Total	Brazil	Abroad	Total	Brazil	Abroad	Total
Income related to financial operations ^{(1) (2)}	129,815	18,101	147,916	154,653	19,954	174,607	117,140	12,532	129,672
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,105	147	5,252	5,748	132	5,880	6,570	102	6,672
Banking service fees	31,296	3,152	34,448	29,061	2,857	31,918	27,072	2,380	29,452
Non-current assets ⁽³⁾	12,695	3,331	16,026	13,299	2,124	15,423	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.



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 and associated of ITAÚSA, especially: Itaútec S.A., Duratex S.A., Elekeiroz S.A., ITH Zux Cayman Company Ltd, Itaúsa Empreendimentos S.A. and Alpargatas 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;
- 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 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						
	Annual rate	Assets / (liabilities)		Revenue / (expenses)		
		12/31/2017	12/31/2016	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Loan operations		96	-	6	-	-
Alpargatas S.A.		96	-	6	-	-
Securities sold under repurchase agreements		(48)	(77)	(5)	(19)	(20)
Duratex S.A.	97.5% to 100% do CDI	(22)	(18)	(2)	(4)	(9)
Elekeiroz S.A.	97.5% of CDI	(5)	(3)	-	(1)	(1)
Itautec S.A.	100.1% of CDI	(2)	(1)	-	(3)	-
Itaúsa Empreendimentos S.A.		-	-	-	(7)	(7)
Olimpia Promoção e Serviços S.A.	100% of Selic	(7)	(14)	(1)	(2)	(1)
Conectar Soluções de Mobilidade Eletrônica S.A.		-	(24)	-	-	-
Other	60% to 100.1% of CDI	(12)	(17)	(2)	(2)	(2)
Amounts receivable from (payable to) related companies / Banking service fees (expenses)		(108)	(129)	39	28	20
Itaúsa Investimentos Itaú S.A.		-	-	6	3	2
Olimpia Promoção e Serviços S.A.		(2)	(2)	(23)	(25)	(28)
Fundação Itaú Unibanco - Previdência Complementar		(106)	(127)	47	44	39
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	6	6	5
Other		-	-	3	-	2
Rental revenues (expenses)		-	-	(62)	(59)	(56)
Itaúsa Investimentos Itaú S.A.		-	-	(2)	(2)	(2)
Fundação Itaú Unibanco - Previdência Complementar		-	-	(49)	(44)	(42)
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	(11)	(13)	(12)
Donation expenses		-	-	(104)	(94)	(84)
Instituto Itaú Cultural		-	-	(93)	(87)	(83)
Associação Cubo Coworking Itaú		-	-	(10)	(6)	-
Associação Itaú Viver Mais		-	-	(1)	(1)	(1)

Pursuant to the current rules, financial institutions cannot grant loans or advances to the following:

- 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;
- any entity controlled by the institution; or
- 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:

	01/01 to 12/31/2017	01/01 to 12/31/2016	01/01 to 12/31/2015
Compensation	426	360	459
Board of directors	60	32	27
Executives	366	328	432
Profit sharing	244	251	239
Board of directors	3	2	1
Executives	241	249	238
Contributions to pension plans - executives	9	12	9
Stock option plan – executives	220	263	200
Total	899	885	907

Note 36 – Management 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.

There is a credit risk control and management structure, centralized and independent from the business units, that provides for operational limits and risk mitigating mechanisms, in addition to establishing processes and tools to measure, monitor and control the credit risk inherent in all products, portfolio concentrations and impacts of potential changes in the economic environment.

ITAÚ UNIBANCO HOLDING establishes its credit policy based on internal factors, such as client rating criteria, performance of and changes in portfolio, default levels, return rates, and allocated economic capital, among others, also considering external factors, such as interest rates, market default indicators, inflation, changes in consumption, among others.

The continuous monitoring of ITAÚ UNIBANCO HOLDING' portfolio concentration levels, assessing the economic industries and largest enables, allows to take preventive measures to avoid that the established 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	Ca1 to D	CC+ to D	CC+ to D
	Renegotiated operations past due for over 60 days			

For individual, small and middle-market companies, credit rating is attributed based on application statistical models (in the early phases of relationship with the client) and behavior score (used for clients with which ITAÚ UNIBANCO HOLDING already has a relationship).

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.

In compliance with CMN Resolution 3,721, the document "Public Access Report – Credit Risk", which includes the guidelines established by the institutional credit risk control policy can be viewed at www.itau.com.br/investor-relations, under Corporate Governance, Regulations and Policies.

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 collateral to increase its recovery capacity in transactions subject to credit risk. Collateral used may be personal security, secured guarantee, legal structures with mitigation power and offset agreements.

For collateral to be considered instruments that mitigate credit risk, they must comply with the requirements and standards that regulate them, be them internal or external ones, be legally valid (effective), enforceable, and assessed on a regular basis.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, 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

	12/31/2017			12/31/2016		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Interbank deposits	6,369	22,684	29,053	6,044	16,648	22,692
Securities purchased under agreements to resell	243,918	789	244,707	264,080	971	265,051
Financial assets held for trading	259,374	10,747	270,121	193,903	10,745	204,648
Financial assets designated at fair value through profit or loss	-	1,746	1,746	-	1,191	1,191
Derivatives	12,109	10,734	22,843	13,593	10,638	24,231
Available-for-sale financial assets	66,955	35,329	102,284	53,529	34,748	88,277
Held-to-maturity financial assets	26,501	10,059	36,560	27,436	13,059	40,495
Loan operations and lease operations	301,554	163,918	465,472	305,394	158,000	463,394
Other financial assets	53,787	5,781	59,568	47,914	6,003	53,917
Off balance sheet	280,032	43,797	323,829	259,854	39,973	299,827
Financial Guarantees Provided	60,062	10,427	70,489	62,172	8,621	70,793
Letters of credit to be released	9,214	-	9,214	6,660	-	6,660
Commitments to be released	210,756	33,370	244,126	191,022	31,352	222,374
Mortgage loans	3,218	-	3,218	4,389	-	4,389
Overdraft accounts	93,284	-	93,284	87,239	-	87,239
Credit cards	109,196	2,679	111,875	96,497	1,273	97,770
Other pre-approved limits	5,058	30,691	35,749	2,897	30,079	32,976
Total	1,196,812	299,803	1,496,615	1,171,747	291,976	1,463,723

The table above presents the maximum exposure at December 31, 2017 and December 31, 2016, 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 Financial Guarantees Provided 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 Financial Guarantees Provided and Other Commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 89.0% 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 4.8% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired;
- 6.1% 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

	12/31/2017	%	12/31/2016	%
Public sector	2,366	0.5	3,051	0.6
Industry and commerce	106,620	21.6	112,067	22.8
Services	113,981	23.1	118,102	24.1
Natural resources	23,013	4.7	24,362	5.0
Other sectors	3,642	0.7	2,839	0.6
Individuals	243,745	49.4	229,945	46.9
Total	493,367	100.0	490,366	100.0

b) Other financial assets ^(*)

	12/31/2017	%	12/31/2016	%
Natural resources	2,836	0.4	2,466	0.4
Public sector	328,293	46.4	249,745	38.7
Industry and commerce	11,299	1.6	10,435	1.6
Services	85,431	12.1	2,741	0.4
Other sectors	5,141	0.7	93,165	14.4
Individuals	554	0.1	290	0.0
Financial	273,760	38.7	287,743	44.5
Total	707,314	100.0	646,585	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 (financial guarantees provided, 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	12/31/2017				12/31/2016			
	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	357,710	10,601	-	368,311	363,954	5,543	-	369,497
Satisfactory	69,671	7,014	-	76,685	62,883	6,904	-	69,787
Higher risk	12,147	6,207	-	18,354	13,767	6,998	-	20,765
Impairment	-	-	30,017	30,017	-	-	30,317	30,317
Total	439,528	23,822	30,017	493,367	440,604	19,445	30,317	490,366
%	89.1%	4.8%	6.1%	100.0%	89.8%	4.0%	6.2%	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:

	12/31/2017					12/31/2016				
	Lower risk	Satisfactory	Higher risk	Impaired	Total	Lower risk	Satisfactory	Higher risk	Impaired	Total
Individuals	127,124	43,157	10,030	9,842	190,153	122,112	38,910	11,362	10,763	183,147
Credit cards	47,346	14,362	1,521	3,421	66,650	42,432	11,212	1,866	3,512	59,022
Personal	6,332	7,303	7,500	4,058	25,193	6,414	6,298	8,264	4,837	25,813
Payroll loans	26,189	16,267	493	1,470	44,419	26,624	15,972	609	1,431	44,636
Vehicles	10,492	2,689	426	476	14,083	11,378	2,911	554	591	15,434
Mortgage loans	36,765	2,536	90	417	39,808	35,264	2,517	69	392	38,242
Corporate	89,897	3,102	3	14,615	107,617	102,162	5,447	7	14,138	121,754
Small and medium businesses	43,536	9,202	3,820	2,895	59,453	40,534	10,084	4,671	3,646	58,935
Foreign loans - Latin America	107,754	21,224	4,501	2,665	136,144	104,689	15,346	4,725	1,770	126,530
Total	368,311	76,685	18,354	30,017	493,367	369,497	69,787	20,765	30,317	490,366
%	74.7%	15.5%	3.7%	6.1%	100.0%	75.4%	14.2%	4.2%	6.2%	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.

	12/31/2017				12/31/2016			
	Lower risk	Satisfactory	Higher risk	Total	Lower risk	Satisfactory	Higher risk	Total
I – Individually evaluated Corporate								
Large companies	89,372	2,927	3	92,302	101,612	5,076	7	106,695
II- Collectively-evaluated								
Individuals	121,121	38,919	6,610	166,650	120,221	34,851	7,155	162,227
Credit card	47,005	13,599	937	61,541	42,158	10,445	1,083	53,686
Personal	6,174	6,746	5,239	18,159	6,317	5,864	5,538	17,719
Payroll loans	25,771	15,817	362	41,950	26,383	15,606	447	42,436
Vehicles	9,763	1,848	48	11,659	10,821	1,947	68	12,836
Mortgage loans	32,408	909	24	33,341	34,542	989	19	35,550
Small and medium businesses	42,704	8,262	2,684	53,650	39,983	9,011	3,235	52,229
Foreign loans and Latin America	104,513	19,563	2,850	126,926	102,138	13,945	3,370	119,453
Total	357,710	69,671	12,147	439,528	363,954	62,883	13,767	440,604

6.1.1 Loan operations and lease operations by portfolios of areas and classes, are classified by maturity as follows (loans overdue not impaired):

	12/31/2017				12/31/2016			
	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	9,653	2,543	1,466	13,662	5,976	2,772	1,410	10,158
Credit card	851	383	454	1,688	937	442	446	1,825
Personal	1,730	836	410	2,976	1,850	993	414	3,257
Payroll loans	674	174	151	999	439	168	161	768
Vehicles	1,450	359	138	1,947	1,382	448	177	2,007
Mortgage loans	4,948	791	313	6,052	1,368	721	212	2,301
Corporate	649	17	33	699	790	72	58	920
Small and medium businesses	2,089	609	210	2,908	1,928	816	316	3,060
Foreign loans - Latin America	4,973	1,076	504	6,553	3,965	899	443	5,307
Total	17,364	4,245	2,213	23,822	12,659	4,559	2,227	19,445





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

12/31/2017							
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	273,760	270,088	1,746	21,210	98,362	34,785	699,951
Satisfactory	-	6	-	1,262	46	-	1,314
Higher risk	-	27	-	371	614	-	1,012
Impairment	-	-	-	-	3,262	1,775	5,037
Total	273,760	270,121	1,746	22,843	102,284	36,560	707,314
%	38.7	38.2	0.2	3.2	14.5	5.2	100.0

12/31/2016							
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	287,743	204,621	1,191	23,943	83,974	39,008	640,480
Satisfactory	-	19	-	87	980	294	1,380
Higher Risk	-	8	-	201	1,227	-	1,436
Impairment	-	-	-	-	2,096	1,193	3,289
Total	287,743	204,648	1,191	24,231	88,277	40,495	646,585
%	44.4	31.7	0.2	3.7	13.7	6.3	100.0





6.1.3 Collateral held for loan and lease operations portfolio

Financial effect of collateral	12/31/2017				12/31/2016			
	(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	52,635	132,006	1,080	1,029	51,587	128,555	790	743
Personal	373	1,398	901	864	443	1,297	682	652
Vehicles	13,622	34,367	178	164	13,039	35,995	107	90
Mortgage loans	38,640	96,241	1	1	38,105	91,263	1	1
Small, medium businesses and corporate	117,019	339,741	11,248	8,688	122,353	368,937	12,324	6,729
Foreign loans - Latin America	105,425	175,476	10,262	3,598	97,374	155,923	9,420	4,803
Total	275,079	647,223	22,590	13,315	271,314	653,415	22,534	12,275

The difference between the total loan portfolio and collateralized loan portfolio is generated by non-collateralized loans amounting to R\$ 195,698 (R\$ 196,518 at 12/31/2016).

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 financial guarantees provided.

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

Reposessed 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 reposessed in the period:

	01/01 to 12/31/2017	01/01 to 12/31/2016
Real estate not for own use	144	13
Residential properties - mortgage loans	315	411
Vehicles - linked to loan operations	2	14
Other (vehicles / furniture / equipments) - dation	240	172
Total	701	610



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.

The institutional policy on market risk management is in line with CMN Resolution No. 3,464, as amended, comprising a set of principles that guide the strategy for control and management of market risks of the whole institution.

ITAÚ UNIBANCO HOLDING's market risk management strategy is aimed at balancing corporate business goals, taking into account, among other things:

- Political, economic and market conditions;
- Portfolio profile of ITAÚ UNIBANCO HOLDING;
- Expertise within the group to support operations in specific markets.

The purpose of market risk control 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 a disciplined and informed 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.

The CMN has regulations that establish the segregation of exposure to market risk in risk factors, such as interest rate, exchange rate, shares and commodities. Brazilian inflation indexes are also treated as a group of risk factors and follow the same governance structure of limits.

The limit and warning structure is aligned with the Board of Directors' structure, and it is reviewed and approved on an annual basis. This structure has specific limits that aim at improvement the monitoring process and understanding of risks, as well as avoid their concentration. These limits are quantified by assessing the forecasted results of the balance sheet, size of stockholders' equity, liquidity, market complexity and volatility, as well as the institution's appetite for risk.

Aiming at adjusting risks to the established limits, ITAÚ UNIBANCO HOLDING hedges transactions with clients and proprietary positions, including foreign investments. Derivatives are the instruments most frequently used to carry out these hedge activities, and they may be characterized as accounting or economic hedge, both governed by the internal policies at ITAÚ UNIBANCO HOLDING.

For a detailed vision of the accounting hedge topic, see Note 9 – Accounting Hedge.

Market risk management follows the segregation of operations in Trading Portfolio and Banking Portfolio, pursuant to the general criteria set forth in CMN Resolution No. 3,464, and BACEN Circular No. 3,354.

The trading portfolio consists of all transactions involving financial instruments and commodities, including derivatives, which are carried out for trading purposes. The banking portfolio is mainly characterized by the operations arising from banking activities and related to the management of the institutions' balance sheet, conducted with no intent of trading and with a horizon of time of medium and long terms.

Market risk management is conducted based on the following metrics:

- Value at risk (VaR): statistical measure that estimates the expected maximum potential economic loss under normal market conditions, considering a certain time horizon and confidence level;
- Losses in stress scenarios: 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);
- 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 instrument or risk factor, calculated at market value ("MtM – Mark to Market"); and
- Stressed VaR: statistical metric arising from VaR calculation, which purpose is to capture higher risk in simulations for the trading portfolio, considering returns that can be seen in historical scenarios of extreme volatility.

In addition to the aforementioned risk measures, sensitivity and loss control measures are also analyzed. They comprise:

- Mismatching analysis (GAPS): accumulated exposure by risk factor of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity (DV01- Delta Variation): impact on the market value of cash flows, when submitted to an one annual basis point increase in the current interest rates or index rate;
- Sensitivity to several risk factors (Greeks): partial derivatives of an option portfolio in relation to the prices of underlying assets, implied volatilities, interest rates and time.

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.

The document that details the guidelines established by the internal policy on market risk management, that is not part of the financial statements, may be viewed on the website www.itaubr.com.br/investor-relations, in the section Corporate Governance/Rules and Policies / Public Access Report – Market Risk.

VaR - Consolidated ITAÚ UNIBANCO HOLDING

Consolidated VaR of Itaú Unibanco is calculated by Historical Simulation, i.e., the expected distribution for profit and loss (P&L's - Profit and loss statement) of a portfolio over a time horizon that can be estimated based on the historical behavior of returns of market risk factors of this portfolio. VaR is calculated at a confidence level of 99%, historical period of 4 years (1000 business days) and a holding period of one day. In addition, in a conservative approach, VaR is calculated daily, being or not volatility-weighted, and the final VaR is the most restrictive value between both methodologies.

From January 1 to December 31, 2017, the average total VaR in Historical Simulation was R\$ 409.9, or 0.28% of total stockholders' equity (throughout 2016 it was R\$ 236.6 or 0.18% of total stockholders' equity).

	VaR Total - Historical Simulation							
	12/31/2017				12/31/2016			
	Average	Minimum	Maximum	Var Total	Average	Minimum	Maximum	Var Total
Risk factor group								
Interest rates	721.0	583.6	1,311.9	764.7	482.5	323.7	607.4	607.4
Currencies	20.4	6.5	50.2	11.9	18.4	6.8	33.2	17.0
Shares	45.4	38.5	54.9	46.4	45.2	34.0	63.3	44.3
Commodities	1.5	0.7	4.0	0.8	1.7	0.7	4.0	0.8
Effect of diversification				(451.5)				(339.7)
Total risk	409.9	304.8	874.0	372.3	236.6	155.1	341.5	329.8



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⁾

	12/31/2017						12/31/2016					
	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	268,066	354,855	103,805	389,992	178,010	1,294,728	389,843	219,332	95,331	347,743	167,400	1,219,649
Interbank deposits	21,645	3,511	2,883	1,011	3	29,053	13,286	4,676	3,541	1,189	-	22,692
Securities purchased under agreements to resell	42,615	201,894	2	28	168	244,707	201,525	63,180	35	281	30	265,051
Central Bank compulsory deposits	94,047	-	-	-	-	94,047	82,698	-	-	-	-	82,698
Held-for-trading financial assets	14,052	16,841	17,518	168,558	53,152	270,121	6,971	14,194	13,041	118,050	52,392	204,648
Financial assets held for trading and designated at fair value through profit or loss	-	-	1,041	705	-	1,746	-	-	1,191	-	-	1,191
Available-for-sale financial assets	5,034	9,040	12,033	44,722	31,455	102,284	5,994	10,539	7,103	38,969	25,672	88,277
Held-to-maturity financial assets	9,456	335	505	9,437	16,827	36,560	1,370	528	600	19,376	18,621	40,495
Derivatives	7,978	3,003	2,360	6,681	2,821	22,843	5,815	5,470	2,826	6,940	3,180	24,231
Loan and lease operations portfolio	73,239	120,231	67,463	158,850	73,584	493,367	72,184	120,745	66,994	162,938	67,505	490,366
Interest-bearing liabilities	376,492	93,736	87,850	290,677	56,451	905,206	325,241	90,652	111,907	287,433	62,298	877,531
Savings deposits	119,980	-	-	-	-	119,980	108,250	-	-	-	-	108,250
Time deposits	27,798	32,350	22,570	126,435	2,647	211,800	30,555	28,248	17,110	78,032	2,329	156,274
Interbank deposits	88	908	669	451	66	2,182	1,176	1,918	625	36	2	3,757
Deposits received under repurchase agreements	208,261	7,362	25,185	57,146	14,680	312,634	172,411	6,844	55,314	97,056	17,539	349,164
Interbank market	8,570	34,108	30,736	48,005	8,197	129,616	6,535	38,590	30,227	50,590	9,541	135,483
Institutional market	4,188	16,495	5,343	43,911	28,545	98,482	951	11,490	6,612	46,883	30,303	96,239
Derivatives	7,596	2,491	3,325	11,109	2,225	26,746	5,294	3,555	1,961	11,394	2,494	24,698
Financial liabilities held for trading	11	22	22	319	91	465	69	7	58	295	90	519
Liabilities for capitalization plans	-	-	-	3,301	-	3,301	-	-	-	3,147	-	3,147
Difference asset / liability ⁽²⁾	(108,426)	261,119	15,955	99,315	121,559	389,522	64,602	128,680	(16,576)	60,310	105,102	342,118
Cumulative difference	(108,426)	152,693	168,648	267,963	389,522		64,602	193,282	176,706	237,016	342,118	
Ratio of cumulative difference to total interest-bearing assets	(8.4%)	11.8%	13.0%	20.7%	30.1%		5.3%	15.8%	14.5%	19.4%	28.1%	

(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	12/31/2017			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	4,958	2,527	2,990	10,475
Interbank deposits	8,473	469	13,742	22,684
Securities purchased under agreements to resell	195	-	594	789
Financial assets held for trading	6,869	158	3,720	10,747
Financial assets designated at fair value through profit or loss	1,746	-	-	1,746
Derivatives	4,047	6,203	484	10,734
Available-for-sale financial assets	19,264	10,881	5,184	35,329
Held-to-maturity financial assets	9,605	-	454	10,059
Loan operations and lease operations portfolio, net	42,038	80,316	41,564	163,918
Total assets	97,195	100,554	68,732	266,481

Liabilities	12/31/2017			
	Dollar	Chilean Peso	Other	Total
Deposits	42,891	52,393	47,357	142,641
Securities sold under repurchase agreements	14,489	238	2,295	17,022
Financial liabilities held for trading	465	-	-	465
Derivatives	5,381	5,541	324	11,246
Interbank market debt	26,661	5,862	4,072	36,595
Institutional market debt	37,367	29,565	3,047	69,979
Total liabilities	127,254	93,599	57,095	277,948

Net position	(30,059)	6,955	11,637	(11,467)
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Assets	12/31/2016			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	6,719	1,581	3,164	11,464
Central Bank compulsory deposits	81	-	5,288	5,369
Interbank deposits	8,860	1,007	6,781	16,648
Securities purchased under agreements to resell	199	112	660	971
Financial assets held for trading	6,833	305	3,607	10,745
Financial assets designated at fair value through profit or loss	1,191	-	-	1,191
Derivatives	5,313	4,873	452	10,638
Available-for-sale financial assets	22,513	8,337	3,898	34,748
Held-to-maturity financial assets	12,519	-	540	13,059
Loan operations and lease operations portfolio, net	43,641	73,325	41,034	158,000
Total assets	107,869	89,540	65,424	262,833

Liabilities	12/31/2016			
	Dollar	Chilean Peso	Other	Total
Deposits	37,824	51,330	47,331	136,485
Securities sold under securities repurchase agreements	18,353	27	2,558	20,938
Financial liabilities held for trading	519	-	-	519
Derivatives	4,783	4,105	282	9,170
Interbank market debt	34,659	5,932	2,451	43,042
Institutional market debt	37,077	23,643	3,284	64,004
Total liabilities	133,215	85,037	55,906	274,158

Net position	(25,346)	4,503	9,518	(11,325)
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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 possibility of the institution not being able to efficiently honor its expected and unexpected, current and future obligations, including those arising from guarantee binding, without affecting its daily operations and not incurring in significant losses.

Policies and procedures

Liquidity risk control is performed by an area independent of the business areas and is responsible for determining the composition of the reserve; proposing assumptions for the behavior of cash flow; identifying, assessing, monitoring, controlling and reporting, on a daily basis, the exposure to liquidity risk in different time horizons; proposing and monitoring liquidity risk limits consistent with the institution's appetite for risk, reporting possible mismatches; considering the liquidity risk individually in the countries where ITAÚ UNIBANCO HOLDING operates; simulating the behavior of cash flow under stress conditions; assessing and reporting in advance the risks inherent in new products and transactions, and reporting the information required regulatory bodies. All activities are subject to checking by validation, internal control and audit independent areas.

The measurement of liquidity risk covers all financial transactions of ITAÚ UNIBANCO HOLDING companies, as well as possible contingent or unexpected exposures, such as those arising from settlement services, provision of collaterals and guarantees, and credit facilities contracted and not used. This process is conducted by means of corporate systems and proprietary applications developed and managed in-house.

The liquidity management policies and respective limits are established based on prospective scenarios and top management's guidelines. These scenarios are reviewed on a periodic basis, by analyzing the need for cash due to atypical market conditions or resulting from strategic decisions of ITAÚ UNIBANCO HOLDING.

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.itaubr.com.br/investor-relations, in the section Corporate Governance/Rules and Policies / Public Access Report – Liquidity Risk.

ITAÚ UNIBANCO HOLDING conducts the control over and management of liquidity risk on a daily basis, through a governance approved in superior committees, which sets forth, among other activities, the adoption of liquidity minimum limits, sufficient to absorb possible cash losses in stress scenarios, measured through internal and regulatory methodologies.

Additionally, and 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 BACEN Circular Letter 3.775, of July 14, 2016, 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, which is reported on a consolidated basis for institutions that are part of the Prudential Conglomerate. This ratio is calculated based on a methodology defined by the Central Bank of Brazil itself, and is in line with international guidelines of Basel.

The summarized index calculation is presented in the table below. In 2017, the index minimum requirement is 80%. Further details on the LCR for the period may be accessed at www.itaubr.com.br/investor-relations, section Corporate Governance/ Capital and Risk Management - Pillar 3.

Information on the Liquidity Coverage Ratio (LCR)4rd quarter 2017

	Total Adjusted Amount ⁽¹⁾
Total high-quality liquid assets ⁽²⁾	187,090
Total potential cash outflows ⁽³⁾	98,356
Liquidity Coverage Ratio (%)	190.2%

(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\$ 622,1 billion (R\$ 612.7 billion at 12/31/2016), particularly funding from time deposits. A considerable portion of these funds – 36.6% of total, or R\$ 277.5 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	12/31/2017			12/31/2016		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	216,842	402,938		201,113	329,414	
Demand deposits	68,973	68,973	11.1	61,133	61,133	10.0
Savings deposits	119,980	119,980	19.3	108,250	108,250	17.7
Time deposits	27,798	211,800	34.0	30,554	156,274	25.5
Other	91	2,185	0.4	1,176	3,757	0.6
Funds from acceptances and issuance of securities ⁽¹⁾	6,820	107,581	17.3	3,091	93,711	15.3
Funds from own issue ⁽²⁾	2,570	58,837	9.5	2,561	132,149	21.6
Subordinated debt	1,315	52,696	8.5	628	57,420	9.4
Total	227,547	622,052	100.0	207,393	612,694	100.0

(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 2017, 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\$ 164.3 billion and accounted for 72.2% of the short term redeemable obligations, 26.4% of total funding, and 17.6% of total assets.

The table below shows the indicators used by ITAÚ UNIBANCO HOLDING in the management of liquidity risk:

Liquidity indicators	12/31/2017	12/31/2016
	%	%
Net assets ⁽¹⁾ / funds within 30 days ⁽²⁾	72.2	84.2
Net assets ⁽¹⁾ / total funds ⁽³⁾	26.4	28.5
Net assets ⁽¹⁾ / total assets ⁽⁴⁾	17.6	19.0

(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\$ 933,686 (R\$ 918,080 at 12/31/2016).



The following table presents assets and liabilities according to their remaining contractual maturities, considering their undiscounted flows.

Undiscounted future flows except for derivatives	12/31/2017					12/31/2016				
	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
Financial assets ⁽¹⁾										
Cash and deposits on demand	18,749	-	-	-	18,749	18,542	-	-	-	18,542
Interbank investments	93,218	173,663	673	508	268,062	219,066	58,275	1,171	292	278,804
Securities purchased under agreements to resell – Funded position ⁽²⁾	38,833	-	-	-	38,833	77,452	-	-	-	77,452
Securities purchased under agreements to resell – Financed position	31,238	167,061	-	-	198,299	128,303	49,749	-	-	178,052
Interbank deposits ⁽⁴⁾	23,147	6,602	673	508	30,930	13,311	8,526	1,171	292	23,300
Securities	110,667	24,960	16,717	76,923	229,267	82,163	16,757	12,415	74,479	185,814
Government securities - available	103,447	152	232	5,052	108,883	75,310	20	40	6,088	81,458
Government securities – subject to repurchase commitments	203	15,677	9,107	19,270	44,257	556	4,732	5,990	14,808	26,086
Private securities - available	7,007	8,577	5,541	45,885	67,010	6,297	11,728	5,424	47,866	71,315
Private securities – subject to repurchase commitments	10	554	1,837	6,716	9,117	-	277	961	5,717	6,955
Derivative financial instruments	7,978	5,363	2,756	6,746	22,843	5,815	8,296	3,159	6,961	24,231
Net position	7,978	5,363	2,756	6,746	22,843	5,815	8,296	3,159	6,961	24,231
Swaps	189	1,258	1,661	6,082	9,190	828	1,967	1,497	6,250	10,542
Option	430	1,748	865	294	3,337	354	2,881	1,397	160	4,792
Forward (onshore)	6,529	382	-	-	6,911	3,947	1,024	-	-	4,971
Other derivative financial instruments	830	1,975	230	370	3,405	686	2,424	265	551	3,926
Loan and lease operations portfolio ⁽³⁾	57,505	152,660	71,107	201,881	483,153	61,602	176,002	81,224	211,908	530,736
Total financial assets	288,117	356,646	91,253	286,058	1,022,074	387,188	259,330	97,969	293,640	1,038,127

⁽¹⁾ The assets portfolio does not take into consideration the balance of compulsory deposits in Central Bank, amounting to R\$ 98,837 (R\$ 85,700 at 12/31/2016), 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\$ 3,664 (R\$ 4,329 at 12/31/2016) which securities are restricted to guarantee transactions at B3 S.A. and the Central Bank of Brazil.

⁽³⁾ Net of payment to merchants of R\$ 53,687 (R\$ 43,837 at 12/31/2016) and the amount of liabilities from transactions related to credit assignments R\$ 4,931 (R\$ 5,711 at 12/31/2016).

⁽⁴⁾ Includes R\$ 6,689 related to Compulsory Deposits with Central Banks of other countries





Undiscounted future flows except for derivatives						12/31/2017					12/31/2016				
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	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total
Deposits	222,782	61,672	16,500	152,961	453,915	201,167	44,545	13,106	107,055	365,873					
Demand deposits	68,973	-	-	-	68,973	61,133	-	-	-	61,133					
Savings deposits	119,980	-	-	-	119,980	108,250	-	-	-	108,250					
Time deposit	33,114	60,272	16,445	152,903	262,734	30,295	41,971	13,088	107,033	192,387					
Interbank deposits	712	1,400	55	58	2,225	1,489	2,574	18	22	4,103					
Other deposits	3	-	-	-	3	-	-	-	-	-					
Compulsory deposits	(40,538)	(18,197)	(4,644)	(35,458)	(98,837)	(42,314)	(13,885)	(3,985)	(25,516)	(85,700)					
Demand deposits	(4,790)	-	-	-	(4,790)	(8,092)	-	-	-	(8,092)					
Savings deposits	(26,008)	-	-	-	(26,008)	(24,791)	-	-	-	(24,791)					
Time deposit	(9,740)	(18,197)	(4,644)	(35,458)	(68,039)	(9,431)	(13,885)	(3,985)	(25,516)	(52,817)					
Securities sold under repurchase agreements ⁽¹⁾	232,970	35,234	30,404	39,444	338,052	209,521	59,771	42,410	87,069	398,771					
Government securities	202,545	3,197	8,260	27,680	241,682	168,301	5,600	5,764	33,812	213,477					
Private securities	8,020	31,348	22,144	11,764	73,276	13,753	54,171	36,646	53,257	157,827					
Foreign	22,405	689	-	-	23,094	27,467	-	-	-	27,467					
Funds from acceptances and issuance of securities ⁽²⁾	7,093	43,463	21,325	52,837	124,718	3,003	35,659	28,974	36,858	104,494					
Borrowing and onlending ⁽³⁾	3,975	37,132	9,839	19,807	70,753	5,077	46,527	11,000	20,943	83,547					
Subordinated debt ⁽⁴⁾	1,061	13,402	2,054	49,454	65,971	271	13,501	16,621	41,043	71,436					
Derivative financial instruments	7,596	5,816	4,877	8,457	26,746	5,294	5,516	3,726	10,162	24,698					
Net position	7,596	5,816	4,877	8,457	26,746	5,294	5,516	3,726	10,162	24,698					
Swaps	65	2,364	3,747	7,516	13,692	461	1,702	2,352	8,706	13,221					
Option	332	1,299	889	273	2,793	837	1,888	1,116	711	4,552					
Forward (onshore)	6,272	-	-	-	6,272	3,530	-	-	-	3,530					
Other derivative financial instruments	927	2,153	241	668	3,989	466	1,926	258	745	3,395					
Total financial liabilities	434,939	178,522	80,355	287,502	981,318	382,019	191,634	111,852	277,614	963,119					

(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	12/31/2017					12/31/2016				
	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
Financial Guarantees Provided	1,749	17,563	5,451	45,726	70,489	1,645	16,203	5,603	47,342	70,793
Commitments to be released	98,310	27,857	7,307	110,652	244,126	90,279	42,522	11,657	77,916	222,374
Letters of credit to be released	9,214	-	-	-	9,214	6,660	-	-	-	6,660
Contractual commitments - Fixed assets and Intangible (Notes 15 and 16)	-	432	460	273	1,165	-	310	-	-	310
Total	109,273	45,852	13,218	156,651	324,994	98,584	59,035	17,260	125,258	300,137



Social and Environmental Risk

ITAÚ UNIBANCO HOLDING's social and environmental risk as the risk of potential losses due to exposure to social and environmental damages arising from the performance of its activities.

Mitigation actions concerning the social and environmental risk are carried out by mapping processes, risks and controls, monitoring new regulations on the subject, and recording any occurrences in internal databases. In addition to identification, the phases of prioritization, response, monitoring and reporting of assessed risks supplement this risk monitoring at ITAÚ UNIBANCO HOLDING.

The social and environmental risk management is carried out by the first line of defense in its daily operations, with the technical support of the legal and risk control areas, which have a dedicated team. Business units also have governance for approval of new products, which includes the assessment of the social and environmental risk, therefore ensuring compliance with this requirement for all new products approved of ITAÚ UNIBANCO HOLDING. Governance still has the Social and Environmental Risk Committee, which main duty is to guide the institutional understanding related to exposure to social and environmental risk for the institution's activities.

ITAÚ UNIBANCO HOLDING consistently seeks to evolve in the social and environmental risk governance, always attentive to any challenges to keep pace with the changes in and demands of society. Therefore, among other actions, ITAÚ UNIBANCO HOLDING has assumed and incorporated into its internal processes a number of national and international voluntary commitments and pacts aimed at integrating social, environmental and governance aspects into business. Highlights go to the Principles for Responsible Investment (PRI), the Charter for Human Rights – Ethos, the Equator Principles (EP), the Global Compact, the Carbon Disclosure Project (CDP), the Brazilian GHG Protocol Program, and the Brazilian Pact for Eradicating Slave Labor, among others. ITAÚ UNIBANCO HOLDING's efforts to spread knowledge on the assessment of social and environmental criteria have been recognized in Brazil and overseas, as shown by our recurring presence in top sustainability indexes, both abroad, with the Dow Jones Sustainability Index, and more recently, with the Sustainability Index Euronext Vigeo – Emerging 70, and in Brazil, with the Corporate Sustainability Index, in addition to other numerous prizes with which ITAÚ UNIBANCO HOLDING has been awarded.



Note 37 – Supplementary information

Sale of Group Life Insurance Portfolio

On September 19, 2016, ITAÚ UNIBANCO HOLDING entered into a purchase and sale share agreement with Prudential do Brasil Seguros de Vida S.A. (PRUDENTIAL) whereby 100% of its group life insurance operations, which account for approximately 4% of the total assets belonging to Itaú Seguros S.A. (ITAÚ SEGUROS), controlled by ITAÚ UNIBANCO HOLDING, were sold.

To complete the transaction, ITAÚ SEGUROS was split and group life insurance operations were transferred to IU Seguros S.A., whose total capital was sold to PRUDENTIAL on April 1, 2017, after conditions precedent, which included obtaining approval of relevant regulatory authorities, were met.

This transaction reiterates ITAÚ UNIBANCO HOLDING's strategy to focus on massive insurance products and services, typically associated with retail banking.

Acquisition of minority interest in XP Investimentos S.A.

On May 11, 2017, ITAÚ UNIBANCO HOLDING, through its subsidiary ITAÚ UNIBANCO, entered into an agreement for the purchase and sale of shares with XP Controle Participações S.A. (XP CONTROLE), G.A. Brasil IV Fundo de Investimento em Participações, Dyna III Fundo de Investimento em Participações, among other parties (SELLERS), for acquisition of 49.9% of total capital (30.1% of common shares) of XP Investimentos S.A. (XP HOLDING), by means of capital contribution of R\$ 600 and acquisition of shares issued by XP HOLDING and held by the SELLERS in the amount of R\$ 5,700. Such amounts are subject to contractual adjustments (FIRST ACQUISITION).

In addition to the FIRST ACQUISITION, ITAÚ UNIBANCO undertook to acquire (i) in 2020, and additional percentage of 12.5%, that will ensure it 62.4% of total capital of XP HOLDING (40.0% of common shares), based on a multiple (19 times) applied to XP HOLDING's earnings, and (ii) in 2022, the additional percentage of 12.5%, which will ensure it 74.9% of total capital of XP HOLDING (49.9% of common shares), based on the fair market value of XP HOLDING at that time, being clear that the control of Group XP will continue with the shareholders of XP CONTROLE, that will hold the majority of voting shares.

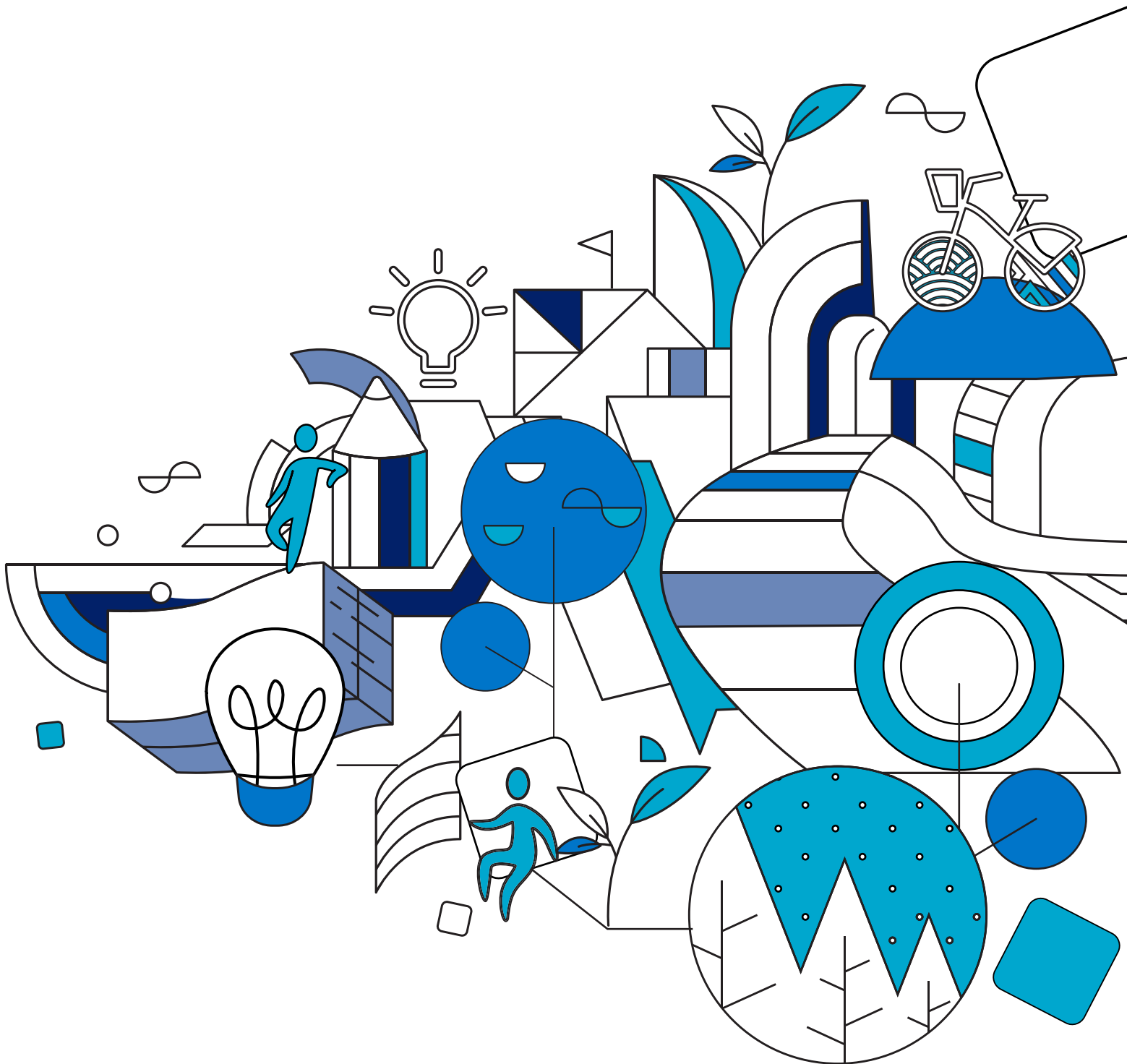
ITAÚ UNIBANCO will act as a minority partner and will not influence commercial and operating policies of XP HOLDING or of any other company belonging to Group XP.

Effective acquisitions and financial settlements will occur after compliance with certain contractual conditions and obtainment of required regulatory authorizations.



6 Sustainability

We believe that sustainable performance is generating shared value in the long term. Read about our operational strategy and 2017 highlights.



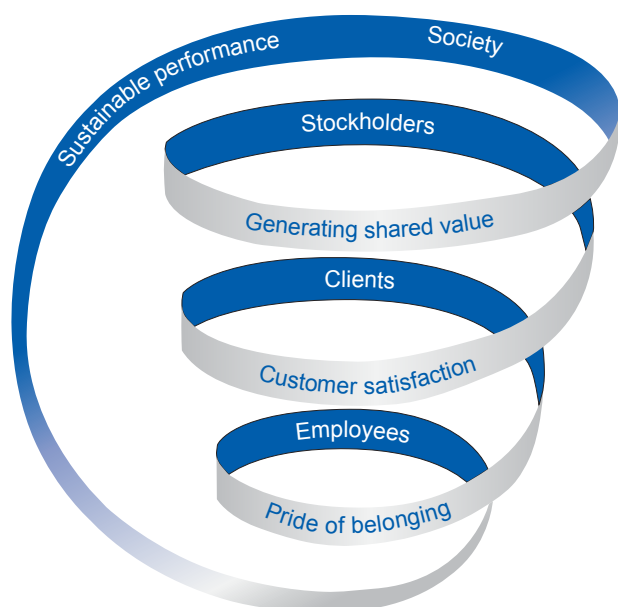


Sustainable performance GRI 102-43

Our vision is “to be the leading bank in sustainable performance and customer satisfaction.” This challenge can only be met by collaborative work involving our main stakeholders.

We believe that challenging career plans for our employees, based on merit, help create the pride in belonging to our organization. Moreover, engaged employees deliver better services to their clients. The more clients are satisfied, the more they will remain loyal to the bank, developing lasting relationships that add value to stockholders and ensure results that enable society to progress. This is how we can create shared value, achieve positive results and encourage development of people, society and countries where we operate, as part of a virtuous cycle, which is graphically represented by the sustainable performance spiral below.

Sustainable Performance Spiral



Transparency on social, environmental and governance data is a fundamental assumption for seeking sustainable performance. In order to make our accountability more objective, we entered into a partnership with the International Integrated Reporting Council (IIRC) in 2013. Since then, our [Integrated Report](#) is published annually. It is a concise publication focused on our ability to create value to stakeholders in the long-term. Our Integrated Report 2017 can be accessed at www.itaubank.com.br/relatorio-anual, or in English at www.itaubank.com.br/annual-report.

We are listed on the major sustainability market indices, such as the DJSI, the B3 Corporate Sustainability Index (local acronym ISE) and the B3 Carbon Efficient Index (local acronym ICO2). By responding to the questionnaires used in the selection process of the indexes, we assess our progress in the implementation of sustainability projects and identify points for improvement that may be incorporated into our management. We also believe that this practice advances the sustainability agenda among companies, and fosters transparent communication and transactions in the responsible investments market.



Stakeholder engagement GRI 102-43

We believe in the power of networking, knowledge sharing and capturing sustainability trends. For this purpose, we continuously seek to carry out stakeholder consultation and engagement processes.

Our engagement processes are based on guidelines and criteria of the international standard AA1000APS and on an internal circular developed and published in 2014, which establishes the methodology for attracting the stakeholder engagement in relation to the sustainability strategy. Our methodology begins with the prioritization of stakeholders (employees, clients, stockholders, society and suppliers) and the identification of critical issues, selected according to environmental, social and economic impacts for the organization and the stakeholders involved. GRI 102-40

Our engagement action plan for sustainability topics covers the following stages: defining scope, identifying stakeholders, determining the degree of engagement, selecting methodology, assessing the risks involved and carrying out the engagement process. GRI 102-42

Consultation processes – review of the sustainability strategy

This year we started the review process of our sustainability strategy. We are aware of the importance of the involvement of our stakeholders, and we structured some involvement and consultation methodologies. These methodologies were based on our engagement plan and engagement policy. The actions carried out are described in the three items below:

Survey with employees

We carried out an online survey with our employees to assess their level of knowledge about the bank's sustainability initiatives, relevance of the topic for the organization and suggestions of topics and operation models. The result of this survey was included in the strategy review process.



Panels of stakeholders

In 2017, we had three panels of stakeholders to discuss relevant topics on the sustainability agenda. The goals were to identify trends, share the actions of the bank regarding the topic and discuss the future of the agenda, and the groups were composed of external experts, other companies and our executives. The panels brought the following proposals for discussion:

Environmental and Social Responsibility Panel: understand the role of the bank in fostering a greener and more inclusive economy, considering risks, opportunities and the positive impact on society and the environment.

Digital Transformation Panel: in the digital world scenario, understand what are the new risks and opportunities that affect our business sustainability, taking into account changes, such as disintermediation, exponential technologies and intensive use of data.

Panel on impact generated and impact perceived: understand how the bank needs to act in a scenario where people demand more transparency, consistency and positive impact.

The topics were selected based on the progress of the sustainability agendas in the external context, new strategic guidelines of the bank and the impact of our operations on stakeholders. Systematic discussions were held and included in the sustainability review process.

Reputation

Using the reputation tracking methodology (RepTrak), we carry out a quantitative survey with the participating audiences about two of our sustainability initiatives: *Itaú Mulher Empreendedora* (Itaú Women Entrepreneurs Program) and *Itaú Viver Mais* (Itaú Live Longer), and a qualitative survey with 15 sustainability stakeholders close to the bank's initiatives. The purpose was to measure our reputation with these stakeholders and influence the planning of future initiatives.

Interviews with top leaders

Supported by an external consulting company, 14 individual in-depth interviews were carried out with executives of the bank, including officers and members of the Executive Committee and Board of Directors. The interviews followed a basic script and were more open in order to explore the perception about corporate sustainability, actions of the bank over the last years and projections for the future. All interviews were recorded, transcribed and are under the custody of the consulting company, respecting the impartiality of the analyses and resulting in a reliable diagnosis for the sustainability strategy review project.

Relationship with stakeholders

We establish frequent dialogues with people and institutions that are reference of our topics of interest as a way of hearing and sharing practices and tracking trends. The relationship includes lectures and panels at events or conferences, as well as the relationship with institutions by means of representations.

The main activities carried out in 2017 are described below:

Lectures held in 2017

The main purposes of the lectures were to share knowledge, inspire and hear. In 2017, 72 lectures were held in companies, organizations, universities, conferences and workshops.

Representations 2017

We actively take part in organizations, the purpose of which is to bring companies and experts together to discuss and act towards a more balanced society in social and environmental terms. The main representations in 2017 were [in page A-442](#).

In addition to engagement processes for specific topics, we have a number of tools that involve and preserve ongoing dialogue with stakeholders such as: workshops, studies, publications, talks and lectures, surveys, public meetings and social media.

We have channels for specific contacts available on our website, emails and exclusive telephone lines for press and media relations, an External Ombudsman service and consumer protection agencies, among others.

Information about our business is disclosed and easily accessed through the following channels: Itaú website, the sustainability page on Itaú website, our investor relations website, the *Ações Itaú em Foco* (Itaú Shares in Focus) publication, our Facebook and Twitter profiles, and public meetings with investment analysts, stockholders and other stakeholders.

We strive to address and provide feedback for considerations raised by our stakeholders. We provide accountability based on our materiality and sustainability strategy, on a transparent basis, to different groups of stakeholders without distinction. **GRI 102-44**

The following table shows our most significant tools for engaging with our stakeholders.



Engagement initiatives GRI 102-40 | 102-43

Clients

Method of engagement/ Attracting engagement	Frequency	Description
Dialogue Forum	Annual	The Dialogue Forum is an annual meeting attended by the bank and PROCON (Consumer Protection Body), public defenders, public prosecutors and consumer protection agencies.
Online chat for complaints from PROCON	Ongoing	Our External Ombudsman's Office has an Online Chat for complaints from PROCON, thus handling possible issues fast.
Customer service	Ongoing	Customer Service Center (SAC, Online Chat, Social Media, Call Centers and External Ombudsman's Office).
Telephone Survey Contacts	Annual	Annual telephone contact survey studies a representative sample from each segment's portfolio, in order to measure customer satisfaction regarding banking services from specific business units and compare the results with those of our competitors.
Customer satisfaction surveys	Periodic	We carry out customer satisfaction surveys through telephone contact, e-mail, SMS and digital channels of the bank. Additionally, in order to improve our services and products, we carry out other surveys with focus groups, in-depth interviews, forums with clients and executives and market analyses.
External Ombudsman's Office	Ongoing	Intended to provide quick and definitive solutions to complaints raised by clients who are not satisfied with the responses from our regular channels – branches, customer service or call center.
www.consumidor.gov.br	Ongoing	The bank adhered to the government initiative for online solutions to customer complaints received directly by the company through the website www.consumidor.gov.br (Consumidor.gov).
Structured communication	Ongoing	Through the review of the client's journey, we identify opportunities for improvement in the customer experience, structuring actions of proactive, personalized and digital service.

Employees

Method of engagement/ Attracting engagement	Frequency	Description
Internal Ombudsman's Office	Ongoing	The purpose of this reporting and guidance channel is to help employees resolve interpersonal conflicts and conflicts of interest in the work environment, ethical misconduct and nonconformities with related institutional policies (such as moral or sexual harassment, discrimination, favoritism, etc.), working as an internal Ombudsman's Office.
Labor Unions	Ongoing	We maintain an ongoing dialogue with labor unions representing our employees in different professional categories.
Meetings	Semi-annual	Meetings between bank union representatives and bank representatives, with a presentation of industry statistics and indicators by the National Federation of Banks (FENABAN).
Communication channels	Ongoing	E-mail (marketing e-mails, newsletters and statements), Intranet, digital panels, screen protectors. Itaú Unibanco magazine, Totems for visual communication and Corporate TV (TV Itaú Unibanco), and Itaú Unibanco Instagram.
Dialogue with Leadership	Annual	Since 2010, the <i>Portas Abertas</i> (Open Doors) program has resulted in meetings between employees, our CEO Candido Bracher and the Chairmen of the Board of Directors Pedro Moreira Salles and Roberto Setubal to discuss important issues related to the organization. These meetings are also means of spreading our culture and holding dialogue with employees.
Meeting among Leaders	Annual	The event is held annually since 2010 with the purpose that all leaders of the organization, including foreign units, become acquainted with the present results and challenges, as well as the strategy for our business continuity, ensuring the commitment and ongoing engagement of our employees.
<i>Fale Francamente</i> (Speak Frankly) Survey	Annual	The <i>Fale Francamente</i> (Speak Frankly) survey is conducted annually with all employees to assess the level of satisfaction in relation to the work environment and people management.
WMS Award	Annual	The Walther Moreira Salles Award is one of our most important forms of recognition, the purpose being to enhance the value of the organizational culture by showcasing exceptional employee projects and practices, in Brazil and foreign units. The award covers both projects and managers who have achieved notable results in themes such as efficiency, customer satisfaction, innovation, risk management and leadership. Each winner is awarded a trophy, a number of our shares and the projects are published in the internal magazine.
Employee experience	Ongoing	We regard ourselves as a bank that boosts people's power of transformation and strive to ensure this also happens through good experiences within the organization. To this end, we aim to provide our employees with increasingly better experiences in the physical, technological and cultural environments, since we believe that these experiences may also reach our clients, thus fostering attitudes that increasingly raise more satisfaction with our products and services to all our stakeholders.

Suppliers

Method of engagement/ Attracting engagement	Frequency	Description
Communication channels	Ongoing	We provide our supplier with communication channels, such as website and e-mail. The Reporting Channel, implemented in 2016, aims at ensuring a transparent and ethical environment between us and our suppliers can be accessed by e-mail or telephone.

Stockholders

Method of engagement/ Attracting engagement	Frequency	Description
Conference calls	Quarterly	We hold four quarterly conference calls during the year. Each of them is transmitted in real time in Portuguese and English and may be accessed by telephone or on the Internet.
Public Meetings (APIMEC)	Annual	Annual cycle of meetings throughout Brazil. In 2017, we held 16 meetings.
<i>Fale conosco</i> (Talk to us)	Ongoing	Customer service tool for stockholders.
E-mail – Investor Relations inbox/Telephone Service Channel	Ongoing	Customer service tool for stockholders – Portuguese (relacoes.investidores@itau-unibanco.com.br) and English (investor.relations@itau-unibanco.com.br).
Website	Ongoing	It is the main communication means of the Investor Relations department – in Portuguese and English.
Social media	Ongoing	Twitter (www.twitter.com/itau)/Facebook(facebook.com/itauunibancori).

Society

Method of engagement/ Attracting engagement	Frequency	Description
Social media	Ongoing	Facebook, LinkedIn, Twitter, Medium, YouTube and Instagram.
Relationship with communities	Periodic	We have a program to identify needs and opportunities in the regions where our large operations and business centers are located. This process enables us to study ways to work together with the leaders of the local communities, organized civil society and government agencies for supporting and implementing projects in these locations.
Relationship with government entities	Periodic	We maintain contact with government entities in order to collaborate with the construction of public policies focused on the interests of the organization and society. The work with public agencies is based on ethics, responsibility, transparency morality and legality principles, ensuring democracy and respect for the laws of Brazil and the principles set forth in our Code of Ethics.
Advisory committees	Periodic	In 2016, Advisory Committees were formed for Urban Mobility, Diversity, Culture and Health. The purpose is bringing related experts together for consultation on the investment priorities.

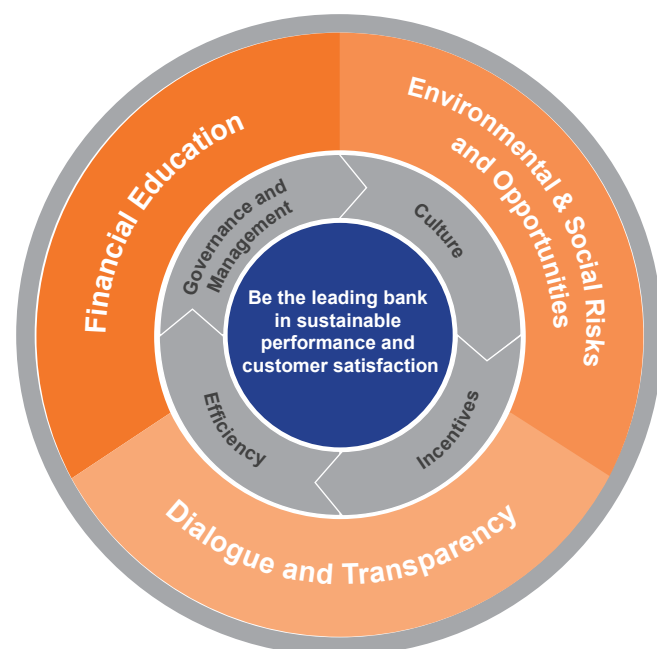
Method of engagement/ Attracting engagement	Frequency	Description
Meetings and workshops	Periodic	We hold meetings and workshops to disclose material information on topics that help journalists and opinion makers understand how the financial system works and its implications for a globalized world.
Ongoing dialogue	Ongoing	As part of our outbound scope, we combine our ongoing dialogue with communication strategies to receive and provide appropriate referrals to demands from the media and opinion makers.
Reputation tracking	IQEM (Monthly) Reprtrak (Quarterly)	The monitoring process is carried out on an ongoing basis through the RepTrak® DeepDive study, and the IQEM (Media Exposure Quality Index) with stakeholders: Media, Key Opinion Makers and the General Public. IQEM is measured monthly. The results of the Reprtrak, for the general public – with cut off for clients – are disclosed on a quarterly basis.

Sustainability strategy GRI 102-44

Our sustainability strategy is based on in-depth analysis of our vision, Our Way, corporate policies, voluntary commitments and agreements, surveys and meetings with stakeholders in order to understand material issues.

In 2011, this study led us to design our Sustainability Map, which establishes three strategic focus points for our activities: Dialogue and Transparency, Financial Education, and Environmental and Social Risks and Opportunities, which are supported by four supporting fronts: Governance and Management, Efficiency, Incentives, and Culture. Thus, well-structured supporting fronts will enable us to deliver the three strategic focus areas. On this basis, the Map guides our businesses as they incorporate sustainability values into their processes for making decisions and monitoring trends. After meeting with a number of experts and executives, the Executive Committee approved our sustainability strategy.

Our strategy



To formalize our commitment to sustainable development, we have a Sustainability and Environmental and Social Responsibility Policy. This Policy is revised and approved by the Board of Directors on an annual basis.

In 2017, we understood that our current positioning has matured and started a process to review the sustainability strategy. This moment in time becomes even more convenient with the unveiling of Our Purpose, the emergence of new priority topics, a digital transformation scenario, and progress in the sustainable development agenda.

The strategy review process is divided into three main stages: (1) Topic Evolution, comprising the timely analysis of the corporate sustainability concept in the world; (2) Internal Diagnosis, aimed to capturing how our operations are perceived by our stakeholders and the bank's top executives; and (3) Strategy Build-Up, that is, the development of a new positioning and strategic model more connected to the business core and based on the impact we want to generate. This new strategy is scheduled to be completed and disclosed in 2018.



Distribution of value added

GRI 201-1 | G4-DMA Economic performance

The Statement of Value Added is a financial statement whose purpose is to show the wealth generated by the business in a given period of time and the way the wealth generated was distributed among the many industries involved in the process. Since it is a financial statement required by local regulators, the information it contains is extracted from the financial statements based on accrual accounting. The Statement of Value Added is calculated based on the difference between the financial value generated by the business and the goods and services generated by third parties used by the bank. Our value added reached R\$67.2 billion in 2017. This result refers to the direct economic value generated and distributed by us, including revenue, operating costs, salaries of employees, donations and other investments in the community, retained earnings and payments to stockholders and governments.

Value distributed	2017	2016 ⁽¹⁾	2015 ⁽¹⁾
	R\$67.2 billion	R\$61.6 billion	R\$59.5 billion
Sphere	%	%	%
Personnel	30	32	30
Reinvestment of profits	9	26	34
Taxes, fees and contributions	30	29	24
Payments to stockholders	29	11	10
Remuneration on third-parties' capital	2	2	2

(1) For comparison purposes, we adjusted the value disclosed in previous years, taking into consideration recurring net income determined in accordance with the rules established by BACEN – BRGAAP, and the reclassification of the tax effects of the hedge of investments abroad to the financial margin).

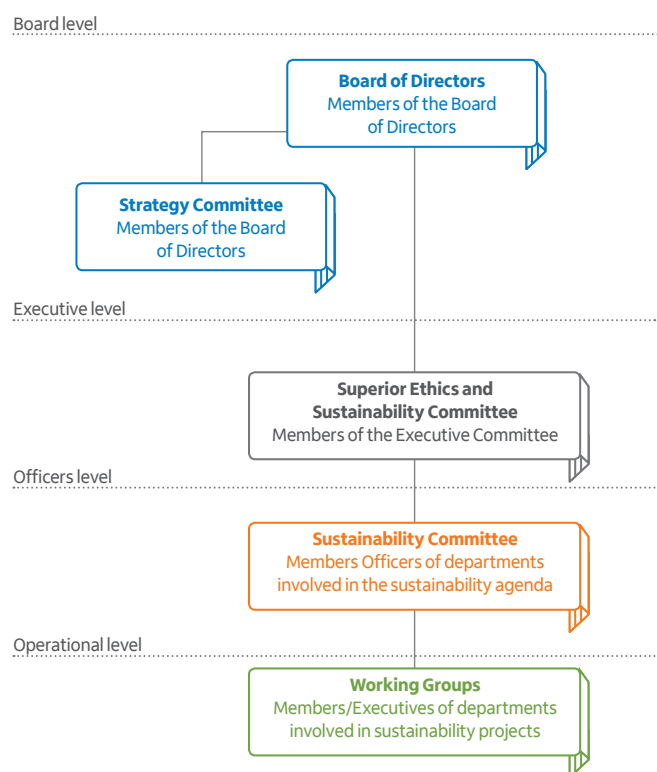
Sustainability management and governance GRI 102-20

We incorporate sustainability into corporate strategy through a governance structure that is consolidated and integrated with our business, thus making economic, environmental and social issues part of our daily activities and processes, identifying areas capable of addressing them and periodically tracking performance and indicators for these issues.

In 2017, we structured governance according to the model approved last year. With this new structure, we were able to improve and integrate synergies and areas with complementary challenges, thus strengthening the dissemination of global trends that may directly impact the bank's business strategies. Therefore, we were able to direct short and long-term action plans that determine significant changes to stakeholders.

Our sustainability governance structure is shown below.

Our sustainability governance structure GRI 102-18



- **Board of Directors:** guides, monitors and approves the sustainability strategy and policy aligned with our long-term vision. In 2017, Sustainability and our progress on priority topics were discussed at a meeting that also addressed other issues, such as: the agenda for relationships with responsible investors, advances and top challenges of the Sustainability Index and the Rating Agencies.

- **Strategy Committee:** under the scope of the Board of Directors, the Strategy Committee leads discussions on top sustainability challenges and trends that may pose a reputational risk and social and environmental impact to the bank. In 2017, the main topics discussed were the evolution of corporate sustainability arising from society advancements and the review of the Conglomerate's sustainability strategy.

- **Superior Ethics and Sustainability Committee:** consisting of members of the Executive Committee, this committee is responsible for integrating ethics and sustainability practices to promote the dissemination of topics to the business management, organizational culture and strategy. In 2017, this committee held one meeting, which discussed topics such as: parameters of the integrity and ethics program, private social investments, main climate change actions, review of the sustainability strategy, performance and actions plans related to the Dow Jones Sustainability Index (DJSI) and Enterprise Sustainability Index (ISE), and Internal Ombudsman indicators, among others.

- **Sustainability Committee:** based on a corporate agenda, this committee addresses the main sustainability issues by the bank's governance and respective working groups. In 2017, it held five (5) meetings, and the main topics addressed were as follows: the main challenges and advancements of the Dow Jones Sustainability Index (DJSI) and the Enterprise Sustainability Index (ISE), initiatives addressing climate change, review of the governance of Environmental and Social Risk, Diversity, Due Diligence of Human Rights, Responsible Investments and the agenda to measure Impacts and Externalities. This Committee is composed of representatives from different departments: Legal, Personnel Management Department, External Ombudsman's Office, Internal Controls, Compliance, Governmental and Institutional Relations, Corporate Communication, Investor Relations, Marketing, Credit Risk and Modeling and Sustainability.

- **Working Groups:** set up to enhance the execution of our sustainability strategy and integrate sustainable initiatives into business areas, working groups are responsible for managing sustainability projects and other related initiatives. Since 2015, these committees have been divided into: Internal Management, Responsible Investments, Reporting and Financial Education. After the revision of the sustainability governance, we saw the opportunity to operate closely to the bank's other working groups, such as diversity, integrity and ethics, and the Conglomerate's foundations.

Sustainability in Latin America countries

We believe in sustainability working together with business, and we also seek this strategic alignment in our foreign units. Since 2015 we have established a model to prioritize and monitor local initiatives to LATAM countries where we operate (Argentina, Chile, Colombia, Paraguay and Uruguay), aligned with our strategy. We designed a structured governance for Sustainability in LATAM countries, including these countries submitting a monthly report to Brazil, content sharing practices and local initiatives among countries, in addition to an in-person meeting held every year.

The Foundations and Sustainability Meeting was held in 2017, and it was based in Asunción, Paraguay. Teams from the LATAM countries met to organize an agenda including strategic alignment, planning, and talks on sustainability trends. In the 2017 edition a workshop was held on Sustainable Development Goals (SDGs) conducted by the Global Compact Brazilian Network (*Rede Brasileira do Pacto Global*), an UN organization aimed to rally companies towards the sustainable development cause.

Sustainability and governance

In addition to those mentioned above, other committees are aimed to add value and integrate sustainability into the conglomerate's business agenda, as follows:



Environmental and Social Risk Committee

GRI G4-DMA Product portfolio (former FS2)

Consisting of officers of the Risk, Compliance, Legal, and Sustainability departments, with representative responsible for other departments being subject to call, according to the matters to be resolved on by this committee. The main duty of this committee is to resolve on institutional positions on the exposure to environmental and social risk of the bank's activities and operations, in addition to recommend roles and responsibilities related to environmental and social risk management, resolving on non-compliance with environmental and social risk management policies and procedures, and referring cases of non-compliance with environmental and social risk-management procedures to the proper forums.

Strategic Committee of Foundations and Institutes

Composed of president, vice presidents, officers and superintendents in charge of all the foundations and institutes of Itaú Unibanco Holding, this committee is responsible for:

- Strategic decisions on Itaú Unibanco's private social investments, as well as risk management in the Group's foundations and institutes.

Integrity and Ethics Committee

Composed of officers from the Compliance, Legal, Corporate Security, Marketing, Institutional and Governmental Relations, Human Resources, Procurement, Audit, and Internal Ombudsman departments, among others. In 2017, this committee held meetings every four months, and it was responsible for:

- Assessing and deciding on corporate topics that involve ethics in business and the work environment;
- Monitoring compliance with integrity and ethics policies and procedures;
- Indicating and approving improvements in processes as a result of regulations, identified risks and complaints, among others;
- Submitting the status of the various actions related to the Integrity and Ethics Program;
- Presenting the information on the Internal Ombudsman channel; and
- Resolving on situations of conflicts of interest (when necessary).

Evaluating and developing products and services GRI G4-DMA Product and service labeling (former FS15)

Based on the Corporate Product Evaluation Policy, any project that modifies or creates products and services is subjected to a rigorous analysis focused on risk management. This requires integration across product areas and the units evaluating the different impacts that may occur, in a multidisciplinary way, including Legal, Tax, Corporate Security, Accounting, Internal Controls, among others. The Sustainability department is part of the team involved in the evaluation process. Our Retail and Wholesale Products Committees are composed of their respective officers, who meet from time to time to discuss projects. As one of the departments involved, our sustainability team evaluates and suggests adjustments to ensure that products and projects are aligned with our three work pillars: financial education, transparency and environmental and social risks. The Sustainability department welcomed 108 projects that were evaluated based on these criteria in 2017. Additionally, we continue to improve our analysis to understand how to better review the project evaluation criteria for the coming years, so that we are able to take the Sustainability vision to other bank's products and services.

Materiality GRI 102-46

We consider a material theme to be any matter that has the capacity to affect our shared value creation in the short-, medium- or long-terms from the standpoint of the organization and its main stakeholders. Determining material themes is crucial to guide decision-making, since it provides a broader vision of the risks and opportunities inherent in the business and connects the strategies to multiple external interests.

We are carrying out a process to review the sustainability strategy, which will bring important input for defining our new materiality matrix based on the consultation process described in the Stakeholder engagement on [page A-353](#). This process began in 2017 and will be completed in 2018, thus providing for a review of our matrix.

The current matrix is the result of a process carried out in 2014, which covered environmental, social, economic and governance aspects. This study was developed by a diversified working group composed of the Corporate Communication, Finance, investor Relations and Sustainability departments. The methodology used to determine our material themes consists of four distinct stages:



In the first stage (1), the main goal was to identify the most significant issues in our communication channels and the most suitable stakeholders to start the process of determining materiality. We defined approximately 500 relevant issues for Itaú from our main communication channels and our reports, listed below: [GRI 102-42](#) | [102-44](#)

People Management

Organizational climate survey and union demands.

Financial and Operational Performance

Presentations of results aimed at investors: conference calls, Apimec meetings and reports.

Corporate Sustainability

Sector studies by GRI (GRI-G4 – Financial Services Sector Disclosures) and Sustainability Accounting Standards Board (SASB) and Questionnaires from the Dow Jones Sustainability Index and B3 Corporate Sustainability Index.

Analysis of Market Scenarios

Reports from the External Ombudsman's Office and our social media channels; Meetings with investors; and materiality analysis from domestic and international financial institutions considered benchmark in sustainability.

This methodology of indirectly consulting our stakeholders to develop our materiality matrix is responsible only for identifying the key issues for our stakeholders, not for integrating them into management. All issues raised are addressed directly by the responsible department and the channel of origin. For this reason, we will not present these details here. [GRI 102-44](#)

We determine the main stakeholders in accordance with our Sustainable Performance Spiral and we identified what these stakeholders considered the most relevant issues through indirect consultations on our preestablished, impartial and legitimate communication channels. [GRI 102-42](#)



Employees



Clients



Stockholders



Society

In the next stage (2), the issues were consolidated into more comprehensive topics, applying a preliminary analysis of materiality for management and stakeholders. These consolidated topics were then plotted in a prioritization matrix divided into two sections: (I) evaluation of the topics influence for stakeholders and (II) materiality analysis for management.

In the stakeholder section, we analyzed the interest and the power of influence of each stakeholder for the theme. We assigned the same weight in the assessment to each of the four stakeholders. In the management section, we defined the questions or drivers used to assess each theme, all of which had the same weight in the assessment, in accordance with the bank's management approach, as shown below:

- What is the impact of this theme on our vision of the future?
- What is the financial economic impact of this theme for the sustainable continuity of the business?
- What is the impact of this theme on our image and reputation?
- What is the impact of this theme on our business strategies?
- What is the legal and regulatory impacts of this theme?

Finally, in stage (3), the prioritized themes were discussed and validated internally by the Reporting Committee, a sustainability governance forum dedicated to implementing the best reporting and transparency practices. This materiality study was later submitted to the Audit Committee, the Disclosure Committee and the Sustainability Committee. The process of defining materiality was externally assured by PwC based on the guidelines of the AA1000 standard. [GRI 102-56](#)

Over 2015, the Reporting Committee performed a careful assessment of the matrix (4). The theme "Environmental and Social Risk" was integrated into the theme "Risk and Capital Management", reflecting more properly the bank's management of these topics and observing guidelines CVM Resolution No. 4,327 of the Central Bank of Brazil.

In 2017, we prepared our reports in accordance with the GRI Standard. However, since the sector disclosures regarding financial services are still unchanged, we will continue to report under GRI-G4. [GRI 102-48](#) | [102-49](#)

We present below the materiality matrix containing the 22 relevant themes. It is also possible to check the indicators prioritized by management by theme, the relationship between GRI and SDG, together with the type of impact on our stakeholders. [GRI 102-47](#)

Material themes



Efficiency



GRI 103-1 Efficiency

Efficiency is to reduce costs, increase revenue, speed up processes and increase quality of the service to our clients. We believe that less is more and that the attitude of an owner contributes to the sustainability of the business.

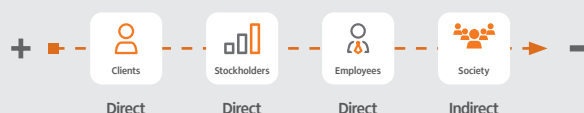
Related matters

- Relationship between cost and income;
- Operational efficiency index; and
- Control of personnel, administrative, operating and tax expenses.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Change in Operating Expenses per category	-	-
-	Efficiency Ratio	-	-
-	Risk-Adjusted Efficiency Ratio	-	-
Economic performance	GRI 201-1: Direct economic value generated and distributed	SDG 9: Infrastructure Investments – 9.1 SDG 9: Resource Development – 9.5 SDG 8: Access to financial services – 8.10	-

GRI 103-1 Efficiency

Most affected stakeholders



Credit and default



GRI 103-1 Credit and default

Credit is a financial operation in which banks lend financial resources or finance operations or the acquisition of properties for their clients. In our opinion, it is the use of money in a smart way. It is to support social and economic development. We believe that credit, combined with financial education, promotes the conscious use of money, minimizes losses and improves credit quality.

Related matters

- Profile of the loan portfolio;
- Risk appetite; and
- Financial margin and insolvency.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	ADA ⁽¹⁾ Balance/ Loan Portfolio	-	-
-	Non-Accrual Loans/ Credit Portfolio Balance	-	-
-	ADA ⁽¹⁾ Balance/ Renegotiated Portfolio	-	-
-	Insolvency	-	-
-	Net Financial Margin	-	-

(1) ADA = Allowance for Doubtful Accounts.

GRI 103-1 Credit and default

Most affected stakeholders



Diversification of revenue



GRI 103-1 Diversification of revenue

In our opinion, to diversify is to ensure the continuation of the business by means of non-interest revenue. It is to make our results less dependent on the variations in rates and more aligned with the needs of our clients.

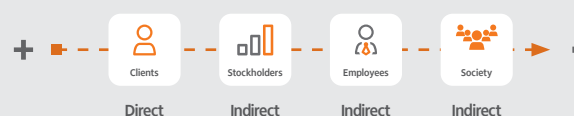
Related matters

- Diversification and focus on the offer of services; and
- Income from fees and insurance.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Composition of the Service Revenue	-	-

GRI 103-1 Diversification of revenue

Most affected stakeholders



Customer satisfaction



GRI 103-1 Customer satisfaction

We want to be a leading bank in sustainable performance and client satisfaction. And, for us, client satisfaction and financial results are two inseparable objectives. To perform the expected banking services and meet the expectations of our clients are challenges that drive our teams.

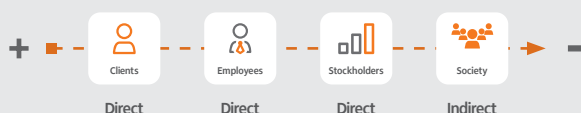
Related matters

- Client satisfaction;
- Handling of grievances and complaints; and
- Resolution of critical cases.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Customer satisfaction rate	-	-
-	Complaints registered with regulatory agencies	-	-
-	Number of cases registered with the Internal Ombudsman's Office and % resolved in the preliminary phase	-	-
-	GRI 102-43: Approach to stakeholder engagement	SDG 16: Transparency in stakeholders relations – 16.6	-

GRI 103-1 Customer satisfaction

Most affected stakeholders



Ethics and transparency



GRI 103-1 Ethics and transparency

Ethics is present in our business and it is reflected in the transparency, respect and honesty in the relationship with our stakeholders, in the quality of our services and products and in the concern with financial performance and environmental and social responsibility. It is also present in the internal relationships in which we cultivate environments that provide for the performance of quality and relevant work for those who perform it, for the institution and for society.

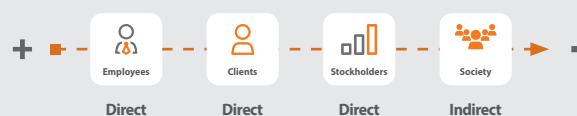
Related matters

- Culture, values and conduct policies;
- Ethics in business and transparency in communication; and
- Reporting to the market

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Number of complaints related to the code of ethics	-	-
-	Total number of incidents of discrimination	-	-
-	Number of legal actions for unfair-competition	-	-
-	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	-	-
-	GRI 102-16: Describe the organization's values, principles, standards and norms of behavior	SDG 5: Ethics and transparency for gender equality – 5.1, 5.2 SDG 10: Responsible finance – 10.5 SDG 16: Grievance mechanisms – 16.5, 16.6 and 16.10	10
-	GRI 102-17: Mechanisms for advice and concerns about ethics	SDG 5: Ethics and transparency for gender equality – 5.1, 5.2 SDG 10: Responsible finance – 10.5 SDG 16: Grievance mechanisms – 16.5, 16.6 and 16.10 SDG 10: Responsible finance – 10.5	10
-	GRI 102-43: Approach to stakeholder engagement	SDG 12: Sustainability in reports and stakeholders relations – 12.6 SDG 16: Transparency in stakeholders relations – 16.6	-
Anti competitive behavior	GRI 206-1: Legal actions for unfair competition, trust or monopoly practices	SDG 16: Compliance with laws and regulations – 16.6	-
-	GRI 103-2 Ethics and transparency: Management approach and its components	SDG 16: Grievance mechanisms – 16.6 and 16.10	1
-	GRI 102-12 External initiatives (e.g. Agreements, principles and commitments)	SDG 17: External initiatives -17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13 Membership of associations (e.g. Ethos Institute)	SDG 10: Associations and partnerships – 10.6 SDG 17: Partnerships for the goals (17.16), 17.17	-

GRI 103-1 Ethics and transparency

Most affected stakeholders



Corporate governance



GRI 103-1 Corporate governance

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity. Therefore, we adopt corporate governance practices that are in line with the best practices adopted in the Brazilian and international markets. We seek the constant evolution of our management policies and mechanisms so as to ensure excellence in our practices and the sustainable growth of our company.

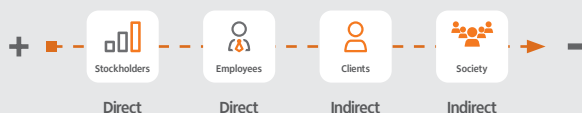
Related matters

- Composition and term of office of the Board of Directors;
- Responsibilities of the Board of Directors and standing committees; and
- Control of the company and right to vote of shareholders.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Participation in Corporate Governance Indexes	-	-

GRI 103-1 Corporate governance

Most affected stakeholders



Attraction, retention and development



GRI 103-1 Attraction, retention and development

We are made of people and, to ensure the longevity of our business, we need leaders who are ready for future challenges. The attraction, training and development of talents have become one of our major successes.

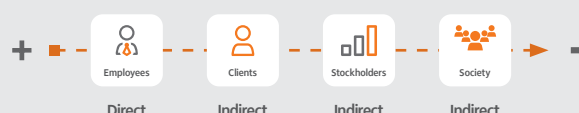
Related matters

- Attraction and retention of talent;
- Employee turnover;
- Training and development; and
- Leadership training.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Number of reallocated employees	-	-
-	Amount invested in training	-	-
-	Retention rate of talent programs	-	-
Employment	GRI 401-1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	SGD 5: Gender Equality – 5.1 SGD 8: Youth Employment – 8.5 SGD 5: Women in Leadership – 5.5 SGD 8: Youth Employment – 8.5 and 8.6 SGD 8: Social inclusion and accessibility practices (e.g. Underage Apprenticeship and PWD) – 8.b SGD 10: Diversity and equality – 10.4	6
Training and Education	GRI 404-1: Average hours of training per year per employee by gender, and by employee category GRI 404-2: Programs for upgrading employee skills and transition assistance programs	SDG 1: Social inclusion (e.g. Underage Apprenticeship) – 1.1 SGD 4: Training and Education – 4.3, 4.4 and 4.5 SGD 5: Gender equality – 5.1 SGD 8: Employee Training and Education – 8.5 SGD 10: Diversity and equality – 10.4 SDG 1: Social inclusion (e.g. Underage Apprenticeship) – 1.1 SDG 4: Training and Education – 4.3, 4.4 SDG 8: Employee Training and Education – 8.5 SDG 8: Social inclusion and accessibility practices (e.g. Underage Apprenticeship and PWD) – 8.b	6 -

GRI 103-1 Attraction, retention and development

Most affected stakeholders



Forecast of scenarios



GRI 103-1 Forecast of scenarios

In a world in which conditions and risks have been unusual, particularly after the global financial crisis in 2008, the ability to forecast and anticipate scenarios is essential for us to achieve our goals.

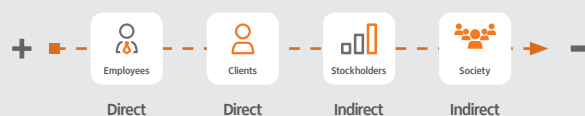
Related matters

- Ability to interpret the economy; and
- Strategy of positioning before the main indicators (inflation, interest rates, foreign exchange, unemployment).

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	-	-	-

GRI 103-1 Forecast of scenarios

Most affected stakeholders



Information security



GRI 103-1 Information security

Information is what supports the entire banking operation. Accordingly, we have the commitment to protect corporate information and ensure the privacy of clients in any operation. We are guided by our Corporate Information Security Policy, the purpose of which is to ensure the application of the information and intellectual property principles and guidelines of the organization, clients and the general public.

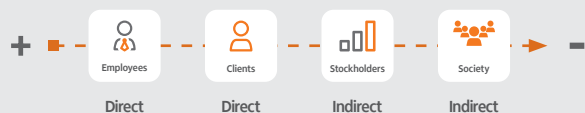
Related matters

- Information security policy; and
- Privacy of client data.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Total number of substantiated complaints regarding breaches of client privacy and losses of client data – confidential	-	-
Customer Privacy	GRI 418-1: Substantiated complaints regarding breaches of client privacy and losses of client data	SDG 16: Compliance with laws and regulations/Protection of privacy – 16.10 and 16.6	1

GRI 103-1 Information security

Most affected stakeholders



Risk and capital management



GRI 103-1 Risk and capital management

We consider risk management an essential instrument to optimize the use of resources and select the best business opportunities, aimed at maximizing the creation of value for stockholders.

Related matters

- Management and governance of risks;
- Administration of capital (including borrowings);
- Adequacy and Basel III;
- Risk management and assessment according to environmental and social criteria;
- Environmental and social impacts associated with credit, investment and insurance; and
- Environmental and social policy and human rights policies.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Value at Risk (VaR)/ Stockholders' Equity	-	-
-	Basel Ratio	-	-
-	Basel III Ratio	-	-
-	Corporate Finance Projects contracted under the criteria of the Environmental and Social Responsibility Policy (local acronym PRSA)	-	-
-	Equator Principles (EP) Projects contracted under the criteria of the Environmental and Social Responsibility Policy (PRSA)	-	-
Economic performance	GRI 201-2: Financial implications and other risks and opportunities for the organization's activities due to climate change	SDG 13: Risks and Opportunities due to Climate Change – 13.1, 13.2	7
	GRI 201-4: Financial assistance received from government	-	-
Product portfolio	GRI G4-DMA Product portfolio (former FS1): Policies with specific environmental and social components applied to business lines	SDG 2: Social inclusion initiatives (e.g. rural credit) – 2.3 SDG 3: Health products and services – 3.8 SDG 8: Eco-efficiency and Environmental and social management – 8.7 SDG 10: Responsible finance – 10.5 SDG 16: Environmental and social management – 16.2, 16.4	1 6 7 ⁽¹⁾

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

GRI topics	Related initiatives and indicators	SDG	Global Compact
Product portfolio	GRI G4-DMA Product portfolio (former FS2): Procedures for assessing and rating environmental and social risks in business lines	SGD 3: Health products and services – 3.8 SGD 8: Eco-efficiency and environmental and social management – 8.7 SGD 10: Responsible finance – 10.5 SGD 11: Operations in natural disasters and catastrophes – 11.5 SGD 16: Environmental and social management – 16.2, 16.4	2 4 5 10 ⁽¹⁾
	GRI G4-DMA Product portfolio (former FS3): Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SDG 10: Responsible finance – 10.5	1 2 4 5 7 8 ⁽¹⁾
	GRI G4-DMA Product portfolio (former FS4): Process(es) for improving staff ability to implement environmental and social policies and procedures as applied to business lines	SDG 10: Responsible finance – 10.5	1 4 5 7 8 9 ⁽¹⁾
	GRI G4-DMA Product portfolio (former FS5): Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	SDG 8: Eco-efficiency and Environmental and social management – 8.4, 8.7 SDG 10: Responsible finance – 10.5 SDG 16: Environmental and social management – 16.2, 16.4	8 ⁽¹⁾
	GRI G4 Product portfolio (former FS6): Percentage of the portfolio for business lines by specific region, size (e.g. very small/ SME/ large) and sector	SGD 1: Access to financial services – 1.4 SGD 8: Access to financial services – 8.3 and 8.10 SGD 9: Access to financial services – 9.3 SGD 10: Access to financial services – 10.2, 10.1, 10.3	-
Audit	GRI G4-DMA Audit (former FS9): Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	SDG 8: Eco-efficiency and Environmental and social management – 8.7 SDG 10: Responsible finance – 10.5 SDG 16: Environmental and social management – 16.2, 16.4	2 4 5 7 8 ⁽¹⁾
Active ownership	GRI G4 Active ownership (former FS10): Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	SDG 8: Eco-efficiency and Environmental and social management – 8.4 SDG 10: Responsible finance – 10.5	2 4 5 8 9 ⁽¹⁾
	GRI G4 Active ownership (former FS11): Percentage of assets subject to positive and negative environmental or social screening	SDG 10: Responsible finance – 10.5	1 2 7 8 9 ⁽¹⁾
	GRI G4-DMA Active ownership (former FS12): Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote or advises on voting	-	1 7 8 9 10 ⁽¹⁾
-	Equator Principles	SDG 15: Life on Land (15.1)	-

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

GRI 103-1 Risk and capital management

Most affected stakeholders



International operations



GRI 103-1 International operations

We have a wide range of operations abroad and have expanded our international presence based on strategically located units in the Americas, Europe and Asia. Latin America is our priority in the international expansion due to the geographical and cultural proximity of its countries to Brazil. Our goal is to be recognized as "the Latin American bank", a benchmark in the region for all financial services provided to individuals and legal entities.

Related matters

- Opportunities in new markets;
- Internationalization strategy; and
- Evolution of the portfolio abroad.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Volume of Loans Abroad	-	-
-	Loan Portfolio and Market Share in Latin America	-	-

GRI 103-1 International operations

Most affected stakeholders



Brand and reputation

GRI 103-1 Brand and reputation

The purpose of our brand is to promote positive changes in the lives of people and society. Our brand is associated with quality and reliability and helps us maintain a low client turnover rate.

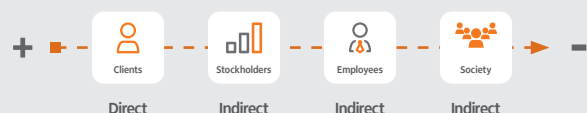
Related matters

- Brand positioning;
- Reputation and exposure in the media; and
- Reputation index and brand value.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Brand Value	-	-
-	Positive exposure in the media	-	-
-	GRI 417-3: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	SDG 16: Compliance with laws and regulations – 16.6	-
-	GRI 102-43: Approach to stakeholder engagement	SDG 12: Sustainability in reports and stakeholders relations – 12.6	-

GRI 103-1 Brand and reputation

Most affected stakeholders



Information technology

GRI 103-1 Information technology

In line with our strategy to increase the efficiency in our business, we have invested in innovations that offer increased convenience and mobility to our clients.

Related matters

- Investment in technology;
- Use of electronic channels; and
- Accessibility and digital inclusion.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Percentage of digital transactions vs. traditional channels	SDG 1: Access to financial services – 1.4 SDG 9: Provide digital access to financial services – 9.c	-

GRI 103-1 Information technology

Most affected stakeholders



Compensation and incentives

GRI 103-1 Compensation and incentives

The purpose of the compensation is to recognize the skills and seniority of a professional. Our compensation policies are in line with market practices and with our compensation strategies. We have also made available benefits and incentives through which our employees and management members can have the option to become partners.

Related matters

- Performance assessment programs;
- Variable compensation; and
- Long-term incentives.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Percentage of employees receiving performance reviews	-	-
-	Total amount spent on fixed compensation, payroll charges and salaries	-	-
-	Total amount of contributions made to employee pension plans	-	-
Training and Education	GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	SDG 5: Gender equality – 5.1 SDG 10: Diversity and equality – 10.4 SDG 8: Employee Training and Education – 8.5	- 6

GRI 103-1 Compensation and incentives

Most affected stakeholders



Combat against corruption and illegal activities



GRI 103-1 Combat against corruption and illegal activities

The purpose of our Corporate Policy for the Prevention of Corruption is to reinforce our commitment to cooperate with initiatives to prevent and combat corruption and also to establish guidelines for the conception, implementation and continuous improvement of training and development programs, complaint channels and awareness-raising campaigns.

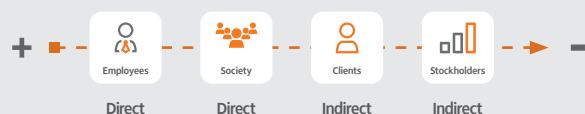
Related matters

- Policy to prevent corruption and money laundering;
- Combating corruption;
- Monitoring of criminal activities; and
- Training of employees on the topic.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Percentage of employees trained on anti-corruption policies and procedures	-	-
Anti-corruption	GRI 205-2: Communication and training on anti-corruption policies and procedures	SDG 16: Anti-corruption – 16.5	10
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SDG 17: External initiatives -17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Business Pact for Integrity and Against Corruption)	SDG 10: Membership of associations – 10.3 SDG 17: Partnerships for the goals (17.16), 17.17	-

GRI 103-1 Combat against corruption and illegal activities

Most affected stakeholders



Management of suppliers and supply chain



GRI 103-1 Management of suppliers and supply chain

Our relationship with our suppliers is based on transparency, longevity and construction of shared value. These partnerships are established by means of a formal hiring process, the purpose of which is to minimize the possible financial, reputational, operational and legal impacts during the provision of the service or after the termination of the contract.

Related matters

- Management of suppliers;
- Support for local suppliers; and
- Promotion of sustainable practices along the supply chain.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Percentage of local suppliers contracted	-	-
Procurement Practices	GRI 204-1: Proportion of spending on local suppliers	SDG 5: Economic inclusion – 5.1 SDG 8: Economic inclusion – 8.3 SDG 10: Diversity and equality – 10.4 SDG 12: Procurement Practice – 12.7	-
Supplier Environmental Assessment	GRI 308-1: Percentage of new suppliers that were screened using environmental criteria GRI 308-2: Significant actual and potential negative environmental impacts in the supply chain and actions taken	- -	8 8
Supplier Social Assessment	GRI 414-1: New suppliers that were screened using social criteria GRI 414-2: Negative social impacts on the supply chain and actions taken	SDG 5: Workplace violence and harassment – 5.2 SDG 8: Labor practices in the supply chain – 8.8 SDG 8: Eco-efficiency and environmental and social management – 8.4, 8.7 SDG 16: Workplace violence and harassment – 16.1 SDG 5: Workplace violence and harassment – 5.2 SDG 8: Eco-efficiency and environmental and social management – 8.4 SDG 8: Labor practices in the supply chain – 8.8 SDG 16: Workplace violence and harassment – 16.1	2 2
-	Contracting new suppliers, envisaging the development of the regions in which we operate	SDG 9: Industry, innovation and infrastructure (9.3)	-
-	GRI 102-43: Approach to stakeholder engagement	SDG 16: transparency in stakeholders relations – 16.6	-

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SDG 17: External initiatives -17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Business Integrate)	SDG 17: Partnerships for the goals (17.16), 17.17	-

GRI 103-1 Management of suppliers and supply chain

Most affected stakeholders



Financial education and inclusion



GRI 103-1 Financial education and inclusion

A way for us to contribute to the development of society is to understand the needs of people in order to offer proper financial knowledge and solutions so that they can have a healthier relationship with money.

Related matters

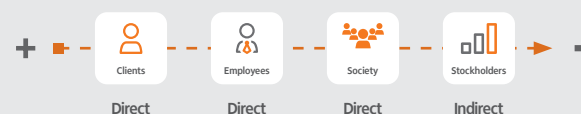
- Financial education programs; and
- Provision of products and services to the population with little access to financial services.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Number of employees trained in financial education	-	-
-	Impact of financial education programs on employees	-	-
-	Number of clients impacted by financial education training programs	-	-
-	Impact of financial education programs on clients	-	-
-	Total amount financed in Microcredit operations	-	-
Local communities	GRI G4 FS13: Access points in low-populated or economically disadvantaged areas by type	SGD 1: Access to financial services – 1.4 SGD 8: Access to financial services – 8.10 SGD 9: Access to financial services – 9.3 SGD 10: Access to financial services – 10.2, 10.1, 10.3	-

GRI topics	Related initiatives and indicators	SDG	Global Compact
Local communities	GRI G4 FS14: Initiatives to improve access to financial services for disadvantaged people	SGD 1: Access to financial services – 1.4 SGD 8: Access to financial services – 8.10, 8.3 SGD 10: Access to financial services – 10.2, 10.1, 10.3 SGD 17: Sustainable development policies 17.14	1
Product and service labeling	GRI G4 FS15: Policies for the fair design and sale of financial products and services GRI G4 FS16: Initiatives to enhance financial literacy by type of beneficiary	SDG 10: Responsible finance – 10.5 SGD 1: Access to financial services – 1.4 SDG 4: Knowledge for sustainable life style – 4.7 SGD 8: Access to financial services – 8.10, 8.3 SGD 10: Access to financial services – 10.2, 10.1, 10.3 SDG 12: Knowledge for sustainable life style – 12.8	-
-	Itaú Women Entrepreneurs Program; Itaú Microcrédito	SDG 1: Access to financial services – 1.4 SDG4: Training and Education: 4.4 SDG 5: Access to financial services – 5.a, 5.b SDG 8: Access to financial services – 8.3, 8.10 SDG 9: Industry, innovation and infrastructure – 9.3 SDG 10: Access to financial services – 10.2, 10.1, 10.3	-
-	Conscious Use of Money – volunteering program, campaigns and website; Evaluation of the bank's processes, products and services focused on risk management; Environmental and social criteria for credit analysis; Transparency in communication with clients	SDG 12: Procurement Practice – 12.8	-
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SDG 17: External initiatives - 17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Business Integrate)	SDG 17: Partnerships for the goals (17.16), 17.17	-
-	GRI 102-43: Approach to stakeholder engagement Partnerships (e.g. Akatu, ENEF)	SDG 5: Women's empowerment – 5.a, 5.c SDG 17: Partnerships for the goals – 17.16, 17.17	-

GRI 103-1 Financial education and inclusion

Most affected stakeholders



Innovation

GRI 103-1 Innovation



We innovate so as to have a positive and direct impact on people's lives. In our opinion, to innovate is to seek new solutions to old problems, make experiments to solve new problems and review concepts.

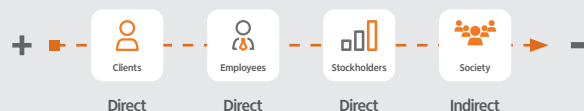
Related matters

- Incorporation of trends; and
- New environmental and social business opportunities.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Monetary value of products and services with environmental and social benefits	-	-
-	Financial amount allocated to environmental and social funds	-	-
-	GRI 201-1: Direct economic value generated and distributed	SDG 9: Infrastructure Investments – 9.2	-

GRI 103-1 Innovation

Most affected stakeholders



Corporate citizenship



GRI 103-1 Corporate citizenship

Our goal is to use the same quality and efficiency that we apply in our business to develop projects, technologies and tools that stimulate people to obtain more knowledge and a discerning sense so that we can make better choices.

Related matters

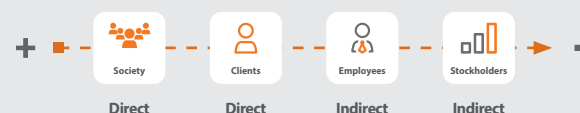
- Generation of a cultural and social legacy;
- Incentive for education;
- Investments in the community; and
- Donation and contributions to public policies.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Total amount allocated to subsidized and non-subsidized projects	-	-
-	Total amount of contributions to political parties' politicians	-	-
Public Policies	GRI 415-1: Total amount of political contributions by country and recipient/beneficiary	SDG 16: Anti-corruption – 16.5	10
Product portfolio	GRI G4 FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SGD 1: Access to financial services – 1.4 SGD 8: Access to financial services – 8.3 and 8.10 SGD 9: Access to financial services – 9.3 SGD 10: Access to financial services – 10.2, 10.3	-
	GRI G4 FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	-	7 8 9 ⁽¹⁾
-	Instituto Itaú Cultural	SDG 11: Incentives to culture and cultural heritage conservation	-
-	Fundação Itaú Social; Instituto Unibanco and Itaú BBA Education Initiatives	SDG 4: Training and Education – 4.1, 4.5 4.6	-
-	GRI 201-1: Urban mobility	SDG 11: Urban mobility – 11.2	-
-	GRI G4 FS16: Initiatives to enhance financial literacy by type of beneficiary	SDG 4: Knowledge for sustainable life style – 4.7	-
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SGD 1: Government partnerships and relations – 1.b SGD 17: Sustainable development policies – 17.14 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Government)	SGD 1: Government partnerships and relations – 1.b SDG 17: Partnerships for the goals – 17.17, 17.16	-
Indirect Economic Impacts	GRI 203-2: Significant indirect economic impacts	-	-

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

GRI 103-1 Corporate citizenship

Most affected stakeholders



Eco-efficiency and environmental management



GRI 103-1 Eco-efficiency and environmental management

We are constantly focused on the management and the rational use of natural resources, a strategy that enables us to reduce the environmental impact of our operations and to increase our operational efficiency. All the initiatives we have developed with respect to eco-efficiency are based on four pillars: implementation cost, availability in the market, technical performance of the system and efficiency gains.

Related matters

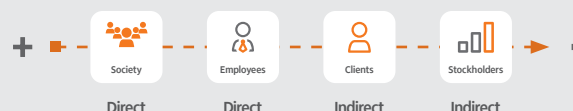
- Environmental management;
- Water, energy, emissions and consumption of materials; and
- Public commitments on climate change.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Total investments and expenditures on environmental protection	-	-
-	Consumption of paper	-	-
-	Energy consumption within the organization	-	-
-	Total water withdrawal by source	-	-
-	Total direct and indirect greenhouse gas emissions	-	-
-	Total waste, by type and disposal method	-	-
Material	GRI 301-1: Materials used by weight or volume	SGD 8: Materials Efficiency – 8.4 SGD 12: Materials Efficiency/ Recycling – 12.2 SGD 12: Eco-efficiency – 12.5 SGD 12: Eco-efficiency and emissions offsetting – 12.4	7 8
Electric energy	GRI 302-1: Energy consumption within the organization	SGD 7: Energy Efficiency – 7.a, 7.3, 7.2 SGD 8: Energy Efficiency – 8.4 SGD 12: Energy Efficiency – 12.2 SGD 13: Energy Efficiency – 13.1	7 8
	GRI 302-4: Reduction of energy consumption	SDG 6: Sustainable Water Withdrawals – 6.4 SDG 6: Water management – 6.5 SGD 7: Energy Efficiency – 7.a, 7.3, 7.2 SGD 8: Energy Efficiency – 8.4 SGD 12: Energy Efficiency – 12.2 SGD 13: Energy Efficiency – 13.1	8 9
Water	GRI 303-1: Total water withdrawal by source	SGD 6: Sustainable Water Withdrawals – 6.4 SGD 6: Water management – 6.5 SGD 7: Energy Efficiency – 7.2 SGD 12: Materials Efficiency/ Recycling – 12.2	7 8

GRI topics	Related initiatives and indicators	SDG	Global Compact
	GRI 303-3: Percentage and total volume of water recycled and reused	SDG 6: Water Efficiency – 6.3 SDG 6: Water recycling and reuse – 6.4 SDG 7: Energy Efficiency – 7.2 SDG 8: Water Efficiency – 8.4 SDG 12: Water Efficiency – 12.2	8
	GRI 305-1: Direct greenhouse gas (GHG) emissions (Scope 1)	SDG 3: Air quality – 3.9 SGD 12: Eco-efficiency and emissions offsetting – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Life on Land (15.1) SDG 15: Forest Degradation – 15.2	7 8
	GRI 305-2: Energy indirect GHG emissions (Scope 2)	SDG 3: Air quality – 3.9 SGD 12: Eco-efficiency and emissions offsetting – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Life on Land (15.1) SDG 15: Forest Degradation – 15.2	7 8
Emissions	GRI 305-3: Other indirect GHG emissions (Scope 3)	SDG 3: Air quality – 3.9 SGD 12: Eco-efficiency and emissions offsetting – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Life on Land (15.1) SDG 15: Forest Degradation – 15.2	7 8
	GRI 305-5: Reduction of GHG emissions	SGD 9 Eco-efficiency infrastructure – 9.4 SGD 13: GHG Emissions – 13.1 SGD 14: Ocean acidification – 14.3 SDG 15: Life on Land (15.1) SDG 15: Forest Degradation – 15.2 SDG 12: Eco-efficiency and emissions offsetting – 12.4 SDG 15: Life on Land (15.2)	8 9
Effluents and Waste	GRI 306-2: Total weight of waste by type and disposal method	SDG 3: Air quality – 3.9 SGD 6: Waste – 6.3 SGD 12: Eco-efficiency and emissions offsetting – 12.4 SGD 12: Eco-efficiency – 12.5 SGD 12: Materials Efficiency/ Recycling – 12.2	8
-	LEED NC certification achieved for the Mogi Mirim Technological Center	SDG 9: Industry, innovation and infrastructure – 9.4	-
-	Ecomudança Program; Bike-Sharing System; Eco-efficiency measures	SDG 11: Sustainable cities and communities – 11.a	-
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SDG: Environmental and social management – 15.7 SDG 17: External initiatives -17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Call notice with Natura)	SDG 17: Partnerships for the goals: 17.16, 17.17	-
Compliance	GRI 307-1: Non-compliance with environmental laws and regulations	-	-

GRI 103-1 Eco-efficiency and environmental management

Most affected stakeholders



Diversity, equity and inclusion



GRI 103-1 Diversity, equity and inclusion

The diversity topic is recognized and appreciated in our culture. Management is carried out by the Personnel Department and guided by the Internal Diversity Appreciation Policy. Our management of the topic is guided by three basic principles: fair competition in view of the differences; heterogeneity within the organization; and implementation of policies and projects that value and promote diversity.

Related matters

- Gender and race equality;
- Respect for diversity; and
- Combating discrimination and harassment.

GRI topics	Related initiatives and indicators	SDG	Global Compact
-	Percentage of Black persons, women, people with disabilities and trainees	-	-
-	Ratio of salary of women to men	-	-
-	Total number of incidents of discrimination	-	-
-	GRI 102-8: Information on employees and other workers	-	6
Employment	GRI 401-2: Benefits provided to full-time employees but not provided to temporary or part-time employees, by significant locations of operation	SDG 8: Earnings, wages and benefits – 8.5	-
Diversity and Equal Opportunities	GRI 405-1: Diversity of governance bodies and employees	SGD 5: Gender Equality – 5.1 SGD 5: Women in Leadership – 5.5 SGD 8: Diversity and equal opportunities – 8.5 SGD 10: Diversity and Equity – 10.4	6
	GRI 405-2: Ratio of basic salary and women's remuneration to men's by employee category, by significant locations of operation	SGD 5: Equal Remuneration for Women and Men – 5.1 SGD 8: Equal Remuneration for Women and Men – 8.5 SGD 10: Equal Remuneration for Women and Men – 10.2, 10.3 SGD 10: Diversity and Equity – 10.4	6
Non-discrimination	GRI 406-1: Total number of incidents of discrimination and corrective actions taken	SGD 5: Non-discrimination – 5.1 SGD 5: Workplace violence and harassment – 5.2 SGD 5: Women in Leadership – 5.5 SGD 8: Equal Remuneration for Women and Men – 8.8 SGD 10: Diversity and Equity – 10.4 SGD 16: Non-discrimination – 16.6	6
-	GRI 102-12: External initiatives (ex.: Agreements, principles and commitments)	SDG 17: External initiative – 17.16 SDG 17: Partnerships for the goals – 17.17	-
-	GRI 102-13: Membership of associations Partnerships (e.g. Global Banking Alliance for Women)	SDG 17: Partnerships for the goals – 17.16, 17.17	-

GRI 103-1 Diversity, equity and inclusion

Most affected stakeholders



Health, safety and well-being



GRI 103-1 Health, safety and well-being

We manage our many programs related to occupational health and safety by means of indexes and internal rules. Meanwhile, our actions and programs focused on education for health are aimed at preventing diseases and advising on the adoption of a healthy and balanced lifestyle.

Related matters

- Satisfaction of employees;
- Health and safety practices; and
- Labor rights, strikes and stoppages.

GRI Topics	Related initiatives and indicators	SDG	Global Compact
-	Employee satisfaction index	-	-
-	Rate of work related injuries	-	-
-	Rate of working days lost	-	-
-	Occupational illness rate	-	-
-	Absenteeism rate	-	-
-	GRI 102-41: Report the percentage of total employees covered by collective bargaining agreements	-	3
Occupational Health and Safety	GRI 403-1: Percentage of total workforce represented in formal health and safety committees, composed of employees from different hierarchical levels	SDG 8: Occupational Health and Safety – 8.8	-
	GRI 403-2: Types and rates of work-related injuries, occupational illness, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	SDG 3: Occupational Health and Safety – 3.4 SDG 8: Occupational Health and Safety – 8.8	-
-	GRI 403-3: Workers with high incidence or high risk of diseases related to their occupation	-	-
-	GRI 103-2: Health, safety and well-being: Management approach and its components	SDG 16: Grievance mechanisms – 16.6 e 16.10	-

GRI 103-1 Health, safety and well-being

Most affected stakeholders



The Sustainable Development Goals (SDGs) in our strategy

In 2015, the United Nations (UN) and world leaders formally adopted a new sustainable development agenda, the Sustainable Development Goals (SDGs). The agenda was developed from bases established in the MDGs (Millennium Development Goals), after a long global consultation process involving companies, governments and civil society. The result is 17 Goals that include social, environmental and economic aspects to be implemented by all countries by 2030.

The private sector has an essential role in this challenge. Itaú Unibanco is committed to the SDGs and since 2015 we take part in the board of the Brazilian Global Compact Committee (*Comitê Brasileiro do Pacto Global – CBPG*), from which the main purpose is to mobilize the private sector in support of the sustainable development. In 2017, we were elected to be the president of CBPG. We are also involved in the development and coordination of the SDGs thematic group in the UN Global Compact (GT ODS), launched in 2015, mobilizing companies and participating in discussions to promote the agenda.

The highlights of our initiatives regarding the SDGs in 2017 are:

Study

Participation in and sponsorship of the *“Integração dos ODS na estratégia empresarial – uma contribuição do Comitê Brasileiro do Pacto Global (CBPG) para a agenda 2030”* (“Integration of the SDGs in the corporate strategy – a contribution of the Brazilian Global Compact Committee (CBPG) for the 2030 agenda”) study.

Training

We participate as facilitators for workshops on company training, held in partnership with GT ODS of the Global Compact with editions in Curitiba, Belo Horizonte and São Paulo, to train and engage companies to implement SDGs in conformity with the SDG Compass Guide.

Dissemination

We participate in panels, workshops and events to talk about the challenges faced by Itaú and the Global Compact to achieve the SDGs.

Reporting

Since 2015, we report our actions on the agenda here in our Consolidated Annual Report, and where the material topics related to the corresponding SDGs impacted, GRI indicators and Global Compact principles can be consulted. In 2017, we also cross referenced the main texts of this Report with the SDGs.

Internal engagement

In 2017, we started a series of workshops for managers and employees in order to promote immersion into the agenda, engagement, identification of the connection with business and definition of action priorities. Our foreign units in Latin America (Argentina, Chile, Paraguay, Uruguay and Colombia) were also trained.

Connection with the strategy

Aimed at reaching the SDGs and their targets through challenges connected to our business, we submitted the topic to the bank's governance, through the Board of Directors, Executive Committee and Sustainability Committee. Since 2016, we have integrated the SDGs as a strategy for our Institutes and Foundations and, in 2017, we started to review the bank's sustainability strategy, which will be completed in 2018, also based on these goals.





Additionally, we brought the future leaders close to the SDGs agenda. The bank's team of trainees carried out a project to connect our strategy with the SDGs, helping determine priorities according to the positive or negative impact of Itaú's business on each goal. The work also includes a map of indicators and a proposal for impact evaluation, always in line with our business. The result of this work will be included in the next step of this agenda, which will be to determine priority SDGs connected to the priority business fronts, and the bank's new sustainability strategy.




Itaú Unibanco's Impact on the Sustainable Development Goals (SDGs)




The table below is the result of an analysis of our initiative's impacts on SDGs and their targets.

Itaú and the SDG

SDG	Main targets associated with Itaú's operation	Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)	How do we contribute to this SDG and target	Where can the Content be found in this Report
 End poverty in all its forms everywhere	1.1	Low	Promoting social inclusion and accessibility initiatives	Talent programs (A-423) Training and development (A-421) Itaú Women Entrepreneurs Program (A-410)
	1.4	High	Promoting financial inclusion by means of education and access to financial services	Itaú Microcrédito (A-408) Itaú Women Entrepreneurs Program (A-410) Suppliers (A-436) Rural clients (A-386) Mortgage loans (A-387)
	1.b	Medium	Impacting public policies focused on social issues, including diversity	Corporate citizenship (A-447)

SDG	Main targets associated with Itaú's operation	Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)	How do we contribute to this SDG and target	Where can the Content be found in this Report
 <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	2.3	Low	Offering knowledge and access to financial services to clients in rural areas	Rural clients (A-386)
	3.4	Medium	Promoting occupational health and safety	Employee health and safety (A-417)
	3.8	Low	Offering benefits to employees and their dependents to access health care. Offering to clients life insurance that prevents financial risk	Benefits (A-425) Human rights (A-413) Employee health and safety (A-417) Insurance (A-389 , A-406)
 <p>Ensure healthy lives and promote well-being for all at all ages</p>	3.9	Low	Analyzing environmental and social risk criteria in business and carrying out environmental management of resources used in our facilities	Climate change on operations (A-394)
	4.1	Medium	Promoting initiatives and impacting public policies in favor of school education through our institutes and foundations	Itaú BBA Education Initiatives (A-451) Fundação Itaú Social (A-448) Instituto Unibanco (A-450)
	4.3	Medium	Offering employees technical training for developing their activities	Instituto Unibanco (A-450) Training and development (A-421) Career Opportunity Program (local acronym POC) (A-423)
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	4.4	Medium	Offering employees, including young apprentices, technical training for developing their activities, and incentives to women entrepreneurship	Talent programs (A-423) Training and development (A-421) Itaú Women Entrepreneurs Program (A-410)
	4.5	Medium	Offering all employees technical training for developing their activities, and initiatives to encourage women inclusion in Science careers	Instituto Unibanco (A-450) Training and development (A-421)
	4.6	Low	Promoting initiatives and impacting public policies in favor of school education through our institutes and foundations	Itaú BBA Education Initiatives (A-451) Fundação Itaú Social (A-448) Instituto Unibanco (A-450)
 <p>Achieve gender equality and empower all women and girls</p>	4.7	Low	Producing and sharing knowledge for sustainable development, including financial guidance content	Instituto Itaú Cultural (A-453) Fundação Itaú Social (A-448) Instituto Unibanco (A-450) Itaú BBA Education Initiatives (A-451) Espaço Itaú de Cinema (A-456) Financial education (A-407) Membership in associations (A-442) Government tax incentives (A-446)
	5.1	Medium	Promoting initiatives, policies and training, in addition to making public commitments focused on women empowerment and diversity	Ombudsman (A-428) Voluntary commitments (A-444) Cases of discrimination (A-436) Membership in associations (A-442) Training and development (A-421) Suppliers (A-436) Diversity (A-415)
	5.2	Low	Promoting initiatives, policies and training, in addition to making public commitments focused on women empowerment and diversity	Environmental and social risks (A-382) Suppliers (A-436) Environmental and Social Opportunities (A-382)
	5.5	Medium	Promoting discussions and carrying out initiatives in favor of equal opportunities for men and women	Ombudsmans (A-428) Voluntary commitments (A-444) Instituto Unibanco (A-450) Diversity (A-415) Compensation (A-425) Meritocracy (A-420)
	5.a	High	Promoting initiatives focused on women's economic empowerment	Itaú Women Entrepreneurs Program (A-410) Government relations (A-445)
	5.b	Medium	Promoting the Itaú Women Entrepreneurs Program digital platform, focused on women's economic empowerment	Itaú Women Entrepreneurs Program (A-410)
	5.c	Low	Assuming public commitments and impacting public policies focused on women empowerment	Relationship with the government (A-445)

SDG	Main targets associated with Itaú's operation	Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)	How do we contribute to this SDG and target	Where can the Content be found in this Report
 <p>6 CLEAN WATER AND SANITATION</p> <p>Ensure availability and sustainable management of water and sanitation for all</p>	6.3	Medium	Analyzing environmental and social risk criteria in business and carrying out environmental management of the resources used in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
	6.4	Medium	Analyzing environmental and social risk criteria in business and carrying out environmental management of resources used in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
	6.5	Medium	Analyzing environmental and social risk criteria in business and carrying out environmental management of resources used in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
 <p>7 RENEWABLE ENERGY</p> <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	7.2	Medium	Analyzing environmental and social risks and opportunities criteria in business, and increasing the use of renewable energy in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
	7.3	Low	Enabling the use of renewable energy and efficient equipment in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
	7.a	Low	Analyzing environmental and social risks and opportunities criteria in business, investing in efficient energy technologies, and testing them in our facilities	Climate change on operations (A-394) Climate change on business (A-404) Membership in associations (A-442)
 <p>8 GOOD JOBS AND ECONOMIC GROWTH</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	8.3	High	Participating in forums, promoting discussions, impacting public policies and developing products for financial inclusion and access to financial services	Itaú Women Entrepreneurs Program (A-410) Financial education (A-407) Employees (A-414) Itaú Microcrédito (A-408) Suppliers (A-436) Cubo (A-460) Membership in associations (A-442) Voluntary commitments (A-444)
	8.4	Low	Analyzing environmental and social risks and opportunities criteria in business, and increasing the use of renewable energy in our facilities	Credit (A-383 , A-405) Insurance (A-389 , A-406) Climate change on business (A-404) Investments (A-390 , A-404) Climate change on operations (A-394)
	8.5	Medium	Managing people so as to promote decent work with equal opportunities for all	Employees (A-414) Diversity (A-415) Training and development (A-421) Benefits (A-425)
	8.6	Medium	Encouraging access of young people to the labor market, and promoting initiatives in favor of education	Talent programs (A-423)
	8.7	High	Analyzing environmental and social risks criteria in business, and promoting the management of suppliers and employees in accordance with human rights criteria	Environmental and social risks and opportunities (A-382) Environmental and social risks and opportunities (A-382) Suppliers (A-436)
	8.8	Medium	Analyzing environmental and social risks criteria in business, and promoting the management of suppliers and employees in accordance with human rights criteria	Suppliers (A-436) Environmental and social risks and opportunities (A-382)
	8.10	High	Sharing knowledge to boost the access to financial services	Diversity (A-415) Itaú Microcrédito (A-408) Itaú Women Entrepreneurs Program (A-410) Financial education (A-407)
	8.b	Medium	Encouraging the access of young people to the labor market	Talent programs (A-423) Training and development (A-421)

SDG	Main targets associated with Itaú's operation	Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)	How do we contribute to this SDG and target	Where can the Content be found in this Report
 <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	9.2	Medium	Analyzing environmental and social risk criteria in business	Credit (A-383 , A-405) Insurance (A-389 , A-406) Climate change on business (A-404) Investments (A-390 , A-404)
	9.3	High	Promoting the access of small and middle-market companies to financial services	Itaú Microcrédito (A-408)
	9.4	Medium	Analyzing environmental and social risk criteria in business, and investing in efficient and adequate infrastructure in our facilities	Climate change on operations (A-394) Climate change on business (A-404)
	9.5	Low	Promoting initiatives focused on generating knowledge and innovation	Cubo (A-460) Membership in associations (A-442)
	9.c	Medium	Democratizing access to financial services on digital platforms	Clients – Individuals and Companies (A-430)
	10.1	Medium	Promoting financial inclusion by means of education and access to financial services	Itaú Microcrédito (A-408) Financial education (A-407)
 <p>Reduce inequality within and among countries</p>	10.2	High	Promoting financial inclusion by means of education and access to financial services, in addition to making public commitments focused on diversity	Itaú Women Entrepreneurs Program (A-410) Financial education (A-407) Diversity and accessibility (A-434) Itaú Microcrédito (A-408) Diversity (A-415)
	10.3	Medium	Promoting financial inclusion by means of education and access to financial services, in addition to making public commitments focused on diversity	Itaú Women Entrepreneurs Program (A-410) Financial education (A-407) Diversity and accessibility (A-434) Itaú Microcrédito (A-408) Diversity (A-415)
	10.4	Medium	Managing people so as to promote equal opportunities for all	Ombudsman (A-428) Voluntary commitments (A-444) Membership in associations (A-442) Training and development (A-421) Suppliers (A-436) Diversity (A-415)
	10.5	High	Participating in and coordinating improvements in the sector e promoting initiatives for responsible financing	Membership in associations (A-442) Ethics (A-426) Environmental and social risks and opportunities (A-382) Climate change on business (A-404) Environmental and Social Risk Committee (A-358) Mortgage loans (A-387)
	10.6	Low	Participating and impacting international economic and financial discussions	Membership in associations (A-442)
	11.2	Low	Promoting initiatives in favor of urban mobility	Urban mobility (A-457) Private social investment (A-447) Distribution of value added (A-356)
 <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>	11.4	Low	Promoting initiatives to encourage culture and preservation of cultural heritages	Instituto Itaú Cultural (A-453) Private social investment (A-447) Distribution of value added (A-356)
	11.5	Low	Managing crisis, including operations in natural disasters and catastrophes, in addition to offering insurance to prevent economic losses	Insurance (A-389 , A-406) Climate change on business (A-404)
	11.a	Low	Promoting initiatives to improve urban mobility	Climate change on operations (A-394) Community (A-447) Urban mobility (A-457)

SDG

Main targets associated with Itaú's operation

Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)

How do we contribute to this SDG and target

Where can the Content be found in this Report



Ensure sustainable consumption and production patterns

[12.2](#)

Medium

Analyzing environmental and social risks and opportunities criteria in business, and seeking ongoing efficiency increase in the use of resources in our facilities

Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))

[12.4](#)

Medium

Analyzing environmental and social risks criteria in business, and seeking ongoing efficiency increase in waste disposal in our facilities

Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))

[12.5](#)

Medium

Analyzing environmental and social risks criteria in business, and seeking ongoing efficiency increase in consumption and waste disposal in our facilities

Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))

[12.6](#)

Medium

Disclosing financial and non-financial information in public reports

Sustainable performance ([A-353](#))

[12.7](#)

Medium

Analyzing environmental and social criteria for contracting suppliers

Suppliers ([A-436](#))

[12.8](#)

Medium

Producing and sharing knowledge for sustainable development and financial guidance

Instituto Itaú Cultural ([A-453](#))
Fundação Itaú Social ([A-448](#))
Instituto Unibanco ([A-450](#))
Itaú BBA Education Initiatives ([A-451](#))
Financial education ([A-407](#))
Membership in associations ([A-442](#))



Take urgent actions to combat climate change and its impacts

[13.1](#)

Medium

Managing environmental and social risks and opportunities, the efficient use of resources and fighting against climate change

Climate change ([A-393](#))
Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))
Insurance ([A-389](#), [A-406](#))

[13.2](#)

Medium

Managing environmental and social risks and opportunities, the efficient use of resources and fighting against climate change

Climate change ([A-393](#))

[13.3](#)

Low

Producing and sharing knowledge for sustainable development, and fighting against climate change

Climate change on operations ([A-394](#))
Membership in associations ([A-442](#))



Conserve and sustainably use oceans, seas and marine resources for sustainable development

[14.3](#)

Low

Analyzing environmental and social criteria in business, and reducing and offsetting emissions

Climate change ([A-393](#))
Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

[15.1](#)

Low

Analyzing environmental and social criteria in business, and reducing water consumptions and ensuring the proper water disposal in our operations

Climate change ([A-393](#))
Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))
Environmental and social risks and opportunities ([A-382](#))
Credit ([A-383](#), [A-405](#))
Investment ([A-390](#), [A-404](#))

[15.2](#)

Low

Analyzing environmental and social criteria in business

Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))

[15.7](#)

Low

Analyzing environmental and social criteria in business

Climate change on operations ([A-394](#))
Climate change on business ([A-404](#))



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

[16.2](#)

Medium

Promoting environmental and social management in business and in contracting suppliers

Environmental and social risks and opportunities ([A-382](#))
Suppliers ([A-436](#))
Illicit act prevention ([A-435](#))
Clients – Individuals and Companies ([A-430](#))
List of prohibited activities ([A-386](#))

[16.4](#)

Medium

Promoting environmental and social management in business

Environmental and social risks and opportunities ([A-382](#))
List of prohibited activities ([A-386](#))
Illicit act prevention ([A-435](#))

[16.5](#)

Medium

Promoting initiatives focused on ethics, transparency and combat against corruption, including whistleblowing channels, training and policies

Ethics ([A-426](#))
Sustainable performance ([A-353](#))
Ombudsman ([A-428](#))
Clients – Individuals and Companies ([A-430](#))
Suppliers ([A-436](#))
Illicit act prevention ([A-435](#))

Context

Our profile

Our governance

Our risk management

Performance

Sustainability A-376

Attachments



SDG	Main targets associated with Itaú's operation	Itaú's impact from the point of view of the business, the employer and environmental and social responsibility (in this order of relevance)	How do we contribute to this SDG and target	Where can the Content be found in this Report
 <p>Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	16.6	High	Promoting initiatives focused on ethics, transparency and combat against corruption, including whistleblowing channels, training and policies	Ethics (A-426) Sustainable performance (A-353) Ombudsman (A-428) Clients – Individuals and Companies (A-430) Suppliers (A-436) Illicit act prevention (A-435) Communication management (A-433)
	16.10	Medium	Promoting initiatives that encourage transparency, well being and privacy	Sustainable performance (A-353) Stakeholder engagement (A-353) Ethics (A-426) Combating corruption (A-427) Client privacy management (A-436) Illicit act prevention (A-435)
 <p>Strengthen the means of implementation and revitalize the global partnership for sustainable development</p>	17.14	Medium	Impacting and promoting sustainable development policies	Corporate citizenship (A-447) Membership in associations (A-442)
	17.16	High	Strengthening partnerships and associations with stakeholders, including initiatives that promote sustainability inside and outside the bank	Membership in associations (A-442) Voluntary commitments (A-444)
	17.17	High	Strengthening partnerships and associations with government and society, including initiatives that promote sustainability inside and outside the bank	Membership in associations (A-442) Society (A-442) Stakeholder engagement (A-353)

Bank responsibility | Social, environmental and economic impacts GRI 203-2

The banking system plays a key role in boosting social and economic development of society. Through its actions, a bank is able, for example, to create jobs, develop business and encourage entrepreneurship in a country. On the other hand, it can generate negative impacts, such as CO₂ emissions and waste generation.

Whenever possible, Itaú Unibanco seeks ways to use our resources and expertise to promote positive contributions associated to our business.

Knowing that much of the impact we generate arises from the business we do, we also offer products and services that foster positive impact. In addition to supporting our clients with

sustainable investment solutions that bring financial return and benefits to society, determining the capital allocation, whether for credit or investments, is an essential part of these actions.

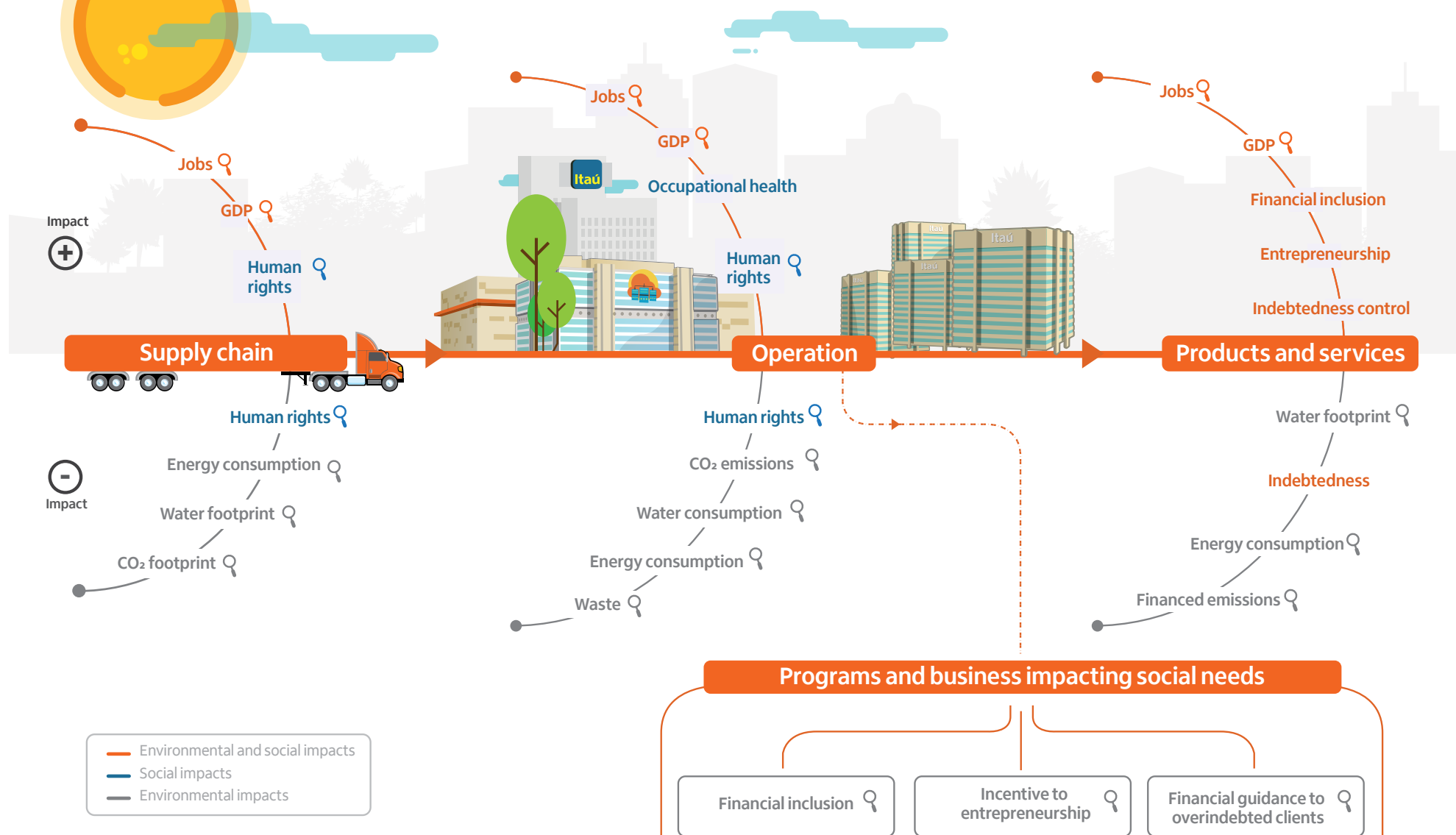
In 2016, we carried out the first study to enhance the knowledge about our social and economic impacts in Brazil. The results of the study were disclosed in the [2016 Consolidated Annual Report](#).

In 2017, we created a working group to promote recurring discussions, map and measure the bank's social, economic and environmental externalities.

Thereafter, we started an internal survey of priority externalities that include initiatives associated to the "core" and generate and/or mitigate direct, indirect and induced positive and/or negative impacts, which is presented below.

Dimension of the impacts on society

The infographic illustrates some direct impacts of our operation, and the indirect and induced impacts of our supply chain and products and services.



Measurement results of the direct, indirect and induced positive and/or negative impacts

The results of the 2017 environmental studies are described below. Other results of the 2017 social and economic studies are presented on the corresponding hyperlinks on the infographic above.

CO₂ emissions by branches

We carried out a study to assess our footprint aimed at learning and comparing the environmental impact, in terms of GHG emissions, of the two client service categories, physical agencies and digital agencies.

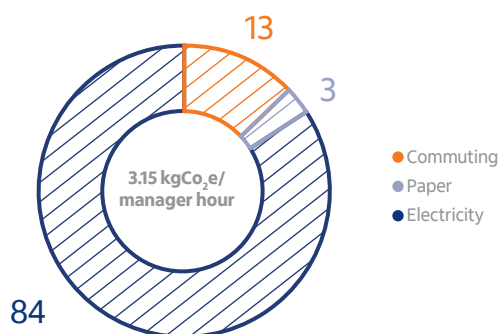
Digital agencies were created by thinking of providing services to clients who do not go to agencies and do almost all their transactions through our remote channels, thus enabling their manager and investment, foreign exchange and mortgage loan consultants to serve them in the way they prefer: by e-mail, telephone, SMS, Internet and mobile messages or conference call.

We have currently 160 digital agencies, up 19% from 2016.

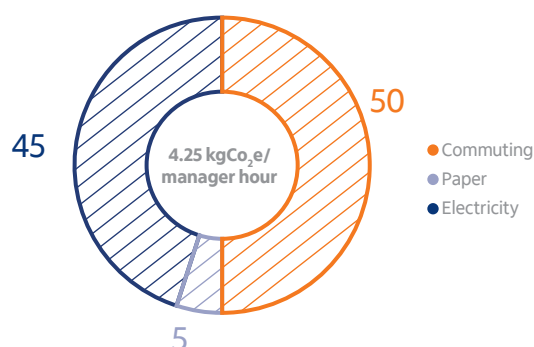
For the study methodology, we used data and assumptions to draw the comparison between the two branch models, considering environmental aspects related to energy and paper consumption and employee terminations, as well as business indicators, such as number of clients, employees and service hours of managers in each model.

Results

Digital (%)



Physical (%)



Based on the results presented and the assumptions above, we noted that digital branches are more efficient in terms of GHG emissions in their activities, with a carbon footprint impact 26% lower than physical branches.

CO₂ emissions by financing activities

This analysis is essential for assessing our externalities and the direct and indirect impact of our financing activities, contributing to the environmental and social risk strategy and, consequently, mitigating risks for the bank and the environment.

In 2017, we carried out a study to identify the financed emissions in the loan portfolios, specifically loans directed to vehicle acquisition and construction of real estate. This is a pioneer project that will be extended in 2018 to enable the comparison and assessment of the actions.

Scope and assumptions used:

- Loans granted to Corporate clients;
- Contracted transactions in 2017;
- Emissions calculated by the term of financing provided for in contract;
- Vehicles Portfolio: Financing of Light and Heavy-Duty Vehicles – contracted with Itaúcred;
- Portfolio for Construction of Real Estate: Residential, Mixed and Commercial;
- Financing of Light and Heavy-Duty Vehicles – use of the asset over the financing term; and
- Financing to the Construction of Real Estate – Residential, Commercial and Mixed.

As a result, we identified that, through financing vehicles and the construction of real estate, we generated indirect impacts to CO₂ emissions, as shown in the table below:

Indirect impacts – CO₂ emissions

Portfolio	Share in the loan portfolio (%)	Tons of CO ₂ e for each R\$10,000 financed ⁽¹⁾
Vehicles	0.40	5.80
Real estate	0.30	0.47

(1) Emissions were calculated with using an internal tool with assumption.

To learn more about the study, [click here](#).



Consumption of natural resources from credit products and supply chain

At Itaú Unibanco, investment and credit granting decisions already take into account environmental and social issues to mitigate the risks and contribute to an inclusive society and a low-carbon economy. However, evaluating the externalities of our products is essential to effectively and actually manage our impacts.

In 2017, we developed a study that was able to measure our indirect environmental impacts: those generated by our supply chain and those generated by our banking products considering the economic flow involved. To this end, we applied the Local Footprint Nature® methodology, which simulates the environmental impacts corresponding to the financial flows of the credit products and acquisitions from suppliers. The information used in the study is related to 2016.

Environmental impact of credit products

For banking products, 10 credit products were selected: five focused on Individual Clients and five focused on Corporate Clients (Retail). These products were selected based on their relative importance and, also, on their adequacy to the assumptions required for the model and for the study to be completed.

Environmental impact of the supply chain

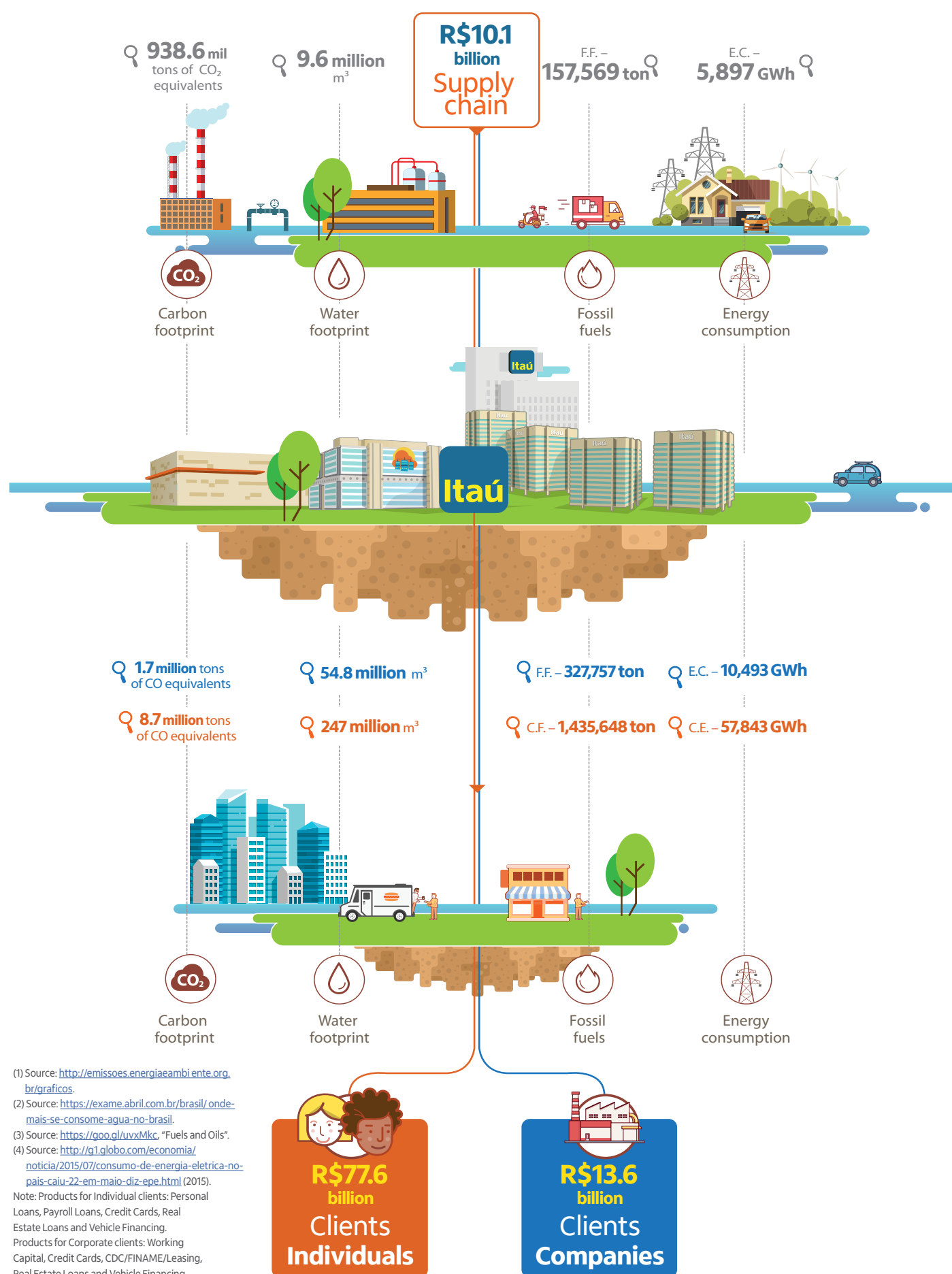
To analyze the supply chain, 100 Itaú's largest suppliers in terms of purchase amount in Brazil were selected. Therefore, with this new study, we supplemented the analysis of environmental impacts related to our operation (see "[Externalities](#)") through the inclusion of the supply chain scope and the analysis of the externalities our banking activities generate.

Results

The main results of the tool are greenhouse gas emissions, water footprint and energy consumption as shown below:



Externalities





Environmental and social risks and opportunities

GRI G4-DMA Product portfolio (former FS1 | former FS5)

Financial institutions play a fundamental role in the global economy as they interact with all economic sectors. That is why we understand our great responsibility to influence positive changes in society. Accordingly, we assume that integrating environmental and social (E&S) issues into our business is essential to mitigate risks and foster social and economic development.

In this scenario, and seeking to evidence even more the relevance of the E&S in the financial sector, the National Monetary Council (CMN) provided for, through Resolution CVM No. 4,327/2014, minimum E&S responsibility standards that must be followed according to the importance and size of each institution.

We have our Sustainability and Environmental and Social Responsibility Policy, which ratifies our commitment and sets guidelines for our strategy, based on five principles:

1. Respect for and protection of human rights, by promoting diversity, financial inclusion and the fight against child labor, labor analogous to slavery, criminal exploitation of prostitution and sexual exploitation of minors;
2. An ethical and transparent posture, adopting fair business practices and providing timely and accessible information that meets the specific needs of our stakeholders;
3. Managing environmental and social risk, which is one of the various types of risk to which we are exposed;
4. Constantly developing of the relationship with our stakeholders; and
5. The rational use of natural resources, preservation of biodiversity including ecosystem services and mitigation of climate change.

From the very beginning of our operations, we have developed processes and products in partnership with other areas, designed training to employees and developed environmental and social responsibility based policies. Additionally, we guide our institutional practices and business by adopting good international practices, such as the PRI (Principles for Responsible Investments), EP (Equator Principles), Principles for Sustainable Insurance (PSI), CDP (Carbon Disclosure Project), and Global Compact.

For further information on our Environmental and Social Risks and Opportunities and our internal practices, access the new position on Itaú Unibanco's E&S Risks and Opportunities [here](#).



Environmental and social risks

GRI G4-DMA Product portfolio (former FS1 | former FS2 | former FS5)

Our management of environmental and social risks has the purpose of identifying, measuring, mitigating and monitoring risks associated with environmental and social topics in our operational process and business. The procedures carried out by the departments are described in internal policies, which are reviewed at least once a year.

Our journey started in 2000, when we launched the first formal system to manage environmental and social risks. This experience allowed us to extend the identification of environmental and social risks to other business segments, such as credit, insurance and investments and expand our operations in Latin America.

To measure the quality of processes and monitor exposure to risk, the departments are subjected to compliance processes, which are performed by internal control or audit teams. These processes include the assessment of the Environmental and Social Risk Policy, and the findings of this work are reported periodically to relevant forums, such as the Environmental and Social Risk Committee. **GRI G4-DMA Audit (former FS9)**



The identification of our exposure to environmental and social risks begin in the approval process of new products and services. The detailed information received, which supports the technical analysis, is analyzed by the Environmental and Social Risk, Legal, Compliance and Sustainability Management. For specific products or transactions identified as exposed to environmental and social risks, we assess, in addition to specific procedures, the need to include clauses, in accordance with the principles of relevance and proportionality. **GRI G4-DMA Product and service labeling (former FS15)**

As part of the internal and external engagement process, we carry out initiatives to disseminate the best market practices and internally improve them by training our employees.

In 2017, the members of the Environmental and Social Risk Management, composed of fifteen professionals, had over 400-hour training. This national and international wide qualification comprised courses, lectures, forums, workshops, including discussion groups on environmental and social topics, and training on technical topics and professional development, by means of training paths of the Risk Office.

The team was also involved in training our employees and professionals of other institutions, improving the analysts' qualification of our Credit department and of other institutions in Latin America, in addition to specific actions involving institutions of other regions, such as Africa and Asia.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT PROJECT

In search for ongoing improvement, in 2017, we launched the ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT PROJECT (local acronym PGRSA) to review the environmental and social risk in Itaú Unibanco's activities, including its own business and activities, in Brazil and in its Foreign Units. The PGRSA includes risk review, assessment of criteria and the scope of existing policies, as well as the identification of trends and the best market practices. Working fronts are determined based on prioritization criteria, for which the prior knowledge of the topic and involved risk are considered essential. The PGRSA is headed by the Environmental and Social Risk Management that carries it out together with the Environmental and Social Sustainability, Compliance and Legal team. These teams meet

every week to share information about the progress of the work carried out with the partner departments.

In 2017, the PGRSA was adopted for 21 working fronts, involving over 30 Offices of the institution, and it reviewed over 80 internal circulars and identified 40 gaps, of which only two needed to be registered with the Internal Control department, as the remaining Gaps were solved by the PGRSA. The Kaizen methodology was used in two operation fronts, mapping existing processes and improvement actions, which have an operation and implementation schedule. In 2018, the PGRSA will be adopted for other working fronts.

More about our environmental and social risk results can be found on [page A-465](#).



Credit GRI G4-DMA Product portfolio

(former FS1 | former FS2 | former FS3 | former FS4 | former FS5)

Our environmental and social management system is aimed at ensuring that credit granted is in conformity with our Policies. Our methodology to identify, measure, mitigate and monitor risks is formalized in the Environmental and Social Risk Policy for Credit, which includes the criteria adopted for our E&S risk management strategy and is based on legal and regulatory requirements applicable and international best practices.

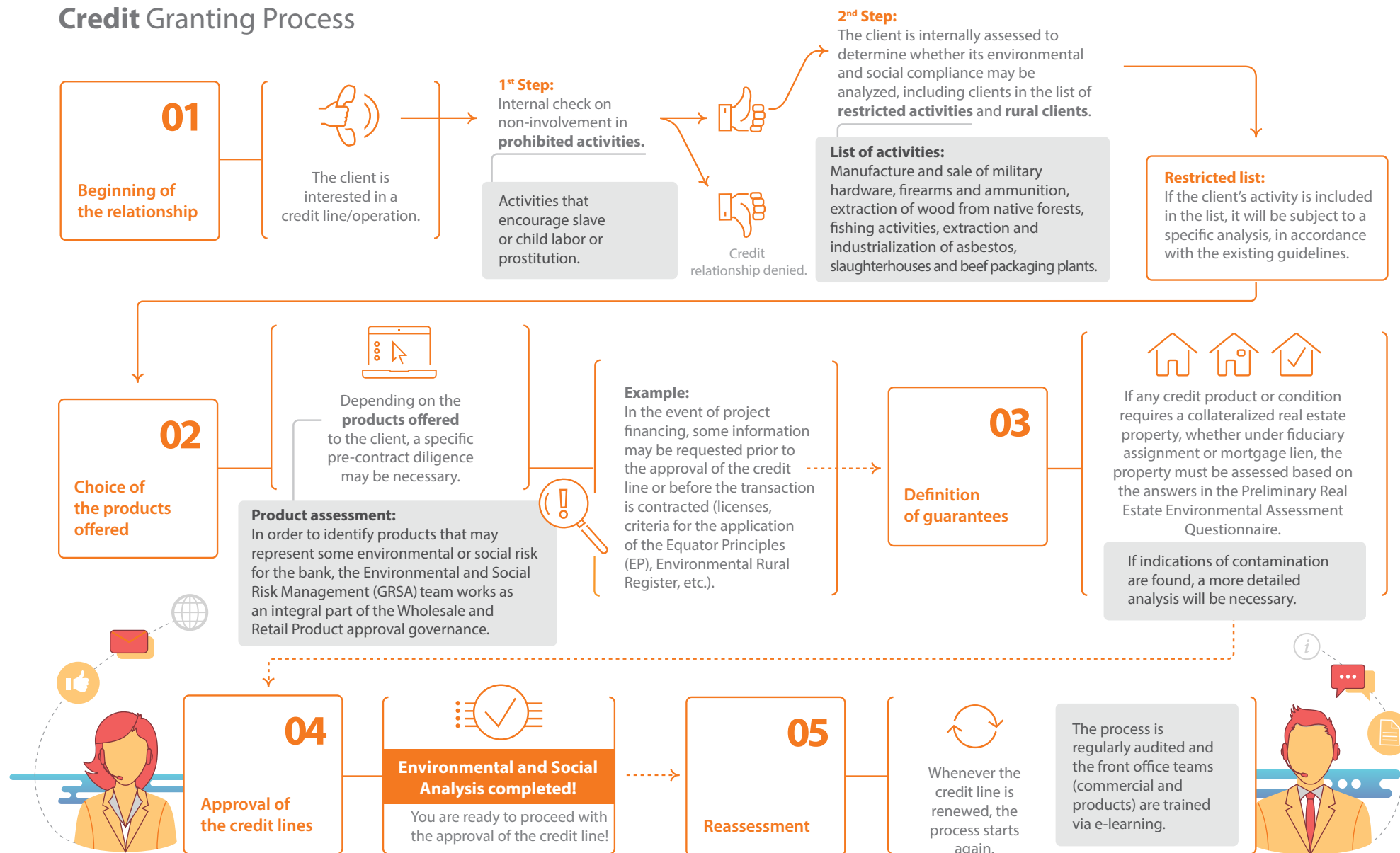
This Policy criteria are applied in our analysis of clients, recognition of real estate guarantees and specific assessment of E&S risk associated with credit risk transactions, which include project finance. More information can be found in the info graph below. We have teams dedicated to the

E&S Risk Management and among them we highlight the technical Environmental and Social Risk Management (GRSA) team and the legal Environmental and Social Risk Management team. GRSA is composed of 15 employees, with multidisciplinary background, and is responsible for the technical environmental and social assessment. The Legal Environmental and Social Risk Management team is composed of lawyers with expertise in E&S legislation.

To view how the environmental and social risk is integrated into the credit assessment, see to the information described as follows.



Credit Granting Process



Fundamental criteria

In the process of granting and formalizing credit for either individuals or corporations, we consider as a precedent condition checking the activity developed by the client to make sure that it is not included in Itaú List of Exclusion or List of restricted activities.

The activities included in the List of Exclusion are contrary to our principles and values. Accordingly, we do not grant credit to clients that develop activities that:

- Promote and/or exploit prostitution, including child prostitution;
- Use child labor in a manner that is not in accordance with legislation; and
- Use forced labor.

Clients involved in the activities listed above are identified by tracking media reports or through lists issued by official bodies. If a client has been proven to be involved in such activities, Itaú does not grant new credit to it.

In 2017, 75 clients had their credit transactions blocked due to indications of engagement in activities of our Exclusion List; in these cases, we only resume a credit relationship if the client successfully proves it has changed its labor practices.

Credit approval criteria

After meeting the fundamental criteria, clients are submitted to additional environmental and social assessment, based on specific product requirements, market segment, and on the guarantee structure.

For credit-granting transactions collateralized by properties, regardless of the market segment and product used, an environmental and social assessment of the property being pledged as collateral is required. Aimed at identifying indications of contamination, the assessment takes into account information on the past and current activities performed on the property as well as data on the surrounding neighborhood.

In addition, for transactions collateralized by specific types of mortgage, the bank does not accept as a guarantee rural properties without proof of registration of protected areas (called Reserva Legal) or registration of the property with the responsible environmental authority (called CAR – *Cadastro Ambiental Rural*). The authority developed a tool that helps farmers to be in compliance with environmental legislation.

In addition, in any credit granting process, clients may be submitted to two processes of analysis: the Client Analysis, including assessment of clients involved in restricted sectors, and the Specific Transactions Analysis. The criteria involved in both processes are described below.

Client analysis

The analysis of environmental and social risk for clients is applicable to small (retail) and middle-market companies (middle market), including the Corporate segment, in addition to clients from sectors deemed as included in the List of Restricted Activities (described below in a specific item).

For client analysis, we use specific tools and categorize the client according to the environmental and social impact of its activities. This categorization is based on the industry that the client operates and includes sustainability criteria, such as energy and water consumption, emission and generation of liquid effluents, solid waste disposal, air emissions, and occupational health and safety risks. Companies are categorized into A, B and C, for high, medium and low environmental and social risk, respectively.

Category A

For high-risk category, we highlight high-impact industrialization activities, high-impact agribusiness, animal slaughtering and processing, mining, metal industry, steel and iron, petrochemicals, sanitation, waste treatment, leather tanning, sugar cane processing, generation/distribution/transmission of electricity, extraction of natural resources, pulp and paper, chemicals, among others.

Category B

For middle-risk clients, we highlight the following activities: textile, middle-impact industrialization, raw material processing, distribution and sale of fuels, cargo transportation and storage, civil construction, vehicles and machinery repair and maintenance services, lodging and leisure, health services, middle-impact agribusiness, animal raising and breeding, forestation and reforestation, tobacco, and beverages, among others.

Category C

For low-risk clients, we highlight the low-impact Services and Retail industry.





Rural clients

Itaú has created a specific department to cover individuals who own an expressive number of farms in order to offer these clients full-fledged financial services, ranging from financing to price hedging, with a customized client service. Regardless of the product offer, this portfolio focus on creating value in the long-term relationship with these individuals.

In 2016, together with the relationship managers, the Environmental and Social Risk Management team designed an E&S risk analysis process specific for this market, focusing not only on mitigating inherent risks of the sector, but also on helping our clients hold the best E&S practices. Among other implementation actions, we provide on-site training, identify applicable E&S legislations and raise awareness.

During 2017, we focused on consolidating this assessment procedure. We reviewed our questionnaires and defined shared activities with the credit and the E&S legal departments to give rise to more effective monitoring. As a result, we were able to cover approximately 70% of the financial risk we have allocated in this market.

In 2018, we will seek to be even closer to our clients, by providing information and technical content that will be able to help these clients in their daily decision-making, always towards achieving a lasting and sustainable relationship.

For high and middle-risk clients, we assess their Environmental Permit, we check for any discrediting behaviors and mitigating factors, in addition to media search by using key words relevant to the sector.



List of restricted activities

Some sectors and/or activities are deemed as restricted for Itaú, according to the risks involved and international best practices. We have implemented a specific diligence process to grant credit to clients included in the List of Restricted Activities. Restricted sectors and/or activities are as follows:

- Manufacturing and sale of military hardware, firearms and ammunition;
- Extraction of wood from native forests;
- Fishing activities;
- Extraction and industrialization of asbestos; and
- Slaughterhouses.

The Environmental and Social Risk Management team conducts surveys on media and requires clients to fill out certain specific questionnaires, in addition to submitting applicable documentation. This is an additional practice to Client Analysis and is also applicable to clients in the Corporate segment.

In 2017, we conducted 2,222 client analysis, including clients in the List of Restricted Activities, as shown below:

Client E&S analysis – 2017

Category	Favorable E&S opinion			Unfavorable E&S opinion			Compliance requirements and adjustments ⁽¹⁾			Total		
Year	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
A	269	378	486	80	284	486	55	149	288	404	811	1,260
B	1,067	1,383	1,746	108	582	982	75	185	308	1,250	2,150	3,036
C	68	185	454	3	43	241	8	17	103	79	245	798
Rural clients	141	-	-	1	-	-	0	-	-	142	-	-
List of Restricted Activities	134	-	-	168	-	-	45	-	-	347	274	-
Total	1,679	1,946	2,686	360	909	1,709	183	351	699	2,222	3,206	5,094

(1) Favorable opinion after measures taken to comply with environmental and social policies and regulations in force.

Specific transactions

For project financing or whenever, regardless of the type of transaction, a material E&S risk is in place, such transaction should be submitted to a more in-depth analysis for a responsible decision-making on the exposed risk.

We describe below the criteria and guidance for project finance, both green and brownfield.

Project assessment

For middle-market and large companies implementing and operating large projects, we apply specific criteria in the environmental and social risk assessment, including criteria required by the Equator Principles (EP), applicable to the projects highlighted in the box below.



The environmental and social analysis of projects begins with a preliminary categorization of the project, considering its environmental and social impacts. The categorization is carried out based on a tool developed by Itaú itself, which uses as reference the International Finance Corporation (IFC) Performance Standards and the World Bank Environmental, Health and Safety Guidelines. After the categorization, the analyst in charge prepares a list of documents required for the analysis and, as a final step, whenever necessary, prepares an action plan whose follow-up is monitored

over the term of the financing agreement, as highlighted in the item below, Monitoring.

It is important to highlight that we also finance large projects through our international units in other Latin American countries, such as Argentina, Paraguay and Uruguay, and that these transactions follow the same methodology used in Brazil observing regional particularities. In both cases, this analysis may be conducted by an independent consultant, with review by our team.

Equator Principles

Since 2004, when we signed the Equator Principles (EP), we have applied these guidelines and criteria in our business, respecting some threshold criteria. This voluntary commitment is a benchmark in the identification, assessment and management of E&S risks in projects worldwide and is currently in its third version. In our business model we have an exclusive dedicated team to structure Project Finance deals, in which EP criteria are applicable. The Project Finance team is organized according to sector expertise, integrating macroeconomic and regulatory aspects to the portfolio.

When using the criteria established by the Equator Principles, the E&S Risk Management team carries out a more robust assessment, which includes risk identification, mitigation and monitoring. The assessment takes into account sensitive topics such as impact on traditional populations, cultural heritage, biodiversity, ecosystem services, in addition to compliance analysis. As part of this process, the project assessment may also be conducted by an external consultant that carries out an independent environmental and social

review. For all high-impact projects and for those with medium risk, as required by our technical team, an independent review is carried out, both before closing and throughout the whole term of the financing. Other projects may be reviewed and monitored by our own technical E&S team. **GRI G4-DMA Audit (former FS9)**

The extent of this diligence was disclosed in article “The Equator Principles and the IFC Performance Standards – Itaú Case Study in Energy Project Financing”. Using the energy sector as a background, we presented in this material some of the most common challenges and difficulties faced by our team and the lessons learned over ten years applying the EP. See the article “The Equator Principles and the IFC Performance Standards – Itaú Case Study in Energy Project Financing”, launched in 2015, by [clicking here](#).

For further information on deals closed both within and outside the scope of the Equator Principles, access the [page A-463](#) of this report.

Monitoring

In order to manage the risks identified in the closing phase, we define action plans, together with the client, in order to address gaps or to preventively monitor any issues relevant for the project, such as compliance with environmental and social law and, where applicable, with the IFC Performance Standards. The action plan agreed upon is included in the financing agreement and monitored over the term of the agreement, and its compliance is condition precedent for disbursement and any failure to comply with it may be considered an event of default.

To ensure careful diligence in project finance, each monitoring cycle may involve, according to the E&S risk category assigned, site visits, document review, meetings with clients, and support from external experts in different environmental and social topics. In the end of 2017, we have a total of 137 project deals being monitored that were originated in Brazil and 6 deals originated in our foreign units.



Mortgage loans **GRI G4-DMA Product portfolio (former FS1 | former FS2)**

The guidelines of our Environmental and Social Risk Policy apply to loans for commercial and residential construction projects in all Brazilian regions. In 2017, our Corporate Plan, designed to generate construction financing, was offered mainly to companies with annual revenues of over R\$30 million, and our portfolio totaled R\$8.4 billion. **GRI G4-FS6**

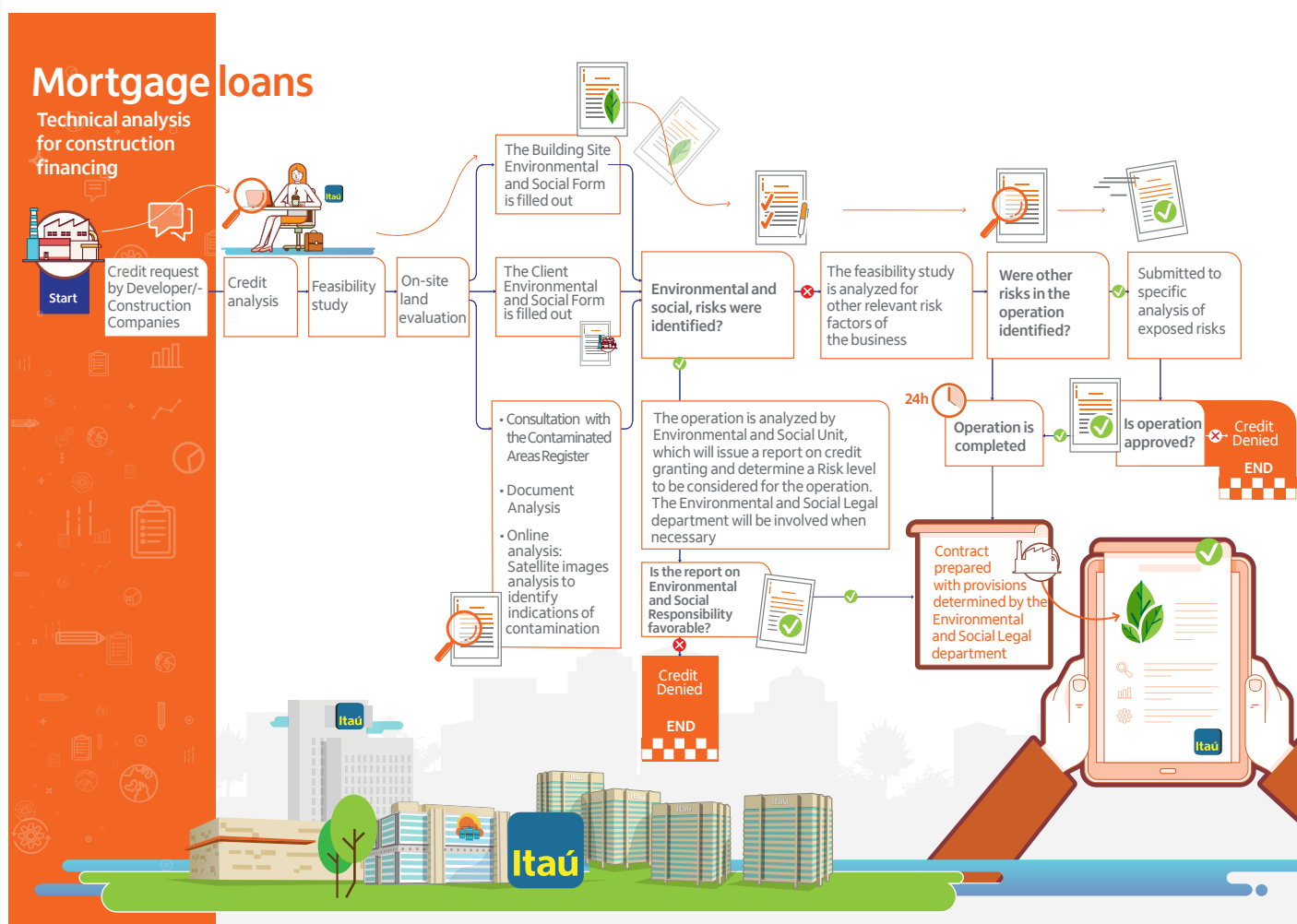
Mortgage loans – reports issued in 2017⁽¹⁾

Favorable reports	Unfavorable reports
61	-

(1) In some operations that received “Favorable Reports” we identified risk of contamination and/or other environmental damages. This is why these operations were approved with contractual conditions mentioning a remediation plan. The project approval and monthly release of funds are conditioned on meeting the contractual conditions requested by the proper environmental agency responsible for the client, as well as on providing accountability to the bank on the progress of the process(es), such as submission of decontamination reports, and conduct adjustment agreements (local acronym TACs).

In addition to the Forms completed by the partner company and the client, the internal engineering team makes a consultation of the Contaminated Areas Register of São Paulo, Rio de Janeiro and Minas Gerais (the only states that have such a register) to check whether the enterprise address submitted is included in such register. Websites and portals of municipalities or other proper entities are also consulted, whenever necessary. This analysis uses maps available on the Internet, which provides for the localization of the building sites and whether these are close to gas stations, old factories or even cemeteries, since these places could be indications of contamination.

Finally, all the documentation of the enterprise is analyzed, including the Approved Project, Incorporation Register, Environmental License and Construction Permit, which may contain information about contamination of the land where the project will be built.



Analysis of Environmental and Social Forms, consultation of websites and analysis of project documents are carried out for Mortgage Loans.

Analysis of Environmental and Social Forms

	2015	2016	2017
Number of analyses ⁽¹⁾	59	60	61

(1) Number of analyses refers to the number of Corporate Plan operations analyzed from 2015 to 2017.

The work of partner engineering firms also includes developing Technical Feasibility Studies and measuring the physical progress of the construction work until completion.

If environmental and social, credit or image/reputational risks are identified, the operation will be analyzed by our Environmental and Social Unit, which will issue a report.

If necessary, our Legal department will also be engaged and prepare contractual clauses including conditions to protect the transaction, such as accelerated payment in the event any obligation is not fulfilled or the non-release of financing in the case a given document is not provided.

Whenever the Environmental and Social Unit identifies risks for the operation, a report will be submitted to a specific analysis of the exposed risks, and the operation may have the credit approved or denied. The environmental and social report includes the operation risk level (low, medium or high), in addition to possible ways to mitigate risks during the building construction.



Insurance GRI G4-DMA Product portfolio (former FS1 | former FS2)

In 2017, the Insurance Committee continued to advance the action plans designed in 2015 with a view to increasingly improving processes and governance management. Some of the activities planned and performed in 2017 include:

- Working together with regulatory bodies;
- Reassessing environmental and social risks in calculating insurance premiums;
- Designing training material for employees' qualification; and
- Launching products aimed at different client profiles.

The Insurance Committee comprises Superintendency, Management, and Coordination members. Its role is to integrate sustainability initiatives into the insurer's businesses, identify risks and opportunities and provide business guidance. This committee comprises the insurance products and sustainability departments.

Our E&S risk assessment in the insurance activity follows the Principles for Sustainable Insurance (PSI), of which we have been signatories since 2012. This voluntary commitment provides guidelines to minimize exposure to environmental and social risks and to boost proper management by insurance companies.

In addition to the PSI, in 2017 we designed an internal Portal comprising sustainability related topics and we also developed a tool to assess the E&S risks associated with new products. In pricing our insurance products, we currently take into account climate issues. The analysis of these aspects in insurance pricing is based on geographical location, frequency and potential for generating social, environmental and economic tragedies.

In addition, the Insurance department will forward this information to the E&S Risk Management that will disclose it to the Bank's platforms to prevent the company to contract any other products.

In taking out or renewing Business Insurance policies, the CNPJ of the contracting party is assessed to check whether its activities pose environmental and social risk and, if so, the system will not allow the taking out/renewal of the insurance policy.

In 2016, we created e-learning that has been applied to all employees who interact with products intended for corporations throughout 2017. Our commitment is to train 80% of these employees. **GRI G4-DMA Product portfolio (former FS4)**

Itaú Homeowners Insurance pioneered in launching environmental services as part of its assistance package, providing sustainable solutions such as:

- **Smart disposal:** ensuring an ecologically responsible manner, the client requests the collection of waste, such as electric and electronic equipment, household appliances, and furniture. Itaú arranges for their proper disposal, ensuring an ecologically responsible destination.
- **Environmental Guidance:** specialized advisory team provides guidance on the conscious use of water and electric power, as well as tips on waste recycling.

In addition to environmental aspects, we have also made efforts to integrate social issues into insurance products. The *Proteja* (Protect) platform (www.itau.com.br/proteja) provides tips and guidance on protection and insurance and video tutorials with user-friendly explanations for the main insurance questions. This platform is aimed at raising awareness of the general public of the importance of this "protection" and helping people better understand the insurance sector in a simple and uncomplicated manner.

GRI G4-DMA Product and service labeling (former FS16)

In 2017, we reframed the approach and presentation of Itaú Business Insurance by including business segment niches. Therefore, we offer exclusive coverage, assistance and tips on sustainability to each business line, such as business offices, bars and restaurants, and food and apparel business. Following this new direction, we redesigned Itaú's website page to Business products, and we provide clients with those guarantees that will most fit their business, in addition to sustainability tips to these companies. To learn more about our Insurance products website, click on [here](#).

In 2017 we also launched life and personal accident insurance products aimed to specific audiences, such as:

- **Itaú Seguro Acidentes Pessoais Sênior (Itaú Senior Personal Accident Insurance):** Aimed to ensure the convenience and protection of the increasing population of elderly in Brazil, we developed the AP Senior product, which can be taken out for the first time by elderly from 60 to 80 years of age, in addition to having a daily hospital stay coverage due to accident and a network of accredited drugstores with drugs at discount.
- **Itaú Seguro Viva Saudável (Itaú live healthily insurance):** Aimed at boosting a healthy life for clients with the assistance of a Preventive Clinic Evaluation.
- **Itaú Seguro Viva Família (Itaú live healthily family insurance):** Aimed at ensuring the well-being of the client's family when the unexpected occurs. In addition to basic guarantees, it has the daily hospital stay coverage and Preventive Clinical Evaluation and Family Funeral assistance.



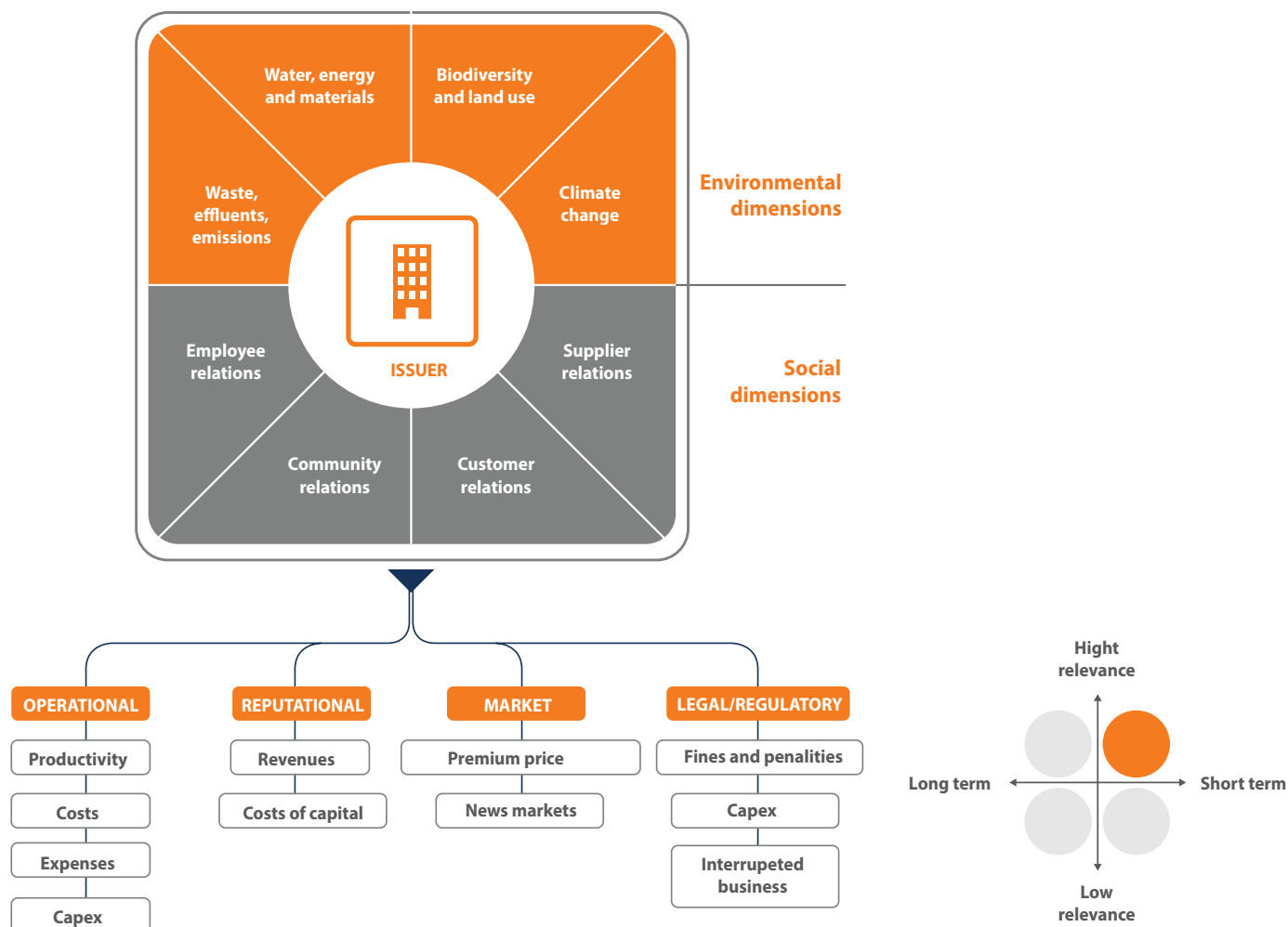
Investments GRI G4-DMA Product portfolio

(former FS1 | former FS2 | former FS5) | G4-FS10 | G4-FS11

Responsible for managing clients' assets, Itaú Asset Management has been a signatory to the Principles for Responsible Investment (PRI). It is also a signatory to the CDP and has asked for companies' information about Risks and Opportunities related to Climate Change. Adherence to such voluntary commitments guides us in the adoption of an approach that integrates environmental, social and corporate governance issues into investment practices with a view to mitigating risks and identifying opportunities for our clients.

The business valuation methodology developed by Itaú Asset Management consists of integrating environmental and social variables in traditional valuation approaches by analyzing their impact on cash flows and capital cost. The objective of this methodology is to adjust the target price of papers traded on stock exchanges and identify early events that may create or decrease value. For valuation of fixed income securities, the model is adjusted to estimate the absolute impact of the environmental and social variables on the issuers' cash flows. This approach provides flexibility for managers, who use the analyses based on their specific strategies and mandates. Our methodology includes variables such as materiality, sector relevance, temporality, risks and opportunities, measurements and management, as shown in the following diagram:

Methodology for valuation analysis



Our assets that are in sectors that do not pose risks for consumers or third parties, or that are not allocated to fossil fuel and derivatives production or distribution sectors were 98.97% in 2017.

In addition to the methodology that integrates E&S variables into traditional valuation models, to improve the Corporate Governance assessment, in 2017 an internal corporate governance rating was developed. This rating takes into account 16 different governance factors of the companies under analysis, including the structure of the Board of Directors, CEO duality, independent members, committees assisting the decision-making of the Board of Directors, and the Board members gender diversity, among other factors deemed as good corporate governance practices. The ratings achieved are used in the individual valuations of companies, as well as in the portfolio valuation. Accordingly, we are able to calculate the governance rating of a certain portfolio and its benchmark, thus allowing a direct comparison between them.

We have advanced in the last three years in valuing companies through the Environmental, Social and Guidance (ESG) integration methodology. We currently cover about 99% of companies listed on Ibovespa, IBrX-100, and the Business Sustainability Index (local acronym ISE) of Bovespa. 90% of corporate fixed income securities are also covered by this methodology. The target for the coming years is periodically updating the analysis for variable income securities and expanding the coverage in corporate fixed income securities to 95%.

We have a structure dedicated to evaluating these criteria that comprises a portfolio manager and a Socially Responsible Investments (ESGSRI) analyst who model the ESG impact and apply to the ESG model in the analysis of investee companies. Additionally, we have a partnership with independent expert consultants.

In 2017, the fund management, commercial Asset and the Private Banking unit teams received ESG engagement and training.

We have adopted a transparent approach to share our practices and learning based on the belief that we can inspire other organizations to adopt sustainability-aligned practices. Accordingly, we made our methodology publicly available and participated in several industry events to introduce our method and discuss the integration of environmental, social and corporate governance aspects into the valuation process of investee companies. Among the most relevant events we took part in 2017, we highlight the annual meeting of the signatories to the PRI supported by the UN held in September in Berlin, Germany. This event brought together institutional investors, asset managers and service providers. The agenda included discussions on the integration of ESG into responsible property and how these topics impact investment decisions.

In addition to applying the methodology in building portfolios, we considered ESG aspects when exercising our voting rights at stockholders' meetings for the assets held by the fund. Our Policy for Voting at the Investee Companies' Annual General Meetings (Proxy Voting Policy) is based on the code of Regulation and Best Practices for Investment Funds, developed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA).

GRI G4-DMA Active ownership (former FS12)

The Policy establishes that voting rights will be exercised when funds hold over 3% of the company's capital, or when a company holds interest over 10% in a single fund. Calls to stockholders' meetings are analyzed in advance by the ESG/SRI analyst and portfolio managers. The exercise of voting rights is public, as companies publish their meeting minutes.

GRI G4-DMA Active ownership (former FS12)

Environmental and social funds **GRI 201-1**

In addition to risk mitigation processes, we offer our clients funds with environmental and social benefits:

- **Fundos Itaú Excelência Social (FIES):** since it was launched in 2004, this equity fund makes investments in socially responsible companies. The selection process for companies to make up the FIES consists of excluding or including certain sectors/companies and applying the ESG integration method to other assets eligible for investment. In addition, 50% of management fees of this family of funds are donated to educational projects developed by NGOs in Brazil. From 2004 to the end of 2017, over R\$30 million were transferred to 173 CSOs, benefiting over 36,500 children and youngsters, in addition to 3,400 educators. In 2017, FIES strategy to support educational projects went under a reorganization, so as to improve efficiency of resources used. The amount for 2017 will be transferred to organizations in 2018; and

- **Fundos Itaú Ecomudança:** Ecomudança fixed income funds donate 30% of management fees to support GHG reduction projects developing initiatives related to urban mobility, energy efficiency, renewable energy, waste management, sustainable agriculture and forest restoration.

Since 2009, we annually publish a call notice to select new projects.

For the 2017 call notice, we selected 9 projects, applicable to the Forests, Agriculture, and Solid Waste Handling fields.

Projects selected by the 2017 call notice of the *Fundo Ecomudança*, in partnership with Instituto Ekos

Category	Organizations	Project	City	State	Ton CO ₂ prevented/year	Families assisted	Support (R\$)
Forests	CODEMI	Agroforestry systems	Igarape-Miri	Pará	85	20	61,000.00
Forests	APAR	Sustainable agroforestry systems	Garrafão do Norte	Pará	170	20	80,000.00
Forests	IMAFLORA	Sustainable agroforestry production systems	Oriximiná	Pará	340	42	99,248.00
Forests	ADESSU BAIXA VERDE	<i>Das mãos para a terra a solução ambiental</i> (from hands to land, the environmental solution)	Triunfo and Sta Cruz da Baixa Verde	Pernambuco	128	31	99,828.00
Forests	AVESOL	<i>Reflorestando as margens do Mearim</i> (Reforesting the Mearim margins)	Bacabal and Pedreiras	Maranhão	85	37	83,400.00
Waste management	COOPCHAMAR	<i>Chapada Recicla</i> (Chapada recycles)	Chapada dos Guimarães	Mato Grosso	231	15	100,000.00
Agriculture	APACO	Local production of biofertilizers to agroecology	Chapecó	Santa Catarina	64	40	60,000.00
Agriculture	Associação do Povoado Sabonete	<i>Projeto "Pindoba"</i> (Pindoba project)	Carutapera	Maranhão	49	25	68,500.00
Agriculture	Vale Viver	<i>Mulheres construindo a agroecologia e a autonomia</i> (Women building up agroecology and autonomy)	Águas Formosas	Minas Gerais	10	21	72,410.00
Total					1,162	251	724,386.00

Since it was launched until the year 2017 (projects selected in the edicts of 2009 to 2016), the *Ecomudança* program has benefitted approximately 1,347 families, of which approximately 598 had an increase in income of above 10%. The overall GHG reduction generated by the benefitted projects since its beginning has totaled 22,000 tCO₂e already.

- **Fundo Itaú Futura:** between 2010 and 2017, Fundo Social Itaú Futura donated more than R\$2.6 million to educational projects developed by Roberto Marinho Foundation's Futura TV channel, which accounts for 30% of its management fee.



Environmental and social opportunities GRI G4-FS7 | G4-FS8

Beyond identifying and mitigating environmental and social risks in our operations, we are always alert to market trends and business opportunities that promote positive E&S impacts.

For the corporate banking segment, before any credit decision, the bank takes into account environmental and social aspects in its analysis. This analysis directly impacts the client credit rating, cost of transactions, allocation of funds in the sector portfolios, the types of guarantees and the mix of products to be offered. All the sectors in which we operate were mapped by our environmental and social technical team, considering international environmental standards and geographic aspects. We believe that, by adding environmental and social variables to our credit rating model, our clients relations are reviewed, thus providing incentives or limiting access to credit.

We offer our clients a number of environmental and social financing lines for projects related to mitigation of climate change, reduction of GHG emissions, renewable energy, improvements in the energy transmission and distribution (energy efficiency), bio-fuels, infrastructure, and in the logistics systems, basic sanitation, sustainable agriculture, and recovery of sugarcane cultivation land.

In addition, we keep available all multilateral lines aimed at promoting E&S and social benefits. These funds have come from the IFC, Inter-American Investment Corporation (IIC) and Overseas Private Investment Corporation (OPIC), and the Inter-American Investment Bank (IDB) for projects and companies in Brazil's North and Northeast regions, namely small and middle-market companies and women-led companies. To support and finance women-led companies we raised another line with IDB in the amount of US\$100 million.

Operations contracted in 2017

Type of financing	Summarized allocation of funds	Amount ⁽¹⁾ (R\$ million)
BNDES Finem Prorenova	Recovery of sugarcane cultivation land and introduction of new sugarcane plantations	69.80
BNDES ABC	Agriculture – financing aimed at GHG emission reduction	10.00
BNDES Automático Project Finance	Infrastructure for storing and processing grains and sugar, improvements in hospitals and schools, effluent treatment, hydroelectric power plant	111.80
Itaú Bridge for projects	Transmission lines, hydroelectric and solar power plants	981.50
Itaú Project guarantee	Transmission lines, hydroelectric, solar, and wind power plants	2,248.95
Itaú Project finance – Long-term	Energy distribution, sugarcane plantation, grain storage, hospital, cement manufacturing plant, and solar power plants	577.80

(1) Total financed by each type of financing.

In 2017, we took part in the issue of one more green bond of the Brazilian market. In this operation, Klabin contracted US\$500 million (approximately R\$1.745 billion), in an operation with bonds distributed in the U.S. market, maturing in 2027. In addition to this green bond, we carried out an E&S due diligence to make feasible the issue of 7.67 billion in bonds aimed at long-term investments for specific projects.

In 2017, the Wholesale segment allocated 2.92 billion in loan operations that promote E&S benefits, accounting for approximately 1.76% when compared to the loan portfolio at the end of 2017.

Pioneering and partnerships

As a member of the Equator Principles Association and a Latin America representative in the Steering Committee, Itaú Unibanco hosted for the first time in the region the Annual Association Meeting, which is comprised of over 90 banks located in approximately 40 countries.

At that meeting, key topics for the participating banks were discussed, such as the challenges of the risks associated with climate change. The Equator Principles are benchmark of good international practices and work as a guide for the financial sector, helping to identify, assess, and manage E&S risks upon finance project credit granting.

This event in 2017 was the largest since the first one was held in 2009, with the attendance of over 120 representatives of several financial institutions from all continents. Additionally, in partnership with IFC, the private branch of the World Bank Group, we hosted its Community of Learning that gathered together participants from different countries to discuss E&S risk border topics.

Aimed at identifying E&S business trends and opportunities, we have set up a working group within the Sustainability department, which is fully dedicated to developing and assessing the feasibility of new business. Since then we have developed studies and proposals with a number of stakeholders to engage and generate E&S business and integrate these topics into the business areas, seeking a transition to a low-carbon economy.

We currently conduct a survey of capital allocated in green loans in the Brazilian economy, together with the Brazilian Federation of Banks (local acronym FEBRABAN). This work front, which was jointly coordinated with FEBRABAN, aims to develop a methodology to measure financial resources allocated every year in activity fields more likely to cause environmental damages and to those that are considered green economy. This study will provide for monitoring the evolution of the capital invested in each one of the topics previously mentioned and related decisions made. In 2017, 15 banks, which account for 87.3% of total loans to companies in the Brazilian financial system, took part in the study.

For further information, click on <https://portal.febraban.org.br/pagina/3085/43>.

Also in 2017, we integrated the working groups of the Financial Innovation Lab (local acronym LAB), an initiative to foster the development of financial instruments that leverage sustainable development and positive impact. This initiative is led by the Brazilian Development Association (local acronym ABDE), Inter-American Development Bank, (IDB), and the Brazilian Securities and Exchange Commission (local acronym CVM). In this cycle, the LAB held intersectoral discussions in three different working groups: Green Bonds, Green Finance, and Financial Instruments for Social Impact Investments.

For further information, access www.labinovacaofinanceira.com.

In 2017 we continued to support the Task Force on Social Finance of the ICE – Instituto de Cidadania Empresarial (Corporate Citizenship Institute). This group is aimed at setting up networking to attract investors, entrepreneurs and partners to foster profitable business models that may solve social or environmental problems, and, therefore, promote insights on how to manage resources and the needs of society. Accordingly, we strengthen our position as supporters of the impact investment ecosystem.

Also on Impact Investments, we provided our Private Banking clients with the possibility to invest in the first social impact debenture in Brazil. This debenture was issued by Vivenda, which operates in the renovation of popular households in the city of São Paulo, therefore providing a more dignified life for the low-income population.



Climate change GRI 201-2 | 103-2 | 103-3 Eco-efficiency and environmental management

Climate change represents one of the main challenges for the present and the future. As a financial institution, we have a major role in mitigating these risks and supporting the transition to a low-carbon economy. We seek to incorporate climate change related variables into our operations and business (credit, insurance and investments) through risk management, by using the expertise of our E&S risk analysis team and developing solutions that adequately respond to our GHG emission reduction targets and adapt our operations to the best market practices in order to mitigate the effects of climate change on our activities. Climate change is also addressed in our Sustainability and E&S Responsibility Policy, which provides guidelines for the entire organization, and in our Article on E&R Risks and Opportunities, which describes our commitments and targets for the following years.

Embodied in changes to rainfall patterns, occurrence of extreme events and shortage of natural resources, climate risks bring about severe consequences for society and the economy. Therefore, we have been increasingly expanding our eco-efficiency activities, by incorporating climate variables into our business, managing risks and seeking alternatives to increase our resilience, thus ensuring the longevity of our business and contributing to society.

We believe that achieving a cleaner, more efficient and resilient economy is urgent and demands the engagement of all: the private sector, the Government and society. Therefore, we participate in multi-sector discussion groups, such as CEBDS, FEBRABAN and FGV, to mobilize and organize business leaders, conduct debates on possible climate change impacts and mitigating actions, adapt or develop new products, and also to contribute to the development of eco-efficiency-related public policies.

Strategy

We are a service business, and, even to a lesser extent than industrial activities, our activities also explore natural resources, such as water consumption, both for internal use and electricity generation, for operations in Brazil, and generation of solid waste and electricity consumption. Additionally, we measure our financed and invested emissions to understand our indirect impact and adopt mitigating measures.

We are members of the Benchmark Club of the Carbon Disclosure Program (CDP) Latin America, and we also make up the portfolios of the Corporate Sustainability Index (ISE), the Carbon Efficient Index (ICO2), and the Dow Jones Sustainability Index (DJSI), which annually report our emissions. Under this scope, we have implemented some measures to directly or indirectly reduce emissions of GHG and other pollutants associated with our business.

Our concern about climate change and impacts on society is present in all our business, each with its own specificity, and is a recurring topic in the voluntary commitments we have recently assumed.

Regarding the insurance segment, we face a number of new challenges arising from climate change, such as worsening of environment disasters, which may cause financial, infrastructure and mainly human losses. This issue motivates us to accurately quantify and precify possible impacts to seek to reduce our clients' vulnerability.

Our strategy in the credit area has been to conduct studies and understand climate change impact on the bank's loan portfolio. This work will soon be published gathering our main outcomes and conclusions.

In the investment segment, our asset assessment methodology includes climate change as one of the dimensions for the analysis. We pay close attention to regulatory aspects and we also use internal carbon precification to estimate the emission costs of companies under analysis and calculate the financial impact on the market price of these companies and on their shares.

In 2016, we also work with financing lines to projects that mitigate climate change impacts. We have partnerships with IDB, CEF, IFC, and BNDES to finance renewable energy and low-carbon economy projects. We also use our own funds to support these projects.

We have conducted studies to include the recommendations made by the Task Force on Climate-Financial Disclosure

in our strategy, taking into account climate governance, communication, targets and measures.

Even though Brazil has currently no carbon credit trading legislation, we take part in the simulation system of the Getulio Vargas Foundation and prepare ourselves to meet this demand as soon as it arises.

Our position on climate change is available on our website, as it details this and many other initiatives.



Climate change on operations GRI 103-2 | 103-3

Eco-efficiency and environmental management

Risk management and opportunities

We understand the importance of knowing, measuring and managing the impact of our operations. Therefore, for over eight years we have carried out a GHG emissions inventory in conformity with the methodology adopted by the Brazilian GHG Protocol Program, which is assessed by an independent third-party, and is granted recognition with the Gold Seal award. Our history of emissions is of public knowledge, and every year we report it to the Public Registry of Emissions, which is a data platform managed by the Brazilian GHG Protocol Program, which can be accessed at www.registropublicodeemissoes.com.br.

With the purpose of improving the environmental management of our facilities, we endeavor to achieve international environmental certifications. In 2017 the Itaú Unibanco Business Center (local acronym CEIC) started the certification process for the ISO 14001 certification, thus providing us with a more efficient management in that complex, which houses over 10,000 employees. Added to the ISO 14001 certification granted since 2011 to the Tatuapé Administrative Center, our coverage in Environmental Management System certificates increased to 40% compared to 15% last year. Up to 2020 we will work in the certification of two more large administrative complexes, to be defined, to **increase** the certification coverage in our administrative complexes.

We have in 2016 also achieved the triple certification LEED gold seal for Building Faria Lima 3500, a certification for sustainable buildings designed and granted by the U.S. Green Building Council (USGBC), the most recent of which was the LEED O+M (Operation and Maintenance), adding to the previous certifications in LEED BC+C (Building Project and Construction) and LEED ID+C (Interior Design and Construction), plus previous certifications LEED NC (New Construction) granted to CTMM (Mogi Mirim Technology Center).

Over the last year we tested new construction concepts in our branch network through two projects that, with the follow-up of its actual outcomes, will generate eco-efficient items replicable in future renovations of our facilities.

These renovation concepts are based on the principle of respecting any existing framework and materials in the building to generate less waste in construction work.

Butantã Branch and Digital Personalité Aço III Branch

Located in Butantã and Jabaquara, two districts in the city of São Paulo, these branches worked as pilot projects for our retrofit towards a more efficient consumption of water and electricity.

The focus for Butantã Branch was on testing new technologies. Approximately 59 items of sustainable measures were applied, such as reuse of rainwater, roof tiles and thermal glass, 100% LED lighting, efficient air-conditioning system, automation and installation of photovoltaic boards with capacity to generate approximately 12% of the energy consumed in that branch (operation started in 2018). The first results in the post-work period (July to November 2017) showed a 55% energy saving from the same period of the previous year.



Some of the items tested in the renovation of the Butantã Branch were also applied to the digital Personalité Aço III branch, such as: 100% LED lighting, improving the air-conditioning system, and water-saving devices (flow restrictors for faucets and flushing toilets).

This and other initiatives will operate as patterns for future renovations in other locations.

The management of our environmental performance at Itaú is segregated by administrative units, branch network and technology centers. We discuss improvements, analyze data and make projects feasible for these three types of structures through a Working Group named Internal Management, which was set up to integrate eco-efficiency actions, projects and studies and share experiences among our different technical departments.

Indicators and vision for the future

To proceed with our environmental performance actions and management, we have defined new long-term commitments, striving for an increasingly sustainable operation. Our targets comprise the consumption of water, electricity, emissions, waste and business trips of our operations in Brazil.

	Water consumption	Electricity consumption (Total)	Renewable energy consumption (administrative buildings)	Power Usage Effectiveness (PUE)	Scope 1 emissions	Scope 2 emissions ⁽²⁾	Waste/Sanitary landfill (administrative buildings)	Business trips (air transportation + taxi)
2020 Absolute Target	Reduce by 16% our water consumption between 2013 and 2020	Reduce by 11% our energy consumption between 2013 and 2020	Reach an indicator of 96% of energy consumed coming from renewable sources	Reach a PUE of 1.60	Reduce our scope 1 emissions by 3% between 2013 and 2020	Reduce by 11% our scope 2 emissions between 2013 and 2020	Reduce by 46% the allocation of waste from our administrative units to landfills between 2013 and 2020	Reduce by 10.5% kilometers traveled between 2013 and 2020
2020 Relative Target	Reduce by 43% our water consumption per R\$1 million of operating revenues between 2013 and 2020	Reduce by 40% our energy consumption per R\$1 million of operating revenues between 2013 and 2020	Not applicable	This is an absolute indicator. No scale	Reduce by 35% our emissions of scope 1 for R\$1 million in banking products between 2013 and 2020	Reduce by 40% our scope 2 emissions per R\$1 million of operating revenues between 2013 and 2020	In this case we do not use the relative indicator	Reduce by 40% the kilometers traveled per banking product between 2013 and 2020
Performance in 2017 ⁽¹⁾	We currently reduced our absolute consumption by 17% and our relative indicator by 40%	We currently reduced our absolute consumption by 1% and our relative indicator by 27%	Currently, 95% of energy for the administrative buildings comes from renewable sources	We reached a PUE of 1.81 in 2017	In 2017 we obtained a reduction of 23% in the absolute indicator and 44% in the relative indicator	In 2017 we obtained a reduction of 6% in the absolute indicator and 31% in the relative indicator	The amount sent to landfill increased, as in 2017 administrative buildings and agencies implemented the management of this data	We currently reduce our absolute consumption by 2% and our relative indicator by 29%

(1) Comparative data considering the consumption of the year 2013.

(2) The targets for Scope 2 emissions use a national GRID emission factor based on the historical average between 2012 and 2016, equivalent to 0.10058 tCO₂e/mwh.

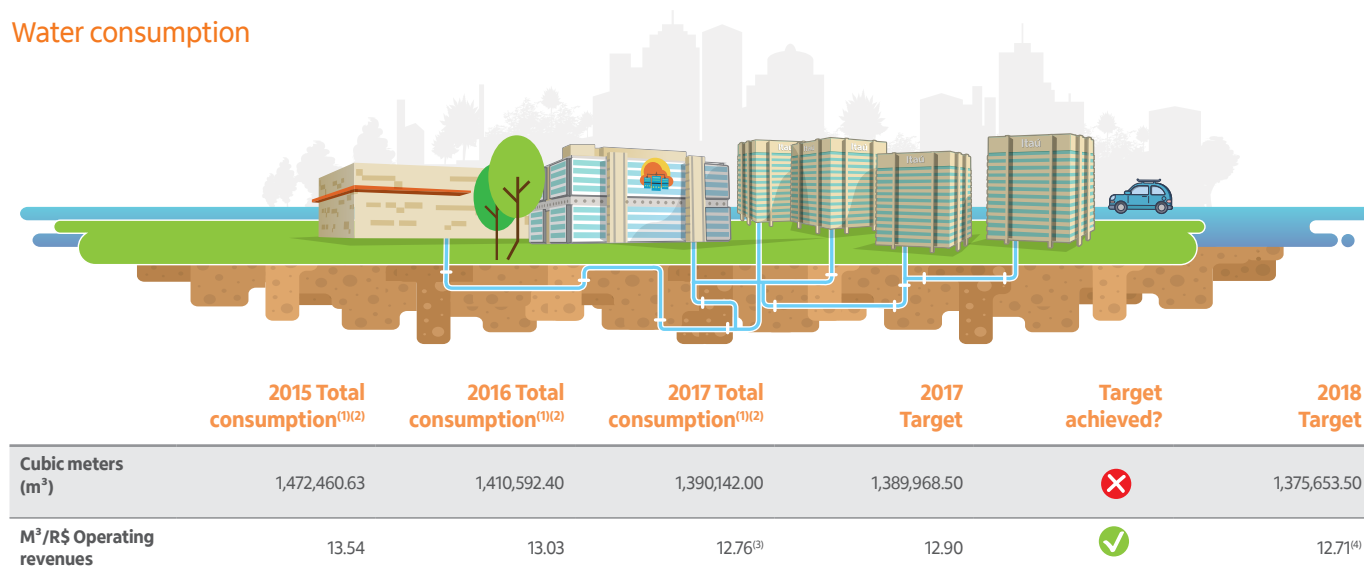
In the last three years, our efforts to seek ongoing improvement of operations have generated positive impacts on our environmental performance. In the 2014-2016 period, we reduced our water consumption by approximately 300,000 cubic meters (17%), electricity consumption by 86,000 MWh (12%), and direct and indirect GHG emissions by 34%. The management of each resource, either natural or not, is detailed below.

Water GRI 303-1 | 303-3

Itaú's water management seeks the responsible use of this natural resource by reducing our consumption and diversifying sources of supply. For our internal operation, we use public water supply network and also artesian well water for some of our complexes. In 2017, we drilled a new artesian well in operation at the Pinheiros administrative building in São Paulo.

Compared to the water consumption last year, in 2017 we consumed 1,390,142 m³ and had a reduction in water consumption by approximately 1.5%.

Water consumption



(1) 34 wholesale banking units were not included, as they are located in multiple-company complexes.

(2) Data do not include LATAM units.

(3) Actual value of Operating revenues for 2017 equivalent to 108,967.00.

(4) Budgeted value expected for 2018 Operating revenues was used.

These are the results of our water management to achieve the commitments proposed and an increasingly efficient performance, according to the initiatives below:

Initiative	Unit implemented	Description	Consumption reduced (m ³ /year) ⁽¹⁾	Savings (R\$/year)
Turning off Cold Water Station	São Paulo Technology Center	Thanks to the reduction of the installed load of the data center and efficient actions in infrastructure, we were able to turn off a cold water station to increase efficiency	Not measured	935,751.68
Installing flow reduction devices in toilets	CEIC, CA Brigadeiro, CA Tatuapé, and CA Pinheiros	These devices installed reduce the volume of water used in faucets and flushing toilets	29,954.60	632,053.16
Rainwater collection	CA Tatuapé	Installation of a rainwater collection and treatment system	7,000.00	122,220.00

(1) 2016 used as basis.

Treatment of effluents and reuse water

In addition to diversifying supply means in our complexes, we seek to reuse this natural resource by reusing water, collecting and treating rainwater and treating effluents (sewage) to reduce the use of public supply water. In 2017, our total consumption was 72,185 cubic meters of reuse water. We are increasingly seeking new alternatives to increase this consumption of water, thus reducing the consumption of public supply water. Over last year we installed a rainwater reuse system at CA Tatuapé.

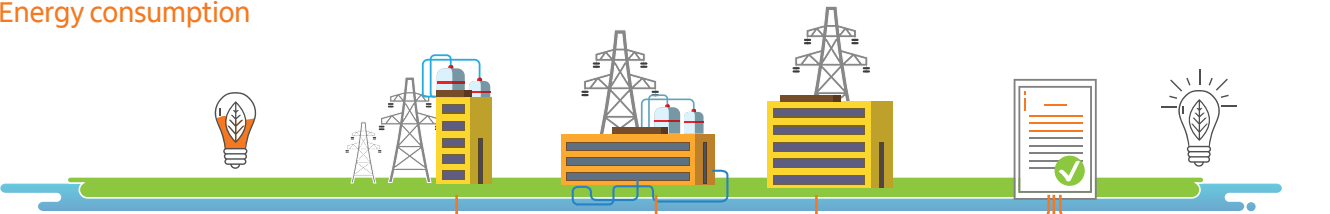
This new system will supplement those already in use in other complexes, such as the rainwater reuse system at building Faria Lima 3500 in São Paulo, the effluent treatment station at our Mogi Mirim Technology Center, and other additional systems at our units.

After the required treatment, we use the water from reuse sources to clean external areas and facades, supply flushing toilets or air-conditioning equipment, such as cooling towers.

Energy GRI 302-1

Energy consumption

Energy consumption



Source	Unit of measurement	2015 total consumption	2016 total consumption ⁽²⁾	2017 total consumption	2017 target	Target achieved?	2018 target
Renewable energy ⁽¹⁾	MWh	188,823.56	203,919.90	218,609.00	219,000.00	✓	219,000.00
	GJ	679,764.82	734,111.64	786,992.00	788,400.00		788,400.00
Nonrenewable energy ⁽¹⁾	MWh	503,835.97 ⁽¹⁾	409,253.57 ⁽¹⁾	351,885.00 ⁽¹⁾	363,923.40	✓	360,855.10
	GJ	1,813,809.50	1,473,312.85	1,266,786.00	1,310,124.24		1,299,078.36
Total absolute consumption	MWh ⁽⁴⁾	717,779.51 ⁽⁴⁾	630,245.26 ⁽⁴⁾⁽⁵⁾	607,888.00 ⁽⁴⁾	582,923.40 ⁽¹⁾	✓	579,855.10 ⁽¹⁾
	MWh ⁽¹⁾	692,659.51 ⁽¹⁾	613,249.26 ⁽¹⁾	570,494.00 ⁽¹⁾			
	GJ ⁽⁴⁾	2,584,006.23 ⁽⁴⁾	2,268,882.94 ⁽⁴⁾⁽⁵⁾	2,177,914.00 ⁽⁴⁾	2,098,524.24 ⁽¹⁾		2,087,478.36 ⁽¹⁾
	GJ ⁽¹⁾	2,493,574.24 ⁽¹⁾	2,207,697.34 ⁽¹⁾	2,053,778.00 ⁽¹⁾			
Relative consumption	MWh/Operating revenues ⁽¹⁾	6.15 ⁽¹⁾	5.44 ⁽¹⁾	5.23 ⁽¹⁾⁽²⁾	5.39 ⁽¹⁾	✓	5.34 ⁽³⁾

(1) Data excluding LATAM.

(2) Actual value of the Operating revenues for 2017 equivalent to 108,967,00 was used.

(3) Budgeted value expected for Operating revenues for 2018 was used.

(4) Including LATAM.

(5) Excluding Chile.

Note: The total value may include consumption estimates based on the average of the months of the year.

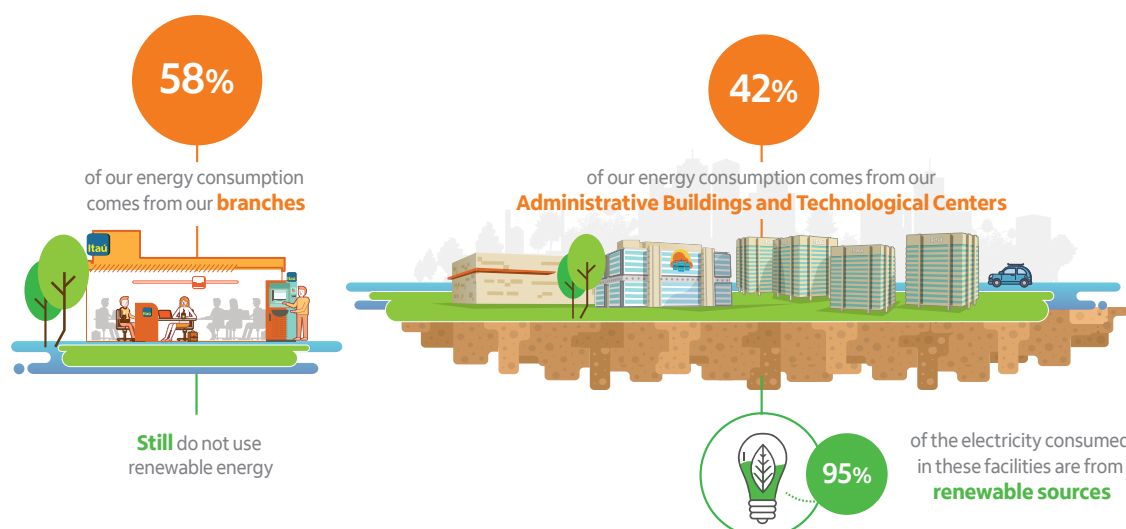
Energy Efficiency Indicators for Data Centers	2015	2016	2017	2017 target	Target achieved?	2018 target
PUE (Power Usage Effectiveness)	2.00	1.90	1.81	1.83	✓	1.75

Compared to the total electric energy consumption in the previous year, in 2017 we recorded a 7% reduction in our operations in Brazil, equivalent to almost 43,000 MWh.

Additionally, in 2017 we reached a PUE (Power Usage Effectiveness), indicator to measure the energy efficiency for data centers, of 1.81, meeting the target set for the year and a 8% reduction from the previous year.

We seek to keep our operation sustained by an energy matrix from renewable sources. Today, 95% of electric energy used in our administrative buildings and technology centers come from Small Hydro Power Plants (SHP), biomass plants or wind farms. Our target for 2020 is to expand the use of energy from renewable sources to 96%.

Sources of energy consumption of Itaú Unibanco



In 2017, we developed at our Business Center and CA Tatuapé new projects to use three different technologies to convert solar into electric energy. In addition to the classic Photo-voltaic panel technology, aimed towards a dedicated system to convert solar into electric energy, we seek other technologies that may be integrated into spaces, constructions, and facades, and therefore be used in Itaú's other projects. These technologies use as base Organic Photovoltaics (OPV), a thin, light, and flexible model, with different transparency levels and highly customized, able to generate electric energy from the sunlight.

These three projects will have a capacity to generate approximately 31,500 kWh/year, and represent just the first step for the practical use of these technologies at Itaú, which will guide us to expand operations the coming years.

The consumption of electric energy at branches accounts for 58% of our total consumption, and the current supply source comes from the regulated energy market, which implies our vulnerability to fluctuations in the emission factor for generation of the National Interconnected System (local acronym SIN).

Therefore, we seek to also advance studies to use energy from renewable sources at our branch network. In 2017, we

installed a Photovoltaic panel at a branch located in the city of São Paulo, with capacity to generate 12% of the total energy consumed by that branch, approximately 40,000 kWh/year, with operation starting in the first quarter of 2018.

The management of electric energy consumption, to meet the commitments proposed, was quite similar, according to some initiatives detailed below:

Electric energy consumption reduction initiatives GRI 302-4

Initiative	Unit implemented	Description	Reduction in consumption (MWh) ⁽¹⁾	Savings (R\$/year)
Implementing LED lighting in branches	CEIC, CA Brigadeiro, CA Tatuapé, and CA Pinheiros	Replacing lighting in internal and external areas by more efficient LED light bulbs	2,536.5	940,314.9
Replacing consumer equipment	CEIC, CA ITM, and CA Pinheiros	Replacing equipment, such as electric engines, switchboards, and valves in cooling systems by more efficient models	976.0	614,456.0
Shutdown of consumer equipment	CTSP (São Paulo Technology Center)	Shutdown of a no-bread module and of a cold water center, thus reducing local consumption	3,619.0	1,413,111.6

(1) 2016 used as basis.

Emissions GRI 305-1 | 305-2 | 305-3 | 305-5

Emissions generation



	2015 Emissions	2016 Emissions ⁽³⁾	2017 Emissions	2017 Target	Target achieved?	2018 Target
Absolute Indicator – Scope 1 (tCO ₂ e)	9,872.00	10,895.00	7,720.04	10,422.00	✓	10,414.00
Relative Indicator – Scope 1 (tCO ₂ e)/Operating revenues ⁽⁴⁾	0.091	0.101	0.071 ⁽⁴⁾	0.096	✓	0.091 ⁽⁵⁾
Absolute Indicator – Scope 2 (tCO ₂ e)	96,154.00	54,340.00	65,676.40 52,565 ⁽⁶⁾	54,054.50 ⁽¹⁾⁽⁶⁾	✓	5,3752.60 ⁽¹⁾⁽⁶⁾
Relative Indicator – Scope 2 (tCO ₂ e)/Operating revenues ⁽⁴⁾	0.88	0.50	0.60 ⁽⁴⁾ 0.48 ⁽⁴⁾⁽⁶⁾	0.49 ⁽¹⁾⁽⁶⁾	✓	0.50 ⁽¹⁾⁽⁵⁾⁽⁶⁾
Absolute Indicator – Scope 3 (tCO ₂ e)	121,521.00	99,556.00	169,480.31	— ⁽²⁾	— ⁽²⁾	— ⁽²⁾
Relative Indicator – Scope 3 (tCO ₂ e)/Operating revenues ⁽⁴⁾	1.11	0.91	1.56	— ⁽²⁾	— ⁽²⁾	— ⁽²⁾
Total (tCO₂e)	227,547.00	164,791.00	242,877.00			

(1) Target set based on the Average Brazilian GRID Emission Factor for 2017 – 0.0927 (kgCO₂/MWh).

(2) No target was defined for Scope 3 emissions.

(3) Data do not include emissions from Chile units.

(4) Actual value of Operating revenues for 2017 equivalent to 108,967.00.

(5) Budgeted value expected for 2018 Operating revenues was used.

(6) Amount related to emissions of operations in Brazil only.

Itaú Unibanco's management of emissions consists in getting to know and take out an inventory of emissions from our activities, and reduce them by developing long-term projects and targets and offset which cannot be reduced through these internal actions.

Compared to the results in 2016, in 2017 we recorded a 47% increase in total emissions, and indirect Scope 3 emissions posted the greatest variation.

Scope 1

In 2017, our Scope 1 emissions recorded a 29% reduction compared to 2016. These come mostly from the diesel oil used in our generating system, which, during testing or in the event of power shortage, is turn on to ensure the 100% availability of our facilities and business continuity. Over 2017, the generating system was less used, compared to recent years, and therefore there was a reduction in the use of diesel oil. Power shortage is an unforeseen event in our management, which results in the variations reported in previous years.

Scope 2

In 2017, the consumption of electric energy in our units reduced approximately 4% from 2016. However, due to a 13% increase in the national grid emission factor (GRID), used to record these emissions in the Brazilian Program GHG Protocol (PBGHG Protocol), we recorded a 21% increase in Scope 2 emissions compared to 2016. Our targets include only the emissions from our operations in Brazil and should be compared to the result in 2017 of 52,565 tCO₂e.

Scope 3

When compared to the results of 2016, our Scope 3 emissions increased 70%. Main sources of Scope 3 emissions are transportation of employees, generation of solid waste, and business trips.

This increase in indicators was mainly driven by the improved reporting scope, as we resumed the measurement of data of our operations in Chile in 2017, after the merger with CorpBanca in 2016, which currently account for 15.6% of Scope 3 emissions.

In addition, we increased the coverage of waste management data, including data from our branch network, resulting in approximately 28% increase in total result.

These aggregate inclusions totaled 73,363 tCO₂e and are equivalent proportionally to 74% of the total increase in Scope 3 emissions.

In addition to our annual monitoring of Scope 3 emissions, we are signatories to the CDP Supply Chain program, which directs the carbon emission agenda and management to the supply chain of large companies. Although we monitor the variations of our Scope 3 emissions, we still do not have absolute or relative targets to guide our work towards the reduction of these emissions. We know this is a great challenge for the coming years, since our emissions are mostly concentrated in Scope 3.

GHG Emissions Offsetting Program

In September 2017, we issued the call notice Commitment to the Climate for carbon offsetting, in partnership with Brazilian company Natura, aimed at together offsetting 500,000 ton of CO₂ through independent projects, which correspond to the emissions of both companies between 2016 and 2018.

We have united our GHG Emissions Offsetting Program, launched in 2015, with Natura's Carbon Neutral program, which in 2017 celebrated its 10th anniversary, with the purpose of attracting more companies to this partnership to face the challenge posed by the new global climate scenario and continuing to engage our stakeholders, people, companies, cities, and governments to this cause.

After all stages of the call notice Commitment to the Climate are completed in June 2018, we will unveil the projects selected for emission offsetting.







As Itaú Unibanco's consolidated practice, with the carbon credits collected in the last call notice we offset the emissions of Scope 1 (total), Scope 2 only for the Mogi Mirim Data Center (CTMM), equivalent to a volume of 47,332.33 tCO₂, considering emissions since 2012 until the year 2015.

For further information on the call notice Commitment to the Climate, access the platform www.ekos.social/pages/natura-itaui.



Waste GRI 306-2

Waste generation

	Generated in 2015	Generated in 2016	Generated in 2017	2017 Target	Target achieved?	2018 Target
 Landfill (ton)	1,460.32 ⁽⁴⁾	1,084.01 ⁽⁴⁾	22,373.16 ⁽³⁾	835.00 ⁽⁵⁾	✗	1,558.00 ⁽¹⁰⁾
 Landfill/Hazardous waste (ton)	10.72 ⁽⁶⁾	53.99 ⁽⁹⁾	12.69	-	-	-
 Composting (ton)	363.40	447.65	466.00	679.30	✗	679.30 ⁽⁸⁾
 Recycling (ton)	1,431.94 ⁽⁴⁾	862.81 ⁽⁴⁾	795.44	-	-	-
 Recycling of hazardous waste (ton) ⁽²⁾	1,988.00 ⁽⁶⁾	2,645.64 ⁽⁸⁾	33.02	-	-	-
 Other (ton) ⁽¹⁾	295.80 ⁽⁷⁾	-	1,757.20 ⁽⁸⁾	-	-	-

(1) Equivalent to waste generated in works inside our facilities.

(2) 35,607 fluorescent light bulbs were recycled in 2017.

(3) Figures updated, including the branch network with 100% coverage of our facilities in Brazil.

(4) Figures include administrative buildings and wholesales banking buildings only.

(5) The consumption to be compared to target is 1,524.7 ton, equivalent to administrative buildings (other than Wholesale) and technology centers.

(6) Figures include technology centers only.

(7) Other forms of reuse/disposal of hazardous waste: for batteries and gas scrubber residue.

(8) Figures include administrative buildings and technology centers only.

(9) Figures include technology centers and wholesales banking buildings only.

(10) Figures include administrative buildings only.

We are constantly working with our value chain by way of awareness initiatives and programs to reduce and ensure the correct allocation of waste generated by the bank's activities.

In 2017, we developed a methodology for operational control of waste in our branch network, thus increasing our coverage of reported data. Due to this broader scope, the volume of waste generated increased from that previously reported.

In addition, we noted an increase in waste generated intended for landfill of our administrative units compared to 2016, due to our engaging new suppliers and changing the operational control model, which has resulted in figures different from those previously reported.

Over 2017, we worked with a number of initiatives and awareness programs.

Major waste management actions in our administrative complexes were as follows:

- Continuation the composting of waste from the restaurants in the three administrative buildings that account for 52% of the whole central management users (totaling 24,229 positions);
- An internal awareness campaign aimed at reducing waste generation, as well as raising awareness of the correct arrangement and stimulus for recycling, therefore replacing disposal in landfills;
- Providing training for suppliers and service providers who interact with the waste management chain; and
- Review of Solid Waste Management Plan (local acronym PGRS) of the central management complexes.

In early 2017, we improved our waste management operational model, which is now segregated into two stages, with the company in charge of the operation (separating, packing, and weighing the waste generated before subsequent allocation), and another company in charge of the whole management and checking of controls and resulting indicators, operating permits and issuing managerial reports from time to time. Therefore, we have an improved monitoring process compared to the previous one.

To advance this topic in 2018, we will carry out a study to expand the composting model, by changing and expanding the process and applicability in other sites, in addition to including gardening waste and waste generated from coffee bars (currently applicable to Tatuapé Administrative Center only).

Electrical and electronic equipment waste

As a financial institution and with the great relevance of technology to its business, Itaú is responsible for the proper disposal and return of the waste of IT electrical and electronic equipment. We have a process

to dispose of the waste of electrical and electronic equipment (WEEE) since 2009. From 2009 to 2017, we have properly disposed of over 34,500 ton of WEEE.

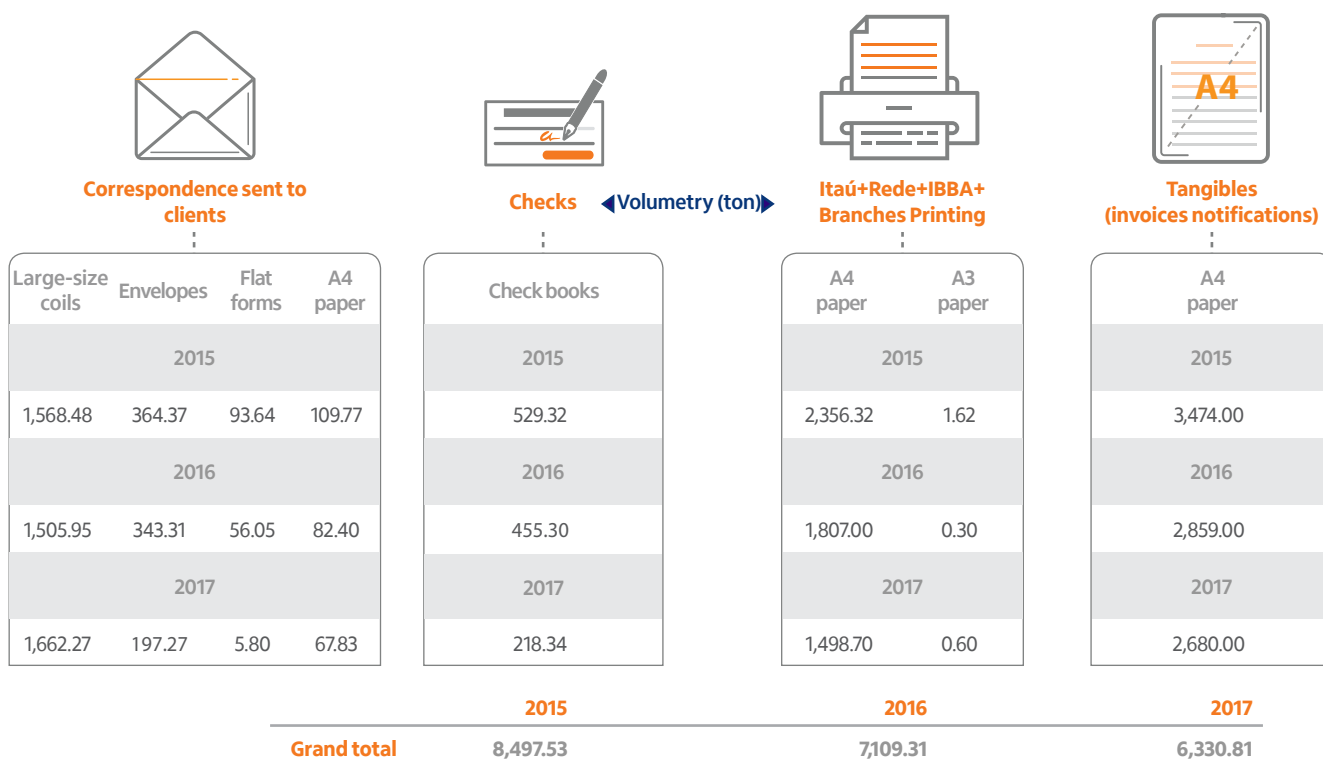
Itaú Unibanco disposes of WEEE in Brazil on an E&S proper way. When it reaches the end of its useful life (obsolescence), equipment go through a reverse manufacturing and logistics process, being later reinput into the production chain as raw materials. Today, 100% of the material sent is recycled, by adopting the "Landfill Zero" concept, in which all machinery components are reused as mass or energy, thus eliminating the disposal of remains to the landfills.

	2015	2016	2017	2017 target ⁽¹⁾	Target achieved?	2018 target ⁽¹⁾
Waste of Electrical and Electronic Waste (WEEE)	1,988.00	2,643.45	4,093.79	274.72	✗	235.60

(1) The target defined is related to only a part of the total waste generated by Itaú Unibanco.

Paper 301-1

Paper consumption



As we become an increasingly digital bank, we strongly contribute to the reduction of paper generation in our units. Being aware that we are still going under a digitization process, we understand that today our operation is divided into digital and traditional bank and, therefore, correspondence sent to our clients represents a large portion of the paper generated by our activity. To minimize paper consumption, our internal projects for rationalizing and electrolyzing processes are guidelines. Comparing the overall volume in 2017 to that in 2016, we had a 11% reduction in consumption.



The digital Consolidated Current Account and Fund Investment Statement made available to our clients, in addition to other content, contributed to this reduction in the period.

Initiative	Description	Results ⁽¹⁾	Savings (R\$/year)
Implementation of PDF 24 program.	Possibility to convert a text format directly into a pdf format document, thus preventing the document to be printed and later digitized.	Not measured	Not measured
Raising users' awareness	Emails and information to employees with instructions to reduce the number of print-outs and to print what needs to be in hardcopy only.	Not measured	Not measured

(1) 2016 used as basis.

We currently have over three million active users in the bank's app, contributing to reduce paper consumption by way of consultations to and relations with online branches. In the whole volume of correspondence issued by the bank, our reams of paper are FSC (International Forest Stewardship Council) certified.

Transportation

	Total km traveled in 2015	Total km traveled in 2016	Total km traveled in 2017	2017 Target	Target achieved?	2018 Target
 Kilometers (km)	171,008,269	187,197,506	229,088,191	-	-	-
 Business trips ⁽¹⁾ (air and land)	140,665,350	129,223,005	147,741,111	128,900,753	✗	140,539,706

(1) Figures for 2015 and 2016 were reviewed.

Compared to the previous year, in 2017 we recorded a 22% increase in transportation, compared to consumption of last year.

The control of data related to air and land transportation includes information about civil aviation, taxis, vans, buses and executive vehicles used by employees. This information is provided by service providers and reported, consolidated and stored by Itaú's management, thus ensuring information accuracy.

We determine these transportation tCO₂e emissions on a monthly basis, which provides for monitoring targets every three months and an effective management of the actions performed in the period under analysis.

Eco-efficiency investments

One of the ways of controlling our initiatives related to prevention, mitigation and protection of environmental impacts is to keep track of our investments and expenses.

In 2017, we continued to invest energy and money in the environmental management of our operations by reinforcing our commitment to reduce the consumption of natural resources. We proceeded with our investments to prevent environmental disasters in our internal operations by way of waste management, from treatment to disposal, as well as with actions to remediate contaminated areas.

Investments in mitigation and prevention of environmental impacts (R\$)

Initiative	2017	2016	2015
Waste management – treatment and disposal	2,376,744.26	2,994,983.00	1,712,896.36
Purchase and use of emission certificates ⁽¹⁾	-	-	892,178.00
Conduct Adjustment Agreement – management of contaminated areas and restore vegetation ⁽²⁾	40,584.00	40,589.10	122,000.00
Remediation of contaminated areas ⁽²⁾	686,916.00	747,393.20	838,946.00
Subtotal	3,104,244.26	3,782,965.30	3,566,020.36
External environmental management services ⁽³⁾	861,422.90	54,957.50	-
Outside certification of management systems ⁽³⁾	41,719.90	494,452.67	7,600.00
Extra expenditures to install cleaner technologies ⁽⁴⁾	3,633,324.00	-	739,289.75
Other environmental management costs ⁽⁴⁾	4,536,466.90	1,017,514.00	190,954.65
Subtotal	9,072,933.70	48,810,899.78	937,864.76
Total	12,177,177.96	52,593,865.08	4,503,864.76

(1) The Itaú Unibanco's GHG Emissions Offsetting Program has a biannual periodicity. No carbon credits were purchased in 2017.

(2) Expenditures involving CA Raposo.

(3) Expenses were significantly higher in 2017 due to the implementation of ISO 14001 certification in SP Business Center. These amounts also include action plans developed based on the maintenance audit for the ISO 14001 environmental management system at the Tatuapé Administrative Center in 2017.

(4) Includes investments in administrative centers cleaner technologies to reduce water and electricity consumption.

Note: We did not identify any non-monetary sanctions or significant fines as a result of noncompliance with environmental legislation. **GRI 307-1**

Climate change on business **GRI 201-2 | 103-2****| 103-3 Eco-efficiency and environmental management**

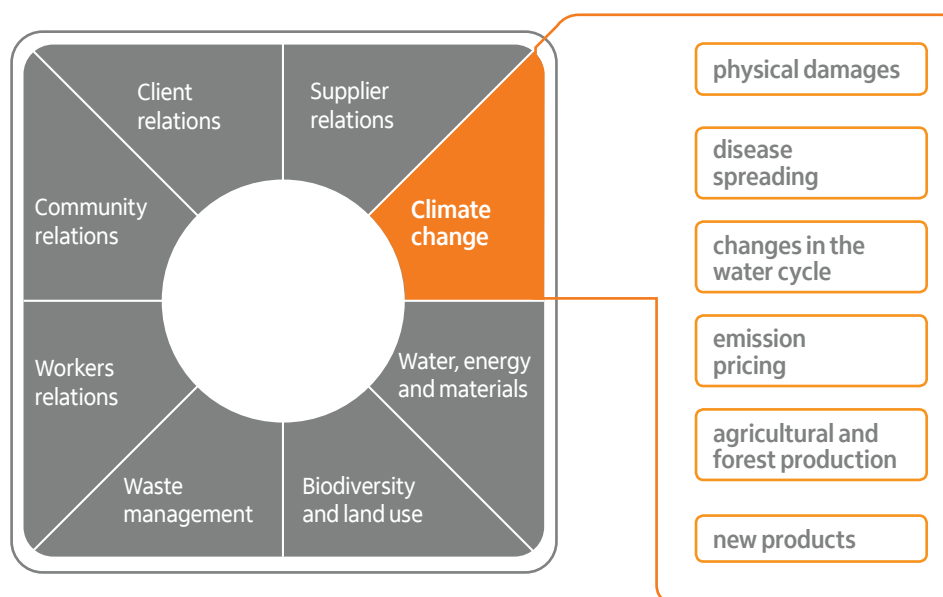
The problems arising from global warming and climate change place low-carbon economy as a key issue for sustainable development. It means that ways to bring together economic development and the protection of the climate system have increasingly been sought after. The financial sector may have a leading role in the transition to the low-carbon economy, since it has the choice to direct investments and financing to less intensive carbon activities. Therefore, we go through constant learning, take part in internal and external forums, and develop projects and studies aligned with new trends. All of this enables us to foster the best practices and mitigate a number of risks we identify in the way.

**Investments**

Itaú Asset Management (IAM) applies its proprietary methodology to integrate E&S issues in assessing companies, by addressing eight dimensions, of which four are related to the stakeholders relations – “Workers relations”, “Community relations”, “Client relations” and “Supplier relations” –, and four related to environmental dimensions – “Water, energy and materials”, “Biodiversity and land use”, “Waste management”, and “Climate change”. The method we apply here is a cut-off from this analysis, focused on climate change impacts.

In general, this method consists of including environmental and social variables in traditional valuation approaches by analyzing their impact on the companies' cash flows over time. This process consists of a stage for research and development of sector scenarios followed by another stage for valuing impacts on companies, taking into account their idiosyncrasies and management capacity. These impacts may come out in different ways, as shown below.

Environmental and social dimensions for analysis and types of climate change impacts



Source: Itaú Asset Management, 2017.

In the valuation process of the climate change variable for management of third-party's assets, we build up scenarios for each issue as follows: physical damages, disease spreading, changes in the water cycle, emission pricing, agricultural and forest production, and new products. One tool we use in our analysis is carbon pricing tools. An estimated price is used as an input variable in our modeling to estimate the company's cost with their GHG emissions. We then calculate the financial impact of such emissions on the company's market value and, as a result, on its equities prices. We believe that this approach, in addition to encourage the adoption of the best practices in investees, enables investors to have a more accurate analysis of the risks involved in the companies.

Each scenario has a short, medium and long-term materiality matrix, limited based on the recurrence and scope for several economy sectors. These scenarios enable us to make informed investment decisions with more knowledge of the related climate risks and opportunities

To deepen the understanding of the carbon footprint of investees in Itaú Asset Management's portfolios, in 2017 we developed a calculator to compare emissions of our portfolios with benchmarks, thus helping achieve a better understanding of the carbon exposure of products.

Itaú Asset Management has a white paper specific on climate change with more detail and information. This is a public document and is available on our [website](#).



Credit

We include the climate change variable in the analysis of the Environmental and Social risk of companies and projects. When we analyze a project from a carbon-intensive sector, regardless of value and the product involved, the Environmental and Social Risk Management may requests the inventory of GHG and includes its materiality as one of the requirements in the pre-approval process.

Additionally, in 2017 we started a project to identify and monitor emissions we finance in our corporate loan portfolio for the products as follows: Vehicles, Real Estate, Rural and Electricity. Each sector was analyzed according to its peculiarities and CO₂ emissions linked to its activities. The scope of each portfolio was defined among the assumptions used, as follows:

- **Vehicles:** Vehicle used during the financing period.
- **Real estate:** Emissions generated during the works period.
- **Rural:** Agribusiness activity, location and change in land use.
- **Electricity:** Tool developed for previous concession analysis.

The tool used to identify emissions in each sector is customized to Itaú Unibanco based on the *Portfolio Carbon Initiative* guidelines.

Emissions financed in wholesale segment

Portfolio	Share in loan portfolio (%)	CO ₂ E ton to each R\$10,000 financed ⁽¹⁾
Rural	1.0	16.50
Vehicles	0.4	5.80
Real estate	0.3	0.47

(1) Emissions were calculated by using an internal tool with assumptions specific for each portfolio.

Portfolios will be monitored from time to time and these data will be used in other internal studies and projects to identify any risk mitigation and opportunities.

In 2017 we also improved a proprietary E&S risk analysis methodology by using a sector approach applied to the corporate loan portfolio, so as to reassess the relation between E&S and credit risks. A mandala with E&S topics was generated for analysis of the portfolio, as shown below, and one of its assumptions was the climate change impact on sectors in the short and long terms.

Environmental and Social Risk Analysis



To assess the portfolio risk, credit risk factors were associated with the environmental and social topics.

Included:

- Common risks, arising from the production chain and processes of the sector;
- Risks associated with the portfolio reality; and
- Risks associated with political, economic, legal, and cultural issues.

Not included:

- Management aspects, since the topics vary according to the company rather than to sector; and
- Local idiosyncrasies, since they do not impact the sector as a whole.

This project aims to help our decision making and provide for the strategic integration of these data.



Insurance

Climate change issues affect directly the core of the insurance area. The main reason is that companies seek to protect themselves against climate risks by broadening responsibilities and consequently the risks for insurance companies.

One major challenge faced by the insurance area is measuring these risks and pricing them adequately and concurrently reduce the exposure and vulnerability of clients and operations.

Since 2012 we are signatories to the Principles for Sustainable Insurance (PSI) and our assessment of E&S risks on insurance follows these principles. PSI is a voluntary commitment, which helps us with guidelines aimed to minimize exposure to the environmental and social risk and encourage adequate management by insurance companies. For products developed for companies, we also take into consideration the guidance from our E&S Risk Policy applicable to insurance operations. This document defines general and specific rules and guidelines for analysis of the E&S risk, claims, development of products and E&S clauses.

We use the climate change variables for pricing the insurance for companies. This pricing is carried out according to geographic location, frequency and potential generation of social, environmental and economic disasters.

Through Itaú Homeowners Insurance and its environmental services offered, we make viable eco-efficient projects according to the insured's needs, such as:

Smart disposal: in an ecologically correct manner, the client requests the collection of waste, such as electric and electronic equipment, household appliances, and furniture. Itaú arranges for their proper disposal, ensuring an ecologically responsible destination.

Environmental guidance: specialized advisory team provides guidance on the conscious use of water and electric power, as well as tips on waste recycling.

Eco-efficient projects: these services provide for the execution of eco-efficient projects tailored to the needs of each client.



Financial education

GRI G4-DMA Product and service labeling (former FS16) | 103-2 | 103-3
Financial education and inclusion

A way of contributing to the development of society is to understand people's needs and to offer knowledge and suitable financial solutions to enable people to have a better relationship with money.

We know that changes come from individual behavior, but we believe that it is our role to guide employees, clients and society, and supply tools for them to make the most suitable financial decisions for their moments in life, and products to support actual achievements.

Our main initiatives are highlighted below:

Program for employees

Since 2009, this program has given advice for employees through solutions that support their choices and organization. In 2017, to continue these studies and surveys, we dedicated ourselves to improve our understanding about different behaviors and how the financial issue may impact employees' health and productivity. This improvement was essential to establish an action strategy focused on meeting the needs of the different audiences that make up Itaú Unibanco's workforce.

Today, the main work fronts of the program for employees are:

- **Education:** we provide online and in-person courses, which promote deep thinking about the relation between consumption, personal goals and how people manage finances.
- **Online courses:** From 2014 to 2017, over 33,000 employees have subscribed to online courses. In order to impact more people, this year, the online content of financial education was adapted to the reality of other Latin American countries (Paraguay, Uruguay, Argentina and Chile).
- **In-person courses:** in 2017, 488 employees voluntarily attended our in-person personal finance courses.
- **Financial advice:** we offer personalized advice free of charge. In 2017, this project reached 737 employees.

Table of number of employees impacted by this action:

Action	2017	2016	2015
Online course	33,487 ⁽¹⁾	31,869 ⁽¹⁾	29,580 ⁽¹⁾
In-person course	488	862	493
Financial advice	737	1,068	1,188

(1) Number of active employees impacted until that year.

In 2017, we launched the campaign *Papo que rende* (Chat that yields) to inspire employees to think about financial health. The campaign raised issues aimed at instigating employees to reflect on their own behavior in the different spaces, such as on the corporate televisions between the floors, on the portal, e-mail and instagram.

Volunteering Program

The workshop is practical, has a fun approach and aims to share financial education with young people and adults. The program *Uso Consciente do Dinheiro* (Conscious Use of Money) has already been offered in more than 15 cities of all regions of Brazil, and in Paraguay. In total, this program has already impacted more than 6,300 people from NGOs and schools, involving around 1,100 active volunteers since 2015.

Program for Corporate Clients

The Financial Education Program offers content, videos and talks free of charge to employees of more than 500 corporate clients that have customer site branches (CSBs). Since 2014, the program has impacted more than 24,000 clients and 533 lectures were given throughout Brazil.

Financial Education Integrated with Preventive Action

This initiative focuses on credit customers, who we analyze to identify those who might need financial guidance. Through a renegotiation center that uses financial guidance as an approach, we contact clients to understand their needs, so we can provide instruction and offer the correct products to reorganize their credit according to their income.

Program for People in Debt

With the purpose of helping people to become free from high indebtedness, we developed solutions that, through an inspiration and guidance process, have the power to enable people to recover financial balance. One of these solutions was the pilot developed in 2017, which integrated the offer of financial education courses to an exclusive renegotiation process, using financial guidance as an approach. The adherence of clients to the pilot was 22% higher as compared to the control group. Additionally, in September we launched a campaign with short videos, presenting quick and practical tips on financial guidance for people and companies in situation of possible financial imbalance. The content received around 65,000 hits.

Digital Channels

The financial education content is available on www.itau.com.br/usoconsciente. The webpage *Uso Consciente do Dinheiro* (Conscious Use of Money) offers material and tools free of charge for different financial situations, such as how to balance the budget, recovering financial balance, meet goals, save and invest, and protect achievements with quick tips to help people make the best choices. The website received already 3 million hits since 2014 and one can know the main campaigns on Financial Education carried out.

Additionally, this year we launched on a partner platform of education the *Saia do vermelho* (Get out of the red) online course, which helps people in debt to balance their financial life. The course is available free of charge on itau.com.br/objetivos-sair-do-vermelho. Since it was launched, more than 15,000 people subscribed to the course on the webpage of the educational platform.



We have also implemented new functionalities in the Itaú app, which help people manage their financial life. One of them was the payment schedule that makes organizing and monitoring accounts easier, also enabling a series of filters to facilitate management.

Campaigns

Financial entertainment was the choice for 2017 to encourage youngsters to reflect on their personal finances and consumption choices. The so called TV Vida Real (Real Life TV) show had several sketches broadcasted on social media, which included humor, reports of real people who succeeded in making their dreams come true even without or with little money, practical tips and cartoon. The first two episodes had more than 65 million views, and the Mão de Vaca Show (Penny Pincher Show), a cartoon of the series, had the highest number of views among the show, 12.1 million views.

Partnerships

In 2017, Itaú Unibanco, Fundação Itaú Social and Instituto Unibanco formalized one more partnership with the National Strategy of Financial Education (Estratégia Nacional de

Educação Financeira – ENEF) for a transmedia project that will offer content to students of public schools all over Brazil, through educational series broadcasted by TV Escola (Scholl TV), and a digital platform that will gather video, games, library and distance education courses for elementary and secondary school teachers. Also this year a partnership was started for developing a Single Financial System for Pontifícia Universidade Católica do Rio Grande do Sul (*Sistema Único de Finanças da Pontifícia Universidade Católica do Rio Grande do Sul – PUC-RS*), an initiative that aims to provide an integral and free of charge treatment, including financial guidance, for people who seek help to become free from indebtedness.

Certifications

Itaú's financial education initiatives received the certification from the National Strategy of Financial Education (ENEF) program as a result of their alignment with the strategy's principles and guidelines.

Financial education strategy

Our goals for the period from 2015 to 2018 are:

	Enable real achievement	Provide assistance in the financial decision-making process	Enhance the topic across society
	Provide transparent products, services and offers that help our clients make more conscious decisions with money, to enable them to reach personal goals.	Provide content, tools and solutions that help employees and banking and non-banking clients to make better choices with their money, through multiple points of contact with the bank, and according to their needs and moments of life.	Contribute to the discussion of the topic across society, and inspire people to make better decisions with their money, promoting individual and collective prosperity.
Status 2017	<ul style="list-style-type: none"> • 108 products and services evaluated from the standpoint of financial guidance, transparency and customer satisfaction; • Financial guidance aligned with preventive actions, focused on clients who will likely not settle debts, through the offer of credit more suitable to their needs; • Development of a financial education program for people in debt; and • 33,371 employees trained online on Financial Education. 	<ul style="list-style-type: none"> • Digital platforms with content for financial education. More than 3 million views since it was launched in 2014; • Online financial guidance course on a partner platform with tips and content to achieve and maintain financial balance. More than 15,000 people interested in 2017; • Financial Education Program to employees since 2009. Includes communication campaign, in-person and distance learning and financial advice; and • Financial Education Program offered without charge to more than 500 corporate clients in Brazil, with managers who multiply the topic. More than 24,000 clients already impacted. 	<ul style="list-style-type: none"> • Volunteering Program "Uso Consciente do Dinheiro" (Conscious Use of Money). Launched in 2015, it has around 1,100 active volunteers in Brazil and Latin America. • Entertainment campaign for financial guidance on social media. In 2017, we launched two episodes of the Real Life TV webseries that impacted 65,8 million people.
Challenges for 2018	<ul style="list-style-type: none"> • Develop new online training for employees, offering custom tracks in accordance with their profile; and • Offer financial guidance solutions for small entrepreneurs. 	<ul style="list-style-type: none"> • Expand the audience impacted by the distance learning solutions focused on recovering financial balance and becoming free from indebtedness; • Expand the offer of financial guidance on digital format for corporate clients; and • Enhance digital engagement of employees in topics that involve financial guidance. 	<ul style="list-style-type: none"> • Get more knowledgeable on financial behavior for specific audiences, such as those from different generations; and • Proceed with financial entertainment strategy for young people and expand campaigns for a larger audience, working this topic across institutional communications.



Itaú Microcrédito

Itaú Microcrédito is a credit line aimed at small entrepreneurs working on their own or holding a small business, either formally (registering with CNPJ) or informally (without registration), in accordance with the conditions of Brazil's Guided Productive Microcredit program (PNMPO). For example beauty parlors, snack bars, or entrepreneurs providing services such as: taxi drivers and photographers, among others, who many times are essential to help the growth of business or support those who are beginning their business. Itaú Microcrédito is available in economically disadvantaged areas in São Paulo and Rio de Janeiro

metropolitan regions. The lowest credit amount is four hundred reais (R\$400.00) and the highest credit amount can reach fourteen thousand five hundred reais (R\$14,500.00). **GRI G4-FS13**

The benefits from financial inclusion are present in the three economy pillars: social, economic, and environmental. The cycle starts by training a microcredit agent to grant proper credit and promote financial and environmental education, thus helping the community development and adding value to the market.

Credit model

To guide credit granting processes, Itaú Microcrédito adopts the Product Policy, which conceptualizes the product, proposers and areas involved, determining rules for hiring, amending or cancelling credit agreements. All employees have direct access to this information in the Corporate Portal. We also use the Credit Policy to ensure the portfolio quality.

Additionally, in October 2017 we implemented a new policy that conceptualizes the client service standard in activities developed by the Commercial department (sales force), and defines criteria for managerial intervention concerning the application of educational and corrective measures in the case of improper client service attitudes (Microcredit Quality Score). In order to ensure that such policies are applied accordingly, internal and external processes and operations may be audited.

In order to protect our clients, we provide free-of-charge insurance. In the case of death or permanent disability, this assures the payment of the balance due with respect to the credit and the microentrepreneur's family also receives a food staple and funeral assistance. We have already provided 3,540 of these insurance policies. **GRI G4-FS7**

Microcredit agents **GRI G4-DMA Product portfolio (former FS2)**

We have a team of microcredit agents trained and equipped with notebooks and smartphones to serve microentrepreneurs directly where they operate, thus enabling a close relationship with clients and ensuring the proper destination of credit. **GRI G4-FS13**

In 2017, the microcredit operation structure was reviewed, with the resulting creation of commercial and product planning cells, in addition to the commercial operation. Therefore, it was possible to review strategies and improve processes, include a new mobile training system, in which agents have access to videos and materials from process details to environmental and social risks and career, create commercial multipliers – agents and supervisors qualified to give training to other agents and multiply knowledge, monitor and ensure

the Quality Score through a monitor and a new variable compensation method.

Upon capturing clients, microcredit agents analyze the business and the borrower by means of a form (Economic and Financial Assessment Form – FAEF), which considers repayment ability, capital, and the conditions and effects that the microcredit granting may cause to the entrepreneur and the community.

Microcredit impact **GRI G4-FS6 | G4-FS7 | 203-2**

In addition to granting credit and training agents, in 2017 we conducted surveys that enabled us to have a better understanding of the informal small entrepreneur's profile and the social impact that the microcredit agent has as he/she is the bridge between the low-income client and the bank. Even when we analyze the digital channels used, mainly mobile, the relationship with the bank is still centered on the agent, that is, the personal relationship is an asset.

We also conducted a study including economic indicators and analyzed the use of microcredit and the impact on microentrepreneurs' financial indicators, such as the increase in monthly sales between 2013 and 2015, and fall in 2016 – a -16% change, with latter result influenced by the financial crisis in Brazil.

The increased income should not be construed as the quantitative increase of money only, but rather as the increased possibilities of choice a low-income individual will have, which also helps reduce his/her vulnerability. Microcredit also assists in increasing opportunities of stable jobs and improving work conditions for microentrepreneurs, in addition to being a product that includes clients who fall outside the traditional financial system, helping strengthen citizenship through essential products and services and improve the well-being of the community as a whole.

Results

Social and economic indicators of entrepreneurs supported by microcredit

Gender	Portfolio (R\$ thousand)				Clients			
	2016	%	2017	%	2016	%	2017	%
Women	4,968	54	5,036	51	1,549	56	1,356	53.7
Men	4,277	46	4,797	49	1,227	44	1,168	46.3
Others ⁽¹⁾	23	0	0	0	2	0	0	0.0
Total	9,268	100	9,833	100	2,778	100	2,524	100.0

(1) Unidentified information.

Region	Portfolio (R\$ thousand)				Clients			
	2016	%	2017	%	2016	%	2017	%
SP	5,339	58	5,238	53	1,585	57	1,325	52
RJ	3,694	40	4,457	45	1,129	41	1,155	46
RS	57	1	0	0	9	0	0	0
Others ⁽¹⁾	179	2	138	1	55	2	44	2
Total	9,268	100	9,833	100	2,778	100	2,524	100

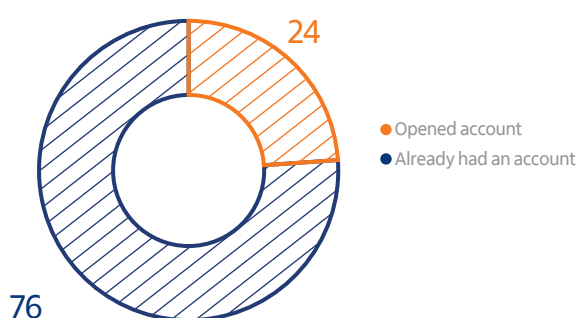
(1) Unidentified information.

Sector	Portfolio (R\$ thousand)				Clients			
	2016	%	2017	%	2016	%	2017	%
Commerce	5,949	64	5,130	52	1,716	62	1,311	52
Service Provision	1,831	20	2,609	27	616	22	711	28
Production and Commerce	1,297	14	2,060	21	397	14	493	20
Food	130	1.4	22	0	33	1.2	5	0.2
Production	16	0.2	13	0	7	0.3	4	0.2
Others ⁽¹⁾	45	0	0	0	9	0	0	0
Total	9,268	100	9,833	100	2,778	100	2,524	100

(1) Unidentified information.

Banking inclusion ratio: 24% of current account holder clients opened account after hiring microcredit.

Data from 2003 to 2017 (%)



Microentrepreneurs' profile analysis

- Over 50% completed at least high school;
- 70% are married;
- Average age is 43;
- Average income is R\$2,174.29;⁽¹⁾
- In over 50% cases, the spouse helps the family income;
- 42% of approved applicants have other sources of income;
- 60% have dependents (average 2 dependents);
- At least 70% of applicants own their houses, and 98% of such households have already been settled;
- Approximately 40% are formal business, of which 95% are owned by one person only; and
- 59% business operate in commercial sites.

(1) Microcredit approved from 2013 to 2016.



Itaú Women Entrepreneurs Program GRI G4-FS14

The Itaú Women Entrepreneurs Program (local acronym IME) was created in 2013 as a result of a partnership with the IFC, World Bank, and the IDB to offer financial and non-financial solutions to women entrepreneurs.

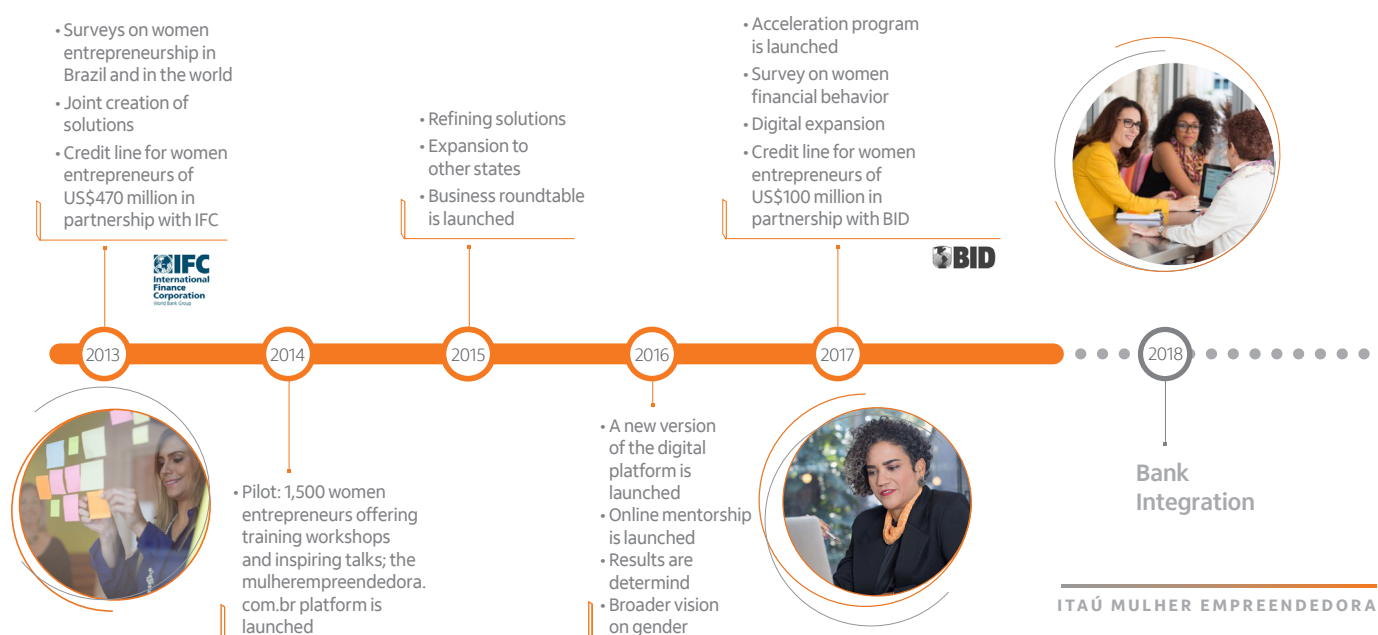
Share of women in the corporate client base (%)	2017	2016 ⁽¹⁾
Microcredit (formal or informal companies with annual revenue of up to R\$120,000)	54	58
SME4 (companies with annual revenue of up to R\$1.2 million)	38.32	38.79
SME3 (companies with annual revenue of up to R\$8 million)	32.61	32.76
SME2 (companies with annual revenue of up to R\$30 million)	26.69	26.69

(1) The rule for analysis of majority shareholders was adjusted based on the assumptions set forth in credit policies; therefore, there were changes in the volume of data included in the previous report.

The main objective is to empower women entrepreneurs in Brazil, helping the growth of their companies and journey to change Brazil for the better. The program also aims to test hypotheses about women's relationship with financial institutions and offer the most suitable products to meet their needs, and it adopts a differentiated approach.

This is why the bank continues to offer in-person and online solutions to train, inspire and connect women entrepreneurs. Training so that women can improve management techniques and leverage their companies' results; inspiration so they can envisage paths of success; and connection so they can expand networking, favoring partnerships and business among women.

Timeline



ACCELERATION Semi-digital

A 3-month training on business management and preparation of a growth plan in partnership with FGV of São Paulo

MENTORSHIP Digital

Talks via Skype to think together with consultants on the business model

PLATFORM Digital

Website with articles, management infographics, inspiring videos, interviews, and a network for women entrepreneurs connect Platform mulherempreendedora.com.br

WORKSHOPS In-person

Theory classes linked to practice drills on different aspects of business management. Emphasis on Financial Guidance

TOOLS Digital

Toolkit offering tools to simplify the women entrepreneurs' day-to-day

NETWORKING CAFÉ In-person

Events held with talks given by women entrepreneurs and guests sharing histories and the best practices

BUSINESS ROUNDS In-person

Event to gather women entrepreneurs from many different segments so they can make partnerships and business with each other

In-person solutions, which are held in São Paulo, Rio de Janeiro, Belo Horizonte, and Curitiba, include networking events, business rounds and workshops organized in partnership with renowned universities and strategic partners; since 2014 we have carried out 80 activities. In 2017, we held intensive workshops on Financial Guidance for women entrepreneurs, in addition to an inspiration event with online transmission to over 1,400 viewers.

To improve the growth and consolidation of companies led by women, the IME promoted the first edition of the Acceleration program, which addresses the main dimensions of business management in a free-of-charge three-month course, with assessment and feedback to projects submitted at the end of the program, and five projects were selected to have a specific consultancy service conducted by Getulio Vargas Foundation of São Paulo, a benchmark in executive education in Brazil.

Number of enrolled women

	2017 ⁽¹⁾	2016 ⁽²⁾
Registered in the program	8,056	5,994

(1) Including women enrolled from 2014 to 2017.

(2) Including women enrolled from 2014 to 2016.

Financial impacts results

	Year	Investment margin (%)	Service margin (%)	Insurance margin (%)	Days in default	Is in default (%)
Participating entrepreneurs X Non-participating entrepreneurs	2016	130	2	63	(9)	(5)

New financial finds

To continue supporting the development of Brazilian women entrepreneurs, Itaú and the Inter-American Development Bank (IDB) entered into a partnership in 2017 to finance very small, small and middle-market companies controlled by women in Brazil, thus helping expand credit to this market.

Loaned by the IDB through IIC (Inter-American Investment Corporation) to Itaú, these funds amounting to US\$100 million should finance companies held by women and have annual revenues of up to R\$8 million.

Results

Through the impact evaluation conducted in 2016 and that will be carried out bi-annually, we identified that, in comparison to a controlled group, the women participating in the program:

- Were more involved in networking with other entrepreneurs and within their supply chain;
- Are investing more in mentorship, including compensating professionals for adopting a more professionalized management;
- Had revenues 11% higher; and
- Had their satisfaction with Itaú increased.

In addition to reveal better financial health, this improved performance of women entrepreneur participants also generates a positive financial return to the bank. When compared to women entrepreneurs not participating in the IME, the participants record a higher margin of their making use of services, such as Investments, Banking Services (up 2% in 2016), and Insurance (up 63% in 2016). In addition to the default rate is down 5% than non-participants, among those in default, participants are in default up to nine days less than non-participants.

Such funding help expand credit to women entrepreneurs, as well as develop companies led by women.

To make women entrepreneurship more visible, by valuing and motivating women in this journey, we also developed in 2017 an online media campaign via Facebook for the International Women Entrepreneurship Day.



Beyond entrepreneurship: the women financial behavior

To broaden the understanding about the women's relationship with the financial universe, also concerning individuals, we conducted a new qualitative survey, seeking to understand why there are gaps between men and women in relation to economic and financial issues. Gender issues influencing the relationship with the financial sector and the bank may design a communication and business strategy that could address these characteristics.

In partnership with Box 1824 Institute, this survey comprised a social historical analysis (facts, data and news and advertising representations of women in the last 100 years in Brazil), analysis of trends of women's financial behavior, ethnographic observations with 12 women in the cities of São Paulo and Rio de Janeiro and, at last, online discussion groups. One of the most interesting findings concerned the women's autonomy and their participation in spaces of power, such as the economic arena, which influence the women's low self-esteem. It means that even though many women have achieved financial power as they are included in the labor market or making money with their undertakings, many of them do not feel they are able to carry out financial management and talk to a bank, particularly due to the fact that banks have been historically done by men and for men, with an overwhelmingly masculine approach.

To bring women closer to the financial universe, we have divided our strategy into two working fronts: (i) communication and marketing, comprising women's needs and characteristics and breaks away from femininity references showing stereotyped behaviors; (ii) adjusting the offering of products and services by thinking in the meaning relationship to the women audience through a revision of the portfolio or recommendations that help women to increase their income.

The main outcomes of this survey have been shared through forums with business areas, such as Marketing, Company Products, Cards, Insurance, Credit and Investments, as a way to incorporate women entrepreneurship into the bank and design new customer service strategies, in addition to external forums that bring women closer to the financial universe for further empowerment.

Sharing learnings

This program is included in the discussion for promotion of gender equality within the scope of clients and society. To this end, we have expanded the discussion to a number of forums, to help the gender equality agenda.

Represented at the Global Banking Alliance for Women (GBA) Council, we exchange experiences with financial institutions in a number of countries about initiatives aimed at women and their success rates. We support other initiatives, such as the *Fórum Empreendedoras* (Forum on Women Entrepreneurs) in 2017 and the *Quem são elas* (Who are they) survey in 2016, promoted by the Women Entrepreneur Network.

We also foster discussions on gender equality by means of sponsored activities, such as talks and panels at the Ethos Conference and at the BlastU event, with a Women Empowerment workshop.

Recognition

The Itaú Women Entrepreneurs Program was recognized in the Eco 2017 award, which highlights creative, innovative and efficient projects and is organized by AMCHAM Brazil and the *O Estado de S. Paulo* newspaper. The bank was the winner in the Products and Services category, Sustainability Practices.



Human rights

As a result of the first Due Diligence on Human Rights carried out between 2015 and 2016, in 2017 we integrated the management of this topic into the Bank's sustainability governance and, through the engagement of several departments, we enhanced our [Commitment to Human Rights](#) (*Compromisso com os Direitos Humanos*). Besides determining the goal to carry out a new Due Diligence process every two years, this document establishes guidelines for preventing risks we are exposed to in our relations with our most sensitive audiences, encompassing our business and relationships with employees, clients, suppliers, partners and society.

Our second Due Diligence process was carried out to assess actual or potential impacts on human rights, through our activities or as a result of our commercial relations, and also to assess human rights management, monitor the compliance with our commitment guidelines and ensure respect to human rights according to the UN Guiding Principles, under the "Protect, Respect and Remedy" framework. This process comprised four stages:



Stages of the due diligence

1	Research and Mapping	Analysis of the Human Rights Commitment, policies, processes, products, services and interviews with those involved
2	Definition of priorities	Evaluation of impact, risks and identification of improvement opportunities
3	Analysis of challenges of the UN Guiding Principles	Identification of the challenges associated to the UN Guiding Principles
4	Conclusions and recommendations	Recommendations for improving the Human Rights management process

For this activity we worked in partnership with a specialized and independent third party, which assessed the processes and strategies of the bank's work fronts, as follows: Personnel, Business, Procurement, External Ombudsman, Inspection, Internal Ombudsman, Compliance, Corporate Security, Legal, Sustainability, Environmental and Social Risk, Governmental Relations and Marketing.

This process resulted in a list of priority issues, which will be managed over 2018, as follows: Data security and privacy, Ethics and transparency; Occupational health and medicine; Labor conditions; and Discrimination.

We will work preparing improvement plans, developing targets, mitigating and remediating mainly focused on the management of risks already known about these topics.

Our commitment is to protect the fundamental rights inherent to each individual counting on specialized partnerships, incorporation of the best market practices and instructions from bodies that determine social responsibility guidelines, such as:

- Universal Declaration of Human Rights (UN);
- International Covenant on Civil and Political Rights (UN);
- International Covenant on Economic, Social and Cultural Rights (UN); and
- International Labor Organization (ILO).

Learn more about our indicators related to complaint management on [page A-432](#), our work with employees on this page, our work with clients on [page A-430](#), equal access to financial services on [page A-434](#), our work with suppliers on [page A-436](#) and with society on [page A-442](#).

See [link](#) on our current policies, such as [Code of Ethics](#), [Corporate Ethics Policy](#), [Sustainability and Environmental and Social Responsibility Policy](#), [Corruption Prevention Policy](#), [Corporate Governance Policy](#) and [Information Security Policy](#), among others.



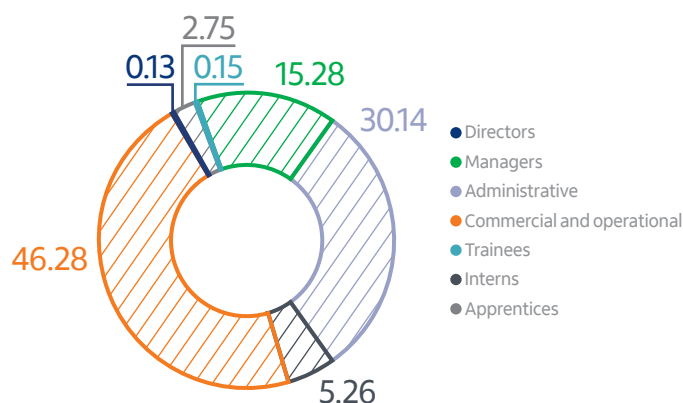
Employees

GRI 103-2 | 103-3 Attraction, retention and development

The career of our employees is monitored by the Personnel Department, which aims at disseminating the organizational culture, attract, retain and develop the organization's talents, seeking professionals who, besides having the necessary competencies for developing their activities, are committed to increasing customer satisfaction and becoming future leaders of the organization.

Our governance carries out actions based on the strategic guidelines determined by the Personnel Committee, which is composed of members of the Board of Directors.

Our hierarchy composition (%)⁽¹⁾



(1) Managers are considered employees who manage people. Administrative are considered employees of administrative areas that do not manage people. Commercial and operational are considered collaborators of the branches that do not manage people.

Hierarchical level	Employees	%
Directors	118	0.13
Managers	13,783	15.28
Administrative	27,180	30.14
Commercial and operational	41,738	46.28
Trainees	139	0.15
Interns	4,743	5.26
Apprentices	2,482	2.75
Total	90,183	100.00

More about our organizational profile results can be found on [page A-468](#).



Diversity GRI 103-2 | 103-3 Diversity, equity and inclusion

We believe diversity boosts the organization's competitiveness. Having a staff with diversified genders, races, origins, opinions and cultures in the company means broadening perspectives and viewpoints in the decision-making process. Our clients comprise different people, and so our teams need to do so as well.

As a recognized and valued theme in our culture, the management of internal diversity is guided by our Internal Policy for Diversity Enhancement based on three basic principles:

Internal Policy for Diversity Enhancement



We also have [specific guidelines](#), such as the Inclusion Policy for Persons with Disabilities (PWDs), the Apprentice Program and the Human Rights Policy. Through seminars, training and internal communication (lectures, information posted on the intranet and videos), we show the importance of valuing the diversity of sexual orientation, gender, ethnicity/race, persons with disabilities, generation or beliefs. In this way, we seek to foster respectful dialogue and together fight against judgmental views that lead to discrimination. We also hold workshops for our suppliers specialized in selection and training processes, as well as for our managers and teams, with the purpose of expanding, disseminating and promoting diversity.

We have organized a working team with representatives of over ten teams, aimed at strengthening and boosting diversity pillars at the most different institutional and business actions.

Our diversity profile



Total employees (%)

	2017	2016	2015
Women	60	60	60
Black persons	22	21	20
People with disabilities	4.70	4.60	4.60
Apprentices	2.75	3.10	2.38
50 or over	9.03	9.38	7.65

Total managerial positions (%)

	2017	2016	2015
Men in managerial positions	48.6	49.0	50.1
Women in managerial positions	51.4	51.0	49.9

Challenges by audience⁽¹⁾

Women: In 2017, we conducted a series of actions to incorporate gender issues into the organization's strategy, and as a result we prepared a plan of understanding the women's perception of this topic. The action plan defined for 2017 involved initiatives such as the adhering to the WEPs and disclosing this and other Diversity topics at the largest meeting of the bank's managers (Meeting among Leaders), leadership lectures (*#Elasporelas*), among others. We have 51.4% women in managerial positions and one who sits on the organization's Executive Committee. We currently have as guideline for this front to encourage women's career development, to balance their representativeness along the organization pyramid.

(1) We include only information from Itaú Unibanco companies managed by the Human Resources department. Companies included in the reports in 2016: Itaú Unibanco S.A., Itaú Corretora de Valores, Hipercard Banco Múltiplo, Itaú Unibanco Holding, Microinvest S.A., Banco Itaú, BMG Consignado, Provar Negócios, Luizacred S.A., Credicard Promotora, Fic Promotora, Redecard S.A., Itaú Seguros S.A., Itaú BMG, Itaúseg Saúde S.A., Kinea Investimentos, Banco Itaúcard S.A., Icarros Ltda., Pro-Imovel Promotora, Itaú Adm. Prev. Ltda., Marcep, and Banco Itaú BBA S.A.

Black Persons: We understand how important it is to proceed with the strategy of bringing this topic to open debates in formal forums, raising awareness of all HR stakeholders and concurrently bringing it to managers and employees. In 2017, on inclusion of black persons and racial diversity in Brazil and Organizations we held seminars and workshop with the Marketing team, Legal team, and one online meeting with external selection recruiters. Our purpose is focused on boosting the share of black people in the organization staff.

People with Disabilities (PWD): A program aimed at the inclusion and career development of PWDs, based on attracting and selecting focused on aligning the applicant's profile to the area of performance. A 12-month program, it promotes development actions – such as technical, behavioral training and mentoring – to foster the professional growth in accordance with the

organization's culture, also qualifying the future employee's managers. A rotation system among the departments is used to expand the range of knowledge the analyst will use in the area he/she will be assigned to work. We have had 44 participants. Accordingly, we seek to work with focus on providing our employees with deficiencies with the best possible accessibility and compatibility resources with a professional profile. Our purpose is offering conditions for development with equal opportunities for all.

LGBT: In 2017, we held the first event Open Doors on LGBT, with Candido Bracher, Pedro Moreira Salles, and Roberto Setubal, an initiative to share experiences, histories and perceptions on this topic, where participants are able to express their opinions on different issues. Therefore, our purpose is encouraging an environment of security and respect, where people are free to openly talk about their sexual orientation without fear.

Goals planned for 2017	Completed/In progress/Not addressed or goal revised	What are the results?
Dialogues on Diversity	In progress	Three Dialogues (#Elasporelas) events were held with the many organization audiences, in which the goal was establishing an open and reflexive talk on diversity topics, encouraging the share of perceptions and experiences among leaders and employees. We provided 177 seats for each event. We also held meetings with the organization departments that, by playing a leading role, state a genuine interest in coming closer and engage in Diversity topics (Diversity in the areas). We share our action guiding concepts and open room for debates and clarification of doubts on Diversity. Result: These dialogues are an important tool to capture the employees' perceptions on the progress of Diversity issues as one of the organization's Priority Strategic Topics.
Prepare managers and teams for receiving a new employee with a disability	Completed	This is carried out in three fronts: 1) Strategic reformulation of the primer on leadership of diverse teams, including critical instructions for the leadership of teams including employees with disabilities, clearly showing challenges and benefits. 2) A four-hour workshop offered to managers who are to receive a new PWD employee to better equip the manager to evaluate the employee with disabilities in terms of their capabilities. 3) The institutional positioning of the Diversity department in relation to managers, teams and the People Consultancy as a focal point for clarifying doubts and managing conflicts.
Mapping Accessibility Resources	In progress	Aimed at having in a base the required resources of all PWD employees of the organization, for strategies of Personnel purposes (likewise the Workplace Exit Plan), we started to map the accessibility resources of all PWD registered in our payroll. Additionally, the integrated personnel system is being under review to comprise all this information (corroborated by specialized consultancies, involved departments and some PWD employees), so that no resource is left outside the mapping. Concurrently, from November on all hiring of PWD will become part of a new flow that provides for the continuity of such mapping.
Talks with women	In progress	Based on talks with women from all hierarchical levels of the organization, we seek to capture the scenario of the women's professional development in the company and, as a result, bring about new proposals to address gender issues.
Association to the Women 360 Movement	Completed	To take part in the exchange of experiences among companies, further review specific case studies, prepare materials, share expertise, and prepare action plans on topics they want to advance according to the program principles.
Raise awareness, involve and engage the main stakeholders of the organization in race-related issues	Completed	<ul style="list-style-type: none"> A periodic agenda with HR top leaders for reporting, aligning and assessing the action plans designed for race-related issues; and Lectures in different universities on Racial Diversity in the Workplace, with productive debates on diversity and the subsequent creation of a database of applicants from the attending students.
Program for Promotion of Gender and Race Equality	Completed	We undertook a diagnosis in the organization on practices focused on the elimination of gender and race discrimination. Action plans were subsequently designed for the qualitative improvement of current practices, by preparing actions in the management of people and organizational culture. With this commitment affirmed, which is corroborated every two years, we agree to follow the plan and thus endorse the organization's intents.



We may highlight two great bank projects in terms of gender issues in 2016. The first one is the Itaú Women Entrepreneur, which offers a number of ways to support women entrepreneur clients, such as financial advisory, workshops, and digital platform. Another highlight is the implementation of internal policies to support Mothers and Pregnant Mothers and the Women's Health Program. Among these actions, noteworthy are: additional 60-day maternity leave, reduced working hours in the first month after resuming work and the Baby on Board course, offering guidance on pregnancy and the first months of the baby's life.

In addition to the achievements described above and the Paulista Diversity Seal, we have adhered to the Women's Empowerment Principles – WEPs, proposed by UN Women and the Global Compact. This measure establishes our commitment with equal gender opportunities. In 2017, we made up the Bloomberg Financial Services Gender Equality Index, and were ranked one of the best companies in the Great Place to Work – Women award, which means that we stand among the best companies for women to work in Brazil, because, for us, diversity strengthens fair competition in the face of differences.

Today women are approximately 60% of our total employees. However, this representativeness does not follow the organization's hierarchical pyramid. This is why we direct our efforts to ensure equal opportunities in career development among men and women in all hierarchical levels and to use our potential influence to share the principle of equality in our value chain.

Accordingly, our participation in actions such as the Program for the Promotion of Gender and Race Equality, Women 360 Movement, Business Coalition for Racial and Gender Equality, Itaú Women Entrepreneurs Program, and the Global Banking Alliance for Women will gain much more strength. Additionally, the bank has addressed this topic from internal campaigns,

leadership engagement, raising employees' awareness and initiatives aimed at clients and society.

In 2017, we also signed Itaú Unibanco's letter of commitment with diversity, as we recognize our duty to protect and foster diversity, seeking to be a role model for the best practices:

1. Encouraging a respectful and healthy environment for all people;
2. Develop corporate leaders who are sensitive about and engaged with this commitment;
3. Ensure meritocracy by means of actions that promote equal opportunities.

More about our diversity results can be found on [page A-471](#).



Employee health and safety

GRI 103-2 | 103-3 Health, safety and well-being

Health

We have a specific department for managing, running and developing activities that make an ongoing contribution to occupational safety, facilities, equipment and tools used in our business. Through internal procedures and policies known as Regulation of Personnel (local acronym RP), we have established institutional guidelines for issues involving Occupational Health. Our policies are associated to the Program for readaptation and support upon return to work, Program for professional rehabilitation, *Fique Ok* (Be OK) Program, occupational medical examinations, mothers and pregnant mothers support policy and complementary clinical evaluation. In accordance with current legislation (NR 17) and to go deeper into psycho physiological aspects, we started a study aimed at improving the Ergonomic Analysis of Jobs and Periodical Medical Examinations. In addition to our policies, we have initiatives focused on our employees and their families, involving the communities surrounding our administrative centers whenever possible:

Programs/services	Description	Number of participating employees
Nutritional Care	Offers nutritional clinical care. Offered to those centers with the largest number of employees: CE, CAT, CT, ITM and CA Brigadeiro.	A total of 1,322 persons assisted.
Fitness Center	We have partnerships with fitness centers that offer employee discounts in addition to facilities at some of our offices.	Approximately 9,000 employees use this exclusive benefit.
Checkup	The Conglomerate's officers, superintendents, specialists at senior management level, head office managers and specialists at management level are all eligible for checkups.	Approximately 2,691 executives, 33.8% of total eligible executives, had this checkup in 2017.
Mothers and Pregnant Mothers Support Policy	The Mothers and Pregnant Mothers Support Policy provides a series of rules, procedures and benefits to be offered to employees during pregnancy and mothers returning from maternity leave to meet their physical and psychological requirements. Reduction in working hours: for readapting to work the employee can reduce working hours in the first month after the end of the Maternity Leave. Working hours may be reduced either in the beginning or end of the workday, as agreed between the employee and her immediate manager.	In 2017, approximately 2,586 employees adhered to the Mothers and Pregnant Mothers Support Policy.
Maternity support programs	<ul style="list-style-type: none"> • Baby on Board: an in-person course offered to pregnant employees and employees with pregnant spouses. Important topics are addressed, with guidelines for the first months of pregnancy, such as nutrition of the mother-to-be, care for the newborn, psychological issues, etc. • Mom's Corner: a space for pumping and storing breast milk during working hours. • Baby-at-Home: visits from a specialist nurse to the employee's home in the first week after birth to advise on breastfeeding and initial post-natal care. These programs are available to employees at the São Paulo and Greater São Paulo units.	Baby on Board 1,740 people. Mom's Corner 258 employees. Baby-at-Home: 900 families.



Programs/services	Description	Number of participating employees
Additional 60 days of Maternity Leave in accordance with the Citizen Company Program	We are signatories to the "Citizen Company Program", adherence being optional. The additional 60 days maternity leave begins on the day immediately following the end of the period of leave granted under labor legislation.	<p>Out of the total number of employees beginning maternity leave in 2017, 82.8% adhered to the extension under the Citizen Company Program⁽¹⁾.</p> <p>In addition, the percentage of employees returning from maternity leave in 2017 and remaining in their jobs for at least 12 months upon their return was:</p> <p>2015: 86.0%⁽¹⁾ 2016: 88.7%⁽¹⁾</p>
Paternity leave	This is a perk that allows the employee to extend the paternity leave by 15 days in addition to the five days already legally provided.	1,143 employees adhered to this benefit in 2017.
Electronic time clock	The electronic control of the working day is based on capturing the arrival and departure records input by employees on their work stations. At the branch network and administrative departments, a system was implemented to activate the work station only when the employee records their arrival.	Number of employees eligible for electronic time clock: 69,945 in December 2017.
Working day	Compensation system: To enable employees to take care of their personal issues, they can compensate over or underworked hours in specific days, or exchange them for days off and/or arrive after and/or leave before regular hours, always following what is agreed between the manager and the employee during the current month.	Number of employees in the compensation system: 69,137 in December 2017.
Home Office and flexible working hours:	<p>In 2017, some administrative departments began a pilot project on Home Office and flexible working hours. The main goal of these initiatives is offering flexibility and convenience, and increasing our employees' quality of life.</p> <p>In the case of the Home Office, the employee can work remotely and have the special benefit of time and cost reduction in transportation. Home Office is optional and allows employees to work outside the bank premises up to twice a week, and these days must be previously agreed with the manager.</p> <p>Flexible working hours allow employees to fulfill their working hours in alternative hours, observing the limit period established between 7 a.m. and 8 p.m.</p>	Approximately 800 participating employees.
Fique OK Program	<p>A personal support program to our employees and their family members. This program includes a multidisciplinary team of psychologists, social workers, bankers, nutritionists, physiotherapists, personal trainers, veterinarians, and financial advisors, among others. A 24 hour service is provided by telephone, expeditiously, free of charge and with confidentiality.</p> <p>The purpose of the program is to embrace employees having a difficult moment in life by guiding them to better manage personal, family and professional conflict situations. It supports those employees identified with having gone through emotional changes, forwarding them to psychological evaluation/follow up/or other treatments, and guiding them to adopt conflict management strategies. On-site support is adopted in the case of situations of violence.</p>	<p>Telephone Service 144,000 phone calls/56,400 people</p> <p>On-site Service: 800 people impacted.</p>
Influenza Vaccination	Vaccination offered free of charge to all employees and interns at the workplace and accredited clinics.	Approximately 64% (57,695) employees.
Program for professional rehabilitation and readaptation	<p>A team of doctors and psychologists trained to support and guide employees, adjusting progressively the latter's activities to their health limitations so that employees can fully resume functions after the completion of the readaptation plan.</p> <p>It is also designed to support employees in situations of higher health vulnerability by providing medical, psychological and social support to favor their readaptation to labor activities. Professional rehabilitation aims at reintegrating employees into the labor market through reeducation or readaptation. Eligibility for the program is based on social security (INSS) criteria.</p>	1,500 employees.
Complementary clinical evaluation	With the increase in our illness rates and to monitor and identify reasons for absenteeism in our population, we implemented the Complementary Clinical Evaluation (local acronym ACC), provided in some cities in the States of Rio de Janeiro and São Paulo. Our purpose is to evaluate employees who submit doctor's bills of health to act preventively and as early as possible, to prevent the worsening of disabling diseases, as well as conducting epidemiological data survey.	Target: Extending program to Salvador and Curitiba in 2018.
Leadership Support for Health Promotion	The bank makes available to managers with teams of at least 50 employees a list of lectures aimed at promoting more health and quality of life to employees.	39 lectures held in 2017.
Flexible measures for accompanying family members	A structured policy (RP 09) that provides for absence due to hospitalization of a relative, including parents, grandparents or any elderly dependent on the employee (one business day every 12 months). Additionally, absences due to personal reasons can be previously negotiated with the manager for later compensation.	Target: Include a one day bonus for accompanying elderly every half year.
Ongoing improvement of periodical medical examinations	<p>Periodical medical examinations are one of our main intervention and prevention tools, considering that they are already carried out, even though NR-7 allows biannual evaluations. We are increasingly improving the quality of medical examinations, taking into account the following factors: waiting time to be assisted, quality of physical examination, clarifications/guidance provided, suitability of the examination site and satisfaction level with the appointment. We seek to provide the most comprehensive coverage. Implementation of occupational rooms in Curitiba and Salvador. We apply the questionnaire SRQ20 in periodical examinations aiming at early identifying employees who have gone through emotional changes and forwarding them to psychiatric/psychological evaluation/follow up and/or to professional readaptation.</p>	<p>A 98% satisfaction according to the survey conducted in our outpatient clinics. Satisfaction increase with the accredited network from 96% in 2016 to 98% in 2017.</p> <p>Increase in the rate of examinations carried out in the accredited network from 67% in 2016 to 97% in 2017</p> <p>Target: Maintain the rate of examinations above 98%.</p>



Programs/services	Description	Number of participating employees
Projeto Meu Tempo (My Time Project)	This project was designed to prepare employees for a healthy and structured career transition. Topics addressed are focused on self knowledge, career alternatives, health prevention and financial and personal planning.	Pilot project started in July 2017 with 60 participants. Completion expected for December 2017. Satisfaction rate of 4.7% (range 0-5).
Ergonomic Analysis	The purpose of this study is the development of an ergonomic analysis model to cover the psycho physiological aspects of work organization to monitor and ensure employees' health and safety.	Beginning of the study: September 2017. Expected delivery: December 2017.
Occupational health examinations in LATAM countries	<p>Uruguay: every two years.</p> <p>Paraguay: every year.</p> <p>Argentina: every year.</p>	<p>Uruguay: 42% of eligible population in 2017 was examined to date.</p> <p>Paraguay: 85.5% employees examined.</p> <p>Argentina: the examination rate is calculated based on days per examination. The percentage of days per examination is 0.02%.</p>
Emergencies	The bank has a structured department for business continuity, including matters related to damage or risks to our employees' lives, with objectives and responsibilities described in policies (CNS and CN 20). In emergency situations, the bank has ten outpatient clinics structured for welfare and emergency assistance, as well as a company contracted for removal from protected areas.	183 removals in 2017.

(1) In 2017, we reconsidered the calculation made in previous disclosures, removing the abortion license from the account.

In 2017, we also designed the Corporate Well-Being Program focused on increasing synergy among partner departments, thus improving the management of initiatives. This program is based on three pillars:

- **Keeping up with your health:** Raise employees' awareness on health prevention by encouraging healthy behaviors, such as: food, physical activity, preventive examinations, vaccination, seeking to achieve full health.
- **Inner balance:** Providing conditions for a better balance between personal and professional life, training employees to address adverse situations, such as stress management, focusing on the current moment and providing strategies for the future.

- **Social:** Promote health actions and information focused on cooperation and social support, in the workplace and in society.

Safety

The Internal Accident Prevention Committee (local acronym CIPA) and safety representatives establish the responsibilities and necessary actions to ensure compliance with Ordinances Nos. 3,214/78 and SIT 14/07 of the Ministry of Labor and Employment. These Ordinances govern the mandatory organization of an Internal Accident Prevention Committee and, depending on the extent of its responsibilities, they require the appointment a Workplace Safety Representative (local acronym RSLT) trained in accident prevention.

Activities	Description
SIPATs (Internal Accident Prevention Week)	This is held annually at the organization's major administrative centers with a focus on prevention and raising awareness of the topic of occupational accidents. This initiative is run jointly with CIPA, made up of staff from different hierarchical levels, such as managers, coordinators and analysts. It reaches 38,500 ⁽¹⁾ (42.7%) employees and, on digital basis, 100% of the population. GRI 403-1 Branches are provided with SIPAT contents through the corporate Portal, on the Occupational Safety Page.
Accident Investigation with Preventive Actions	Analysis of causes of accidents to further work on prevention and identification of other situations. The process is carried out using our personnel system and covers all administrative employees through the personnel department.
Ergonomic Analysis of Jobs	Preventing employee discomfort when executing daily activities, including the verification of the state of furniture (chairs and desks), equipment, approval of ergonomic accessories, description of activities undertaken, and working hours and workplace organization. This initiative is carried out at the workplaces of all company's employees.
Environmental Survey	Visits to the units to check temperature, lighting and noise levels, speed and relative humidity of the air in order to comply with legislation. This initiative is carried out at the workplaces of all company's employees and sectors.
Occupational Health and Safety Training	<p>Ergonomic adjustment: Provides ergonomic information for telemarketing operators, advice on the correct use of the furniture and equipment. The training is provided by occupational safety experts at the São Paulo telemarketing centers.</p> <p>Refresher training is periodically provided via e-learning.</p> <p>Workplace Safety Representatives: At company units where a CIPA is not required, we provide e-learning training on occupational accident and disease prevention. This training is designed for branch managers and supervisors.</p> <p>Employee Health and Safety (NR-1): Employees receive full guidelines relating to occupational accident and disease prevention via e-learning.</p> <p>Ergonomics Training for Tellers: Following the installation of new cash counters in the branch network, all tellers are trained in the correct use of the new facilities.</p>
Workstation Evaluation	With a view to enhance employee comfort (including PWD), the Occupational Safety Specialist and Engineering team undertakes individual workplace evaluations to improve working postures while carrying out activities, through request of the manager or medical recommendation.
Environmental Risk Prevention Program (local acronym PPRA)	Rates the performance of the business units to verify physical, chemical and biological hazards in the environment and proposes necessary adaptations for eliminating exposure to such risks.
Preparation of Reports on Insalubrious or Dangerous Conditions	On-site inspections made at specific business units to identify unhealthy or hazardous conditions as required by applicable Brazilian legislation. Conducted at all workplaces where employees are potentially exposed to environmental risks.

(1) Refers to the percentage of the total number of employees at administrative complexes, excluding branches, International Units and outsourced sites.



The company uses internal indicators and rules to manage Occupational Health and Safety-related programs.

Occupational Health and Safety results

Indicators	2017	2016	2015
Rate of work related injuries (%)	1.87	2.36	1.98
Rate of working days lost (%)	693.13	908.44	773.55
Rate of occupational illness (%)	1.39	2.03	1.56
Absenteeism rate (%)	1.18	1.11	1.42
Deaths	2.00	1.00	2.00

Occupational Health and Safety issues are also addressed at Collective Bargaining Agreements with labor unions and the Occupational Safety and Health Sub-Commission of FEBRABAN.

Our employees are not subject to high incidence occupational diseases or to high risk of specific diseases. Incidents are due basically to carelessness or unsafe actions on the part of employees, such as falls between their residence and the company and vice versa, in which cases the company has no management control. To minimize incidents/accidents, the bank provides e-learning training to all employees. **GRI 403-3**

More about our health and safety results can be found on [page A-470](#).



Performance

Meritocracy

Meritocracy is our way of managing people and differentiating them on the basis of their relative performance. Feedback is part of this exercise, as are opportunities for development suited to each employee's needs and also their role in continually pursuing the best opportunities.

The employee performance evaluation is aimed at measuring the employee's performance over a one-year period. To this end, we use three evaluation tools:

- **Goals (X-Axis):** Aimed at evaluating what was achieved through an analysis of the employee's results over the year when set against preset goals and levels of achievement.

Our employees and executives have goals related to their departments, both for customer satisfaction in commercial departments and for risks, credit, and brand reputation in departments that address each of these fronts. Officers of the personnel department have attraction, retention and development goals, and some officers have targets related to prevention of fraud and illegal activities, such as Compliance, and all management members up from the manager position have efficiency goals.

- **Behavior (Y-Axis):** Aimed at evaluating how results were achieved by the employee based on an analysis of behavioral attitudes deemed as fundamental by the organization, such as Risk Management (assessed for all employees), as set out in our corporate culture, "Our Way" (for further information on "Our Way" and "Our Culture", see to [page A-28](#)).

- **Strategic People Plan (local acronym PEP):** consolidation of scores related to the evaluation of goals and behavioral attitudes to analyze the relative performance against the employee's peers on a group basis. For 2016⁽¹⁾, 43,535 employees were evaluated as part of the PEP (including foreign units), accounting for approximately 49.48% of total eligible headcount⁽²⁾. In 2016, in our foreign units (Argentina, Chile, Colombia, the United States, England, Paraguay, Switzerland and Uruguay), 3,342 employees were evaluated in the PEP, accounting for 52.46% of eligible employees⁽³⁾.

At the end of each process, our employees receive feedback to understand their strengths and opportunities for improvement. This feedback process provides each employee with ideas for designing an Individual Development Plan (local acronym PDI) by mapping recognition and development actions, in accordance with the career stage of each one.

Evaluation of Employees

In Brazil, employees working at branches who do not hold a management position are evaluated every six months through *Trilhas de Carreira* (Career Paths), the purpose of which is to support people's planning for career moves. It is based on performance indicators that evaluates results, how the work is performed and development stage. Productivity (both individual and branch performances are taken into consideration) and quality of service and sales (customer satisfaction survey, sales volume to potential clients, percentage of cancelled products and other indicators are evaluated).

Meritocracy decisions for over than 30,000 people are made in joint committees conducted by consultants of the personnel department together with managers who evaluate each employee based on proposed achievement levels.

Once every six months (usually in March/April and September/October), this committee is conducted by the Human Resources department together with managers to discuss about individual employees. In these discussion, a number of individual indicators on business, quality of sales and results are presented, which are the basis for allocating employees to six possible classifications.

In the first half of 2017, 31,931 employees were evaluated, accounting for 36.29% of eligible employees⁽⁴⁾.

Remaining employees participate only in an individual evaluation (evaluation of goals and behavioral attitudes) or other specific evaluation models. This ensures that 100% of eligible employees in the organization are subject to some form of performance evaluation. The 2017 process is still underway. **GRI 404-3**

(1) Information on fiscal year 2017 was not available as at the date of publication.

(2) Considering a total of 87,988 eligible employees participating in the evaluation system (Brazil and foreign units).

(3) Considering a total of 6,370 eligible employees participating in the evaluation system (Brazil and foreign units).

(4) Considering a total of 87,988 eligible employees participating in the evaluation system (Brazil and foreign units).

To ensure that each employee's development is ongoing and structured, in 2017, 81.75% of officers, 39% of superintendents and 45.15% of managers prepared their own Individual Development Plan (PDI). All of these plans were discussed in a Development Committee to define consequential management actions. Although recommendable, this activity is optional for those at coordinator and analyst levels, and for these levels the achievement was 6.5%.



Training and development

The Itaú Unibanco Business School devises learning solutions that match the organization's culture and strategies, by offering specific training programs covering technical and behavioral topics, through the use of a number of methodologies and media.

Our training department fosters initiatives for developing and continuously improving teams and leaders, since people are seen as fundamentally material to the business perpetuation and sustainability, delivering results and benefits to stockholders, employees and society alike.

In 2017, our efforts focused on the development of three essential behaviors to the new operating model for Delivery Communities in the Technology area: Collaborating, Constantly Learning and Lean Thinking.

The training schedule was developed with the purpose of:

- Activating key behaviors (lean thinking, collaborating and constantly learning) of community leaders and superintendents;
- Connecting key behaviors with the Lean philosophy principles and how they apply to leaders and members;
- Establishing a support network aimed at engaging in changing;
- Demonstrating through examples and content the expected attitudes/behaviors to members; and
- Establish a commitment to change those involved.

To support the management of Community leaders and monitor the delivery performance, communities use operating and target indicators, as well as the central governance process that was established.

Over 2017, the Commercial Franchise team (IA + IU + EMP4) developed two training programs for branch network employees. The first program is online (remote) training called *Meu Foco* ("My Focus"), aimed at providing tutorial videos of up to four minutes, with tips and relevant information for the day-to-day customer service and processes of commercial and operation departments, in addition to a set of certifications based on schedules of online courses available on a monthly basis. Indicators are being developed to show the impact of these training on employees' performance. The second training model is an in-person courses track applied by the Franchise Model Managers (local acronym GMFs) for branch employees aiming at developing, reinforcing knowledge and hands-on training in the business they work in. Our current indicators

unveil the perception of an improvement in these employees' performance and development, as shown when we compare trained and non-trained employees or individual employees before and after training.

Our Corporate Portal includes policies on training, education, development, good practices and ethics, which provide planning guidelines and corporate educational initiatives for leaders and teams. In 2017, the bank invested R\$232 million⁽¹⁾ in training with more than 9,096 groups completing in-person training activities.

We use two types of indicators to enhance training program management: process (budget, volume and efficiency) and quality (reaction, learning, applicability, impact on business, and return on investment), thus ensuring the input necessary to improve our programs.

See more information on training in the table on [page 470](#).

Itaú Unibanco Business School in numbers:

- Average rate of adherence to training events (%):

2017	2016	2015
93.7	92.0	91.0

- Number of employees trained in in-person activities (numbers may reflect one employee participating in more than one program):

2017	2016	2015
168,784	91,897	97,304

- Participation in online training programs:

2017	2016	2015
977,040	947,744	1,073,869

- Scholarships:

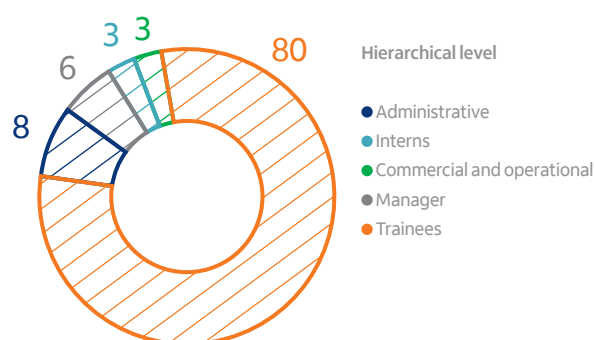
	2017	2016	2015
Postgraduation incentive program	1,476	1,427	1,709
Determined by the Collective Bargaining Agreement No. 16/17	5,500	5,500	3,708
Study of languages	325	349	101
Total scholarships	7,301	7,276	5,518

- Total (in-person classroom hours): **GRI 404-2**

2017	2016	2015
2 millions	1.4 million	1.5 million

(1) This amount refers specifically to the training offered by the Business School.

Average training hours per employee (%)



Hierarchical level	Average training hours per employee	Total employees
Manager	20	13,783
Administrative	26	27,180
Commercial and operational	10	41,738
Trainees	271	139
Interns	10	4,743

Leadership training

Our strategy for training leaders seeks to ensure the sustainable performance of our business. This guidance is even more important in an adverse macroeconomic scenario.

We believe that a manager with well developed leading skills can strengthen the team engagement with the bank. Therefore, the development schedule includes training new leaders as well as the more senior executives of the organization.

In 2014, we committed to the target of having all coordinators and managers take our corporate leadership training program in up to two years, based on three pillars: people management and performance, ethics workshops and good labor practices. This target was successfully met and 99.9% of managers undertook the program. Since then we have pursued this target and in 2017 our rate was 87%.

In 2017, we continued our risk schedule and started comprehensive digital training with national and international instructors. We understand that our leaders must be prepared and sensitized regarding these two essential pillars to focus on the bank's sustainability and future. For the topic risks, strong partners were invited, such as Wharthon University and Dan Ariely, who is a great behavioral economics icon. The digital schedule, in turn, had actions in partnership with Decoded and Stanford. Our program also covers topics such as communication, clients and banking business, and includes lectures with the bank's executives that talk about what is being done internally in each work front.

[Decoded – Demystifying digital]

- Contextualize officers and superintendents about the digitization scenario and customer centricity.

Stanford – Innovation & Business

- Leading Innovation;
- FinTech Innovation;
- Leading collaboratives teams; and
- Scaling excellence.

Digitalks

- We held lectures with bank's executives and they talked about how we are addressing digital transformation and sharing major initiatives of each department. A total of 570 people attended the lectures.

In the Branch Network, we identified the need for training managers to leverage the quality of people management. In 2018, we will address topics such as Knowledge, Resilience, Performance discipline, Ambition and persistence, Communication, Originality, and Relationship and Emotional balance, in a customized education schedule.

In addition to corporate training, we offer specific training events aligned with each executive's career stage and customized for the Individual Development Plan, including in-person and online training solutions, such as online continuing education platforms, language courses, postgraduation programs, MBA, seminars, congresses and short-term courses in Brazil and abroad.

Training Strategy for LATAM in 2017

Development and application of topics associated to the Bank's digital transformation. Another front is related to training programs that strengthen the focus on clients and service excellence in physical and digital branches.

Based in this scenario, we developed the following training programs:

- **Agile Methodology and Design Thinking:** Conceptual and hands-on training on methodologies that support innovation and digital transformation initiatives in Latin America. Countries: Brazil, Argentina, Paraguay and Uruguay.
- **Digital Branches:** training schedule for employees who work in Digital Branches covering tools, business and behavior. Country: Uruguay.
- **Business Management and Commercial Coaching:** training for Account Managers, which bring tools for improving portfolio management focused on the challenges in the corporate segment of each country. Countries: Argentina and Paraguay.

- **LATAM Digital Academy:** development of a list of topics associated to digital transformations and innovations that may impact the bank's core business. These topics can be explored through in-person and online training, lectures, articles and videos.
Countries: to be defined.

- **Visit Journey (game learning):** online game aimed at training Account Managers of foreign units on Visits (pre, during and post-visits).
Countries: Argentina, Paraguay and Uruguay.

More about our training results can be found on [page 470](#).



Career Opportunity Program (local acronym POC) GRI 404-2

The Career Opportunity Program (local acronym POC) is our internal mobility tool, through which employees and interns are encouraged to take on the role of protagonists, seeking opportunities in line with their career expectations, and managers are able to identify people from different departments who have profiles adequate to fill any possible vacancies.

One of the main purposes of this tool is for our employees to be able to take advantage of internal vacant positions, thus providing for the broadening of development horizons and encouraging them to take on a central role in their career management and to reduce our turnover rate.

POC transferences 2017 Jan.-Dec. 2016 Jan.-Dec. 2015 Jan.-Dec.

Employees transferred through POC	2,353	1,957	1,598
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Available opportunities are announced internally to employees through the corporate portal. In addition, employees may register their prior interest for up to three executive departments and six careers. Whenever a vacancy becomes available for the chosen careers and departments, an advisory e-mail is sent to registered employees notifying them of their eligibility for the positions in question.

For foreign units, the internal filling of vacant positions is carried out through referrals and notices disclosed by the local HR department by email. These units have no access to the corporate portal and, therefore to the POC tool.

Other initiatives regarding the filling of internal positions include the career planning of interns and young apprentices. From January to December 2017, 1,072 interns were hired and 925 apprentices filled vacancies as interns or employees in the bank. Additionally, we have the Connecting Opportunities Program, which connects professionals whose roles have changed or do not exist anymore to departments in the bank with vacant positions, so they have opportunities to assume new responsibilities. Transfers may also occur outside the scope of the Connecting Opportunities Program.

All these actions, except for the career planning of young apprentices, contribute for our internal filling of 71% vacant positions.



Talent programs

In order to ensure our business sustainability, we carry out programs that provide development actions aimed to prepare employees to turn potential into results in the short term.

Program	Description	Recruitment	Retention rate
Young Apprentices	Provide a first job experience and professional and personal development, expanding the knowledge about the financial market and filling intern and entry positions, composed of young people with previous banking experience.	From January to December 2017, 2,095 young people were hired as Apprentices.	From January to December 2017, 34% apprentices were retained and 94% are still in the bank.
Corporate Internship	The purpose is to attract and develop young talents with potential to fill entry positions in corporate areas. The duration of the program is up to 2 years and it has a specific training schedule.	In 2017, 59,644 young people were enrolled in the Corporate Program, and 2,094 were approved for internship.	In 2017, 48% of these interns were effectively hired, and out of these 98% are still active in the bank.
Internship in our Branch Network	Attract and train young university undergraduates, focused on developing talents for the Branch Network. The duration of this internship is 12 months and may be extended to 18 months. This internship program has an online training schedule with 56 courses.	For open positions during the year 2017, 3,179 were approved for internship.	In 2017, 28.5% of these interns were effectively hired, and out of these 99% are still active in the bank.
Vacation Internship	The purpose is to attract talents from the best universities in Brazil and abroad, offer a corporate experience with challenging projects, fill other talent programs and provide knowledge about Itaú Unibanco. National Vacation Internship: The National Vacation Internship was offered in two moments in 2017, during summer (December, January and February) and winter (July) university vacations. International Vacation Internship: The International Vacation Internship was offered in one moment in 2017, in May and October, at the summer vacation in the Northern Hemisphere.	For the Vacation Internship, 4,426 people were enrolled in July 2017, and 74 out of these were accepted for the Program. For the December Program, 11,071 people were enrolled and 108 were accepted for the Program. For the International Vacation Internship, 56 interns were accepted.	Not applicable.

Program	Description	Recruitment	Retention rate
Trainees	<p>The purpose of the program is to quickly develop young talents through robust training and challenging work experience, supplying the bank's talent pool both for positions involving expertise and personnel management.</p> <p>During the 12 months of the program, we designed the Trainees experience so we were able to develop it based on the needs of each business, enabling them to work in specific department projects or providing job rotation, which gives a holistic view of the departments.</p> <p>Additionally, the trainees attend technical and behavioral training, mentoring and networking events with the organization's main executives.</p> <p>During job rotation Latin America, trainees may choose to work in one of the foreign units.</p> <p>For those trainees who stood out we offer an Accelerated Career Program in line with the possible outlooks of each business, with training and coaching sessions.</p> <p>One of the pillars of the Post-Trainee Program is the Global Mindset, through which they visit foreign units during a week to understand the bank's operation outside Brazil.</p>	<p>In 2017, over 23,000 young people were enrolled and 143 were hired for the program.</p> <p>A total of 42 ex-trainees, selected from a group of 2,016 trainees, take part of the current Post-Trainee Program.</p>	<p>97% retention of the group in 2017⁽¹⁾.</p> <p>The Post-Trainee Program's retention rate in 2017 was 100%.</p>
Fellows	<p>The program takes two years and its purpose is to develop the future leadership. The program design is based on two pillars: problem solving and leadership of people and projects.</p>	<p>9,185 ex-trainees were enrolled and 30 were selected in January 2017.</p>	<p>The Fellows' retention rate in 2017⁽²⁾ was 87%.</p>
International Sponsorship (MBA, Master, Sloan and LLM)	<p>The program aims to develop our employees on programs such as MBA/Sloan/MASTER (Master of Law – LLM/Master in Finance – MIF) at top business schools in the US and Europe, monitored by the Human Resources department and executives.</p>	<p>In 2017 189 employees were enrolled and 19 out of these abroad in the same year.</p>	<p>The retention rate of the 2017⁽²⁾ sponsored employees group was 93%.</p>
MBA Summer and Full-Time Associate	<p>We recruit students from the best US and European business schools for summer internships in our organization.</p> <p>These MBA Students stay at Itaú from nine- to 12 weeks.</p> <p>During the year we visit over eight overseas universities.</p> <p>We also offer full-time opportunities in our organization for MBA students who graduated from the best US and European schools.</p>	<p>139 MBA students were enrolled and 14 out of these took part in the Summer Program.</p> <p>79 were enrolled in the Program. Out of these, 6 employees were hired as MBA Full-Time Associate, and 5 of them were ex-participants in the Summer Program.</p>	<p>Not applicable for the Summer Program.</p> <p>The retention rate for the group ending the Full-Time Program in 2017 was 66%.</p>

(1) Calculated between January 2017 and December 2017.

(2) Until December 2017.

Pesquisa Fale Francamente (Speak Frankly Survey)

The Speak Frankly survey is held annually with all employees in Brazil and International Units to measure the level of staff satisfaction with the organizational environment and people management. The methodology used is provided by the Great Place to Work consulting company and comprises five dimensions: Credibility, Respect, Impartiality, Pride and Fellowship.

In 2017, the results of the survey showed an 86% satisfaction rate for 92% of all employees who voluntarily responded to the survey. The general result of the survey was up 100 basis points from the previous year.

Survey's results

Base year	Units	Employees who responded (%)	Satisfaction (%)
2017	Brazil and International Units	92	86
2016	Brazil and International Units	89	85
2015	Brazil and International Units	88	82

The survey's results are forwarded to all managers and staff, who may access not only overall results, but also the figures for their own departments. With these results at hand, managers and employees are encouraged to gather together to analyze the results of their departments and prepare an action plan based on our Practice Guide, developed to guide

managers and teams to carry out actions that positively impact climate and people management. The action plan is composed of 12 best practices and should be adopted based on each department's needs.

Additionally, the Organizational Climate department develops studies based on the overall result, by dividing the satisfaction rate by samples (e.g.: corporate vs. branch network) and by demographic data, and forwards them to the Executive Committee for appreciation and definition of strategies for the coming year.

Survey on Best Companies

Itaú Unibanco participates in four external surveys related to the Best Companies to Work For concept, in an effort to comprehensively monitor management practices and to compare them to other companies in the market. The focus of these surveys is the analysis of management aspects of organizational climate. The Institute Great Place to Work organizes this research in partnership with *Época* magazine, Aon consulting company in partnership with *Valor Carreira* magazine. Finally, these two latter are conducted by *Fundação Instituto de Administração* (FIA) in partnership with *Você S/A.* magazine – and one of them is a satisfaction survey on young people. The institutes select more than 6,000 employees in Brazil randomly to answer surveys.

In 2017, Itaú Unibanco was among the Best Companies to Work For in all rankings mentioned above, not only in Brazil, but also in Paraguay.

Recognition

Each year, we stage the Walther Moreira Salles Award, one of our most important forms of recognition, the purpose being to enhance the value of the organizational culture recognizing exceptional employee projects and practices, in Brazil and foreign units. This award covers both projects and managers that have achieved notable results in efficiency, customer satisfaction, innovation, risk management and leadership. Each successful entrant is awarded a trophy and a specified number of our shares are distributed equally among the winners. In the 2017 edition, there were 137 applications of projects and 161 applications of leaders, 12 finalist projects and three finalist leaders, and a total of 41 employees who received awards.



Compensation GRI 102-36 | 103-2 | 103-3 Diversity, equity, and inclusion

Fixed and variable compensation policy

The purpose of fixed compensation is to recognize a professional's competence and seniority. Employees may have their fixed compensation altered in accordance with our promotion and merit policy. Fixed compensation for our employees, plus payroll charges and benefits, totaled approximately R\$15 billion in 2017.

The variable compensation, in turn, acknowledges the level of dedication, the results achieved and its short, medium and long-term sustainability. Each employee has targets to meet that are linked to each department's strategy, which in turn reflects our global strategy.

Our policy for fixed and variable compensation is in line with market practices and our compensation strategies depend on the unit in which each employee works. Market alignment is assessed annually through a compensation survey conducted by specialized consultants. We also take part in surveys held by other companies while also attending forums specialized in this topic.

A committee involving our senior management supervises our governance model and determines general principles and guidelines, in line with market practices and regulations. For further details on our compensation practices, see Our Governance section, Administrative Structure item, Compensation Committee.

Additionally, our employees are assured salary increases and profit sharing based on the collective bargaining agreements signed with the unions for each employee category.

Our variable compensation programs are as follows:

Types of variable compensation	Description
Profit Sharing (local acronym PLR)	Distribution of a percentage of our net income up to an amount specified in the collective bargaining agreement signed with the relevant union.
Bonus (local acronym PR)	Our Bonus program reflects our business performance (such as a business area's results) and the employee's individual performance.
Supplementary Bonus Program (local acronym PCR)	Participation in Bonus programs that depend on the results of our corporate performance and consist of the payment of an amount determined in accordance with the union concerned.
High Performance Compensation Program (local acronym PRAD)	Additional profit sharing for the 30% of employees who were best evaluated and not covered by Bonus programs. This program also depends on the Conglomerate's performance.
Differentiated Performance (local acronym PD)	PD is a program for employees in leadership or similar positions in our conglomerate. It grants deferred shares as compensation, using our preferred shares (ITUB4) ⁽¹⁾ as instrument. This model reflects individual assessments to reward professionals who have been outstanding in their results and behaviors. Its aim is to strengthen personnel management, self-development and team building.

(1) Details about the companies of Itaú Unibanco Holding in Brazil managed by the human resources area.

The variable compensation programs above are also used in the International Units, except the programs resulting from collective bargaining agreement, which may be replaced by programs based on collective bargaining agreements applied to each location. Stock-based compensation programs for the International Units use Phantom Shares as grant and payment instruments.

Partners Program: we adopt a long-term incentive program that recognizes and highlights professionals who make a difference, spearheading the building of the Conglomerate's future, as well as reinforcing and disseminating the vision and a "business owner" attitude, strengthening and disseminating Our Culture. Under this program, employees and management members who are partners or associates may invest part of their Bonus to purchase our shares, receiving a matching in shares. For further details, see [page A-80](#).



Benefits GRI 401-2

We offer several benefits under collective bargaining agreements entered into with labor unions that cover all our employees and include obligations such as meal or food vouchers, monthly staples packages, day-care/nanny costs, and transportation vouchers. These benefits are offered only to currently active employees working in Brazil who are on the payroll, including employees with reduced working hours or hired for a fixed term. We also provide a benefits package with special fees and discounts on banking products, partnership programs, healthcare plans with an extensive network of accredited service providers, and other programs for employee health and well-being, such as:

Program	Description
Health and Dental Care	87,800 employees are currently covered by health plans and 64,400 by our dental care plan.
Complementary Private Pensions	There are 22 pension plans managed by two closed funds and one open fund. Two main aims are served by these plans: topping up social security benefits and maintaining standards of living for retirees. Contributions to our pension plans totaled approximately R\$239 million in 2017. Approximately 70% of employees have voluntarily adhered to some of the plans offered.
Group Life Insurance	Group life insurance covers a beneficiary's death or disability. The plan automatically includes spouses and children and extended funeral assistance coverage. Employees who already have life insurance may get a supplementary policy to increase the amount insured.
Financial products and services with discounts for employees (loans, purchasing consortiums, insurance, credit cards)	Banking products at discounts and/or special fees, such as payroll loans, overdrafts, banking charges, auto insurance, home insurance, purchasing consortiums and real estate loans.
Pharmaceuticals	Discounted prices for drugs and cosmetics purchased at the Droga Raia and Drogasil chain stores by using an ID card.
Tuition	5,500 tuition grants, 1,000 primarily for employees with disabilities allocated in the banking sector; 4,000 for bank employees and 500 for non-banking staff, to subsidize part of the costs of first and second graduation courses and also postgraduate courses.
Itaú Unibanco Club	Leisure, recreation, cultural and sporting activities intended to foster integration and quality of life for our employees, retirees and their families. We have three clubs, located in Guarapiranga, Itanhaém and São Sebastião.
Itaú Unibanco World Partnership Program	Our Itaú Unibanco World program provides benefits, discounted prices and exclusive services from several partners in Brazil and Latin America.

Learn more about Benefits in the Health and Security item ([page A-425](#)).



Ethics GRI 102-16

Ethics is present in our business and is reflected in the transparency, respect and honesty in the relationship with our stakeholders, in the quality of our services and products and in the concern with financial performance and social and environmental responsibility. These ethical principles are also present in internal relationships in which we cultivate environments that provide for the performance of quality and relevant work for those who perform it, for the institution and for society. With this purpose, our Code of Ethics is in place to guide, prevent and resolve ethical dilemmas and conflicts of interest related to our activities and internal relations. This document along with the Integrity and Ethics Corporate Policy (which was updated in August 2017) and, in combination with *Nosso Jeito* (Our Way), which highlights one of our main values: Ethics is non-negotiable, it helps us in our business, activities and in the decisions we make with respect to all our stakeholders: employees, clients, stockholders, suppliers, partners, government, competitors, the media and society. Our Code of Ethics is divided into four basic principles:

- Identity (what distinguishes us from other companies);
- Interdependence (the engine of social coexistence);
- Good faith (trust building trust); and
- Excellence (the continuous search for the highest levels of quality).

This Code reflects our attitudes towards the development of a set of values, corporate culture, beliefs and attitudes adopted at all times by all our employees and management members. Our Code of Ethics is approved by the Board of Directors and applies to all directors, officers and employees of our conglomerate in Brazil and abroad. It is available in four languages (Portuguese, English, Spanish and Japanese, local languages where it operates), and we require our employees

to formally acknowledge and accept its terms electronically once a year. This document is also available for all suppliers, service providers and subsidiaries of Itaú Unibanco. In 2017, 93% of active employees and managers of the organization have acknowledged and accepted the corporate integrity policies (which include the Corporate Code of Ethics).

Integrity policies (%)	2018 target	2017	2017 target	2016	2015
Adherence to the term of acknowledgment and to the corporate integrity policies	95	93	95	98	92

Additionally, our Code of Ethics provides for our formal commitment to the topics indicated in the ILO's fundamental conventions and other international agreements, such as the prevention and fight against illicit acts (such as corruption, fraud, and money laundering), elimination of child, forced or compulsory labor, combat against all forms of discrimination, promotion of appreciation of diversity, prevention of sexual harassment in the workplace, and respect to the rights to free union association and collective bargaining agreements.

In addition to these guidelines, the Code of Ethics provides for the forwarding and analysis by the proper departments of cases of misconduct, interpersonal conflicts, violation of rules and conflicts of interest in the context of our operations. More complex cases are submitted to specific Integrity and Ethics committees for decision.

Our Code of Ethics is available to all employees on the intranet and to our stakeholders on our Investor Relations website. We communicate and train our employees on the guidelines of our Code of Ethics through in class and on line training.

Ethics training (%)	2018 target	2017	2017 target
Training for employees and management members (e-learning, seminars on ethics for senior management)	85	88	85

In November 2016, we also launched the Code of Relationship with Suppliers with the purpose of achieving the same transparency, legality, quality and reliability we have with our customers, also in the interactions with our suppliers and service providers. They need to adhere to the guidelines of this code as of its launching, ensuring alignment of principles in the business relationship. Also in 2017, we were selected to compose the 2017 Pro-Ethics Company list (*Empresa Pró-Ética 2017*) promoted by the Ministry of Transparency, Inspection and General Controllershship of the Federal Government.

Through the Integrity and Ethics Corporate Program, which comprises: the commitment of our senior management, creating and managing policies and procedures, communication and training activities, continuous monitoring and availability of doubt solving and whistle blowing channels – Itaú Unibanco aims to ensure the conformity of its business, processes and activities to the Code of Ethics and to the principles and values of Itaú Unibanco Conglomerate in Brazil and abroad.

The Operational Risk and Compliance Executive Area (DEROC) monitors the effectiveness of the Integrity and Ethics Program, periodically reporting to the Audit Committee and institutional committees that address Integrity and Ethics subjects. This monitoring comprises testing processes by Internal Controls, monitoring of indicators, information from doubt solving and whistleblowing channels and addressing new regulations that might impact the program. Based on the outcomes of such monitoring, we identify any needs to adjust or improve the Integrity and Ethics Program. The Internal Audit carries out an annual independent assessment of the Integrity and Ethics Program.



Combating corruption GRI 102-16 | 102-17 | 205-2 | 103-2 | 103-3 Combat of corruption and illicit activities

Based on the best global practices, our purview of corruption covers illegal acts between public and private agents, as well as those involving private agents only.

Our Corruption Prevention Corporate Policy reinforces our commitment to cooperate proactively with local and international initiatives to prevent and combat all forms of corruption. It also sets guidelines for the conception, execution and continuous improvement of the Integrity and Ethics Corporate Program aimed at the development of corruption prevention, monitoring and combating practices, using reporting channels and promoting corruption prevention awareness campaigns and training programs. This policy is available to all employees on the intranet in Portuguese and to our stakeholders on our Investor Relations website in Portuguese and English.

Based on local and foreign legislation (Brazil's Federal Law No. 12,846/2013; the Foreign Corrupt Practices Act and the UK Bribery Act, among others), case law and global market information, we identify the countries with the main risks related to the practice of corruption. In all countries where we operate, we have processes and controls related to relationships with clients, public sector and third parties according to the specific regulations and particularities of each jurisdiction.

Responsible for the Corporate Integrity and Ethics Program, the Compliance Department is available to receive opinions and solve doubts accordingly. We also provide a whistleblowing channel for employees and stakeholders to report any suspicious of corruption, which may culminate in dismissal or contract interruption. Both channels guarantee confidentiality and anonymity to anyone who so desires.

In 2017, we received three complaints of possible acts of corruption involving private agents, all of which proved unfounded after an internal investigation was conducted.

Possible acts of corruption	2017	2016	2015
Reports on suspected corruption acts	3	3	2

In 2017, we maintained our in class and on line continuing education program, especially for the departments most sensitive to the corruption risk, which have relations with governments and suppliers. The percentage of adherence of employees and senior management to distance training achieved 93% in 2017. See the table below for the breakdown per job level by the end of 2017:

Percentage of adherence on distance training		
Job level	2017	2016
Senior Management ⁽¹⁾	89	82
Middle Management ⁽²⁾	91	83
Workforce ⁽³⁾	93	84

(1) Officers and above.

(2) Superintendents, managers and supervisors.

(3) With no management position.

In 2017, we carried out in class Integrity, Ethics and corruption combat and prevention training activities with employees of the departments most sensitive to the corruption risk and to the senior management of units in Argentina, Paraguay, Uruguay, Chile, the Bahamas, the United States, and with the LATAM team in Brazil. Additionally, the distance education program on corruption prevention is in place in the units in Argentina, Paraguay, Uruguay and the United Kingdom.

In addition, we periodically carry out institutional communication of corporate integrity and ethics on the corporate corruption prevention policy and related guidelines to all employees and managers. We also carry out due diligence activities in mergers and acquisitions processes. To ensure the ongoing improvement of the Corporate Integrity and Ethics Program, we conduct periodic reviews of our corruption prevention processes and controls, based on the follow-up of current regulations and the best market practices. Any opportunity for improvement identified is discussed in the Integrity and Ethics committees, mentioned above, and reported to the Board of Directors. We believe that through the commitment of our senior management, a continuing education and communication program, together with a strong system of internal control and compliance, we have an effective process to mitigate the risk, diagnose, reprimand and combat misconduct.



Ombudsman GRI 102-17 | 406-1 | 103-2 | 103-3 Diversity, equity, and inclusion

To strengthen our commitment to ethics, we have an Internal Ombudsman channel in place – the Internal Ombudsman's Office.

In 2017, the Internal Ombudsman's Office completed its 10th anniversary. In this period over 20,000 employees were assisted. This figure is a result of the credibility achieved mainly by the channel commitment to the quality of the work developed over these years and the consolidation of the Internal Ombudsman's Office role in the organization.

Ruled by commitment, dialogue, transparency, owner's mind, integrity and ethics, the purpose of the Internal Ombudsman's Office is to help employees resolve interpersonal conflicts and conflicts of interest in the work environment, ethical misconduct

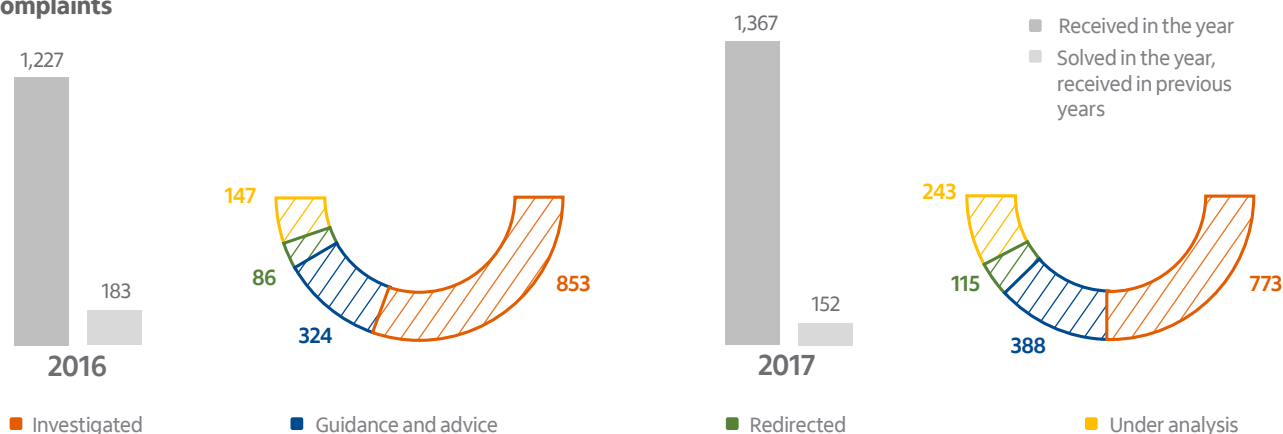
and nonconformities with related institutional policies (such as moral or sexual harassment, discrimination, favoritism etc.), working with confidentiality, neutrality and independence. In 2017, this channel started to assist employees also as a Risk channel under the Risk Culture program.

Aimed at ensuring agility and even more effectiveness in handling incidents in the International Units, the Executive Committee has decided that these cases should be dealt with locally. Employees in these units may report to the local Compliance and HR departments, which are the main reporting and guidance channels. This is why the Compliance and HR departments are ready to receive complaints, engage the partner departments in the investigation whenever needed and assess the best way to handle it. Noteworthy mentioning is that, if it is not possible to engage the aforementioned departments, the Internal Ombudsman's Office may be called to help settle the related controversy.

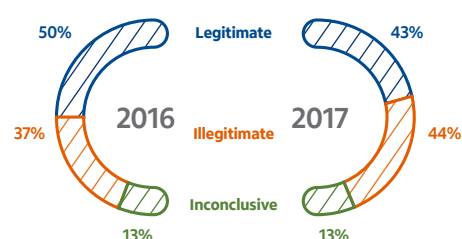
Indicators

The complaints handled by the department, in 2016 and 2017, may be summarized as follows:

Complaints

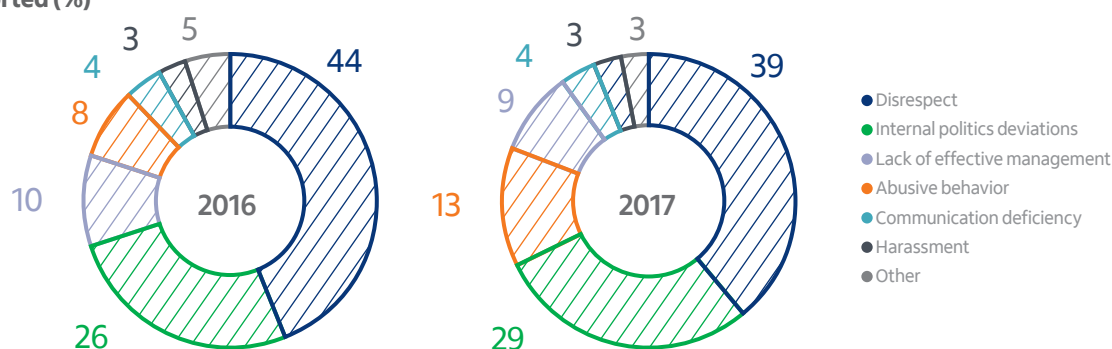


Out of the **853 complaints** received by the channel in 2016, **50.2% were considered legitimate**, whereas in 2017, out of the **773 complaints** investigated, **43.1% were considered legitimate**.



Main behaviors reported in such legitimate cases for both years were related to disrespect, deviations from the bank's standards and guidelines, lack of effective management, bullying, communication deficiency, and harassment, as shown below:

Behaviors reported (%)



Context

Our profile

Our governance

Our risk management

Performance

Sustainability A-428

Attachments

Like other situations identified in each classification, we illustrate some of the behaviors reported as follows:

- **Disrespect** – being authoritarian, harsh, arrogant.
- **Internal politics deviations** – improper use of corporate communication tools; trading any products inside the bank's facilities.
- **Lack of effective management** – lack of support/planning activities, issues with the department's management.
- **Abusive behavior** – threats of dismissal, being aggressive, expose the employee.
- **Communication deficiency** – lack of clear communications; lack of communication.
- **Harassment** – moral and/or sexual harassment.
- **Other** – lack of equal treatment; lack of feedback.

Diversity

In 2017, Itaú Unibanco shared with its employees a Diversity Commitment Letter, a document that recognizes the institution's role to protect and boost diversity, seeking to be a role model of the best practices and proceeding with the offer of equal opportunities to all. Additionally, in an institutional communication signed by our organization's president, it disclosed the Internal Ombudsman's Office as the reporting channel in the case of situations in which the employee feels discriminated against or witnesses any situation that goes against Diversity principles.

As a result of the notoriety of the issue of diversity, not only in the bank but also in society, the number of reports on discriminatory behaviors in the workplace in the year was reasonably higher than those received in the previous year.

Out of the complaints registered in 2016, 10 were initially classified as discrimination, of which six were solved during the year, and four were still under analysis until the end of 2016. The six incidents resolved in the year were considered

groundless for such behavior. There was also one complaint classified as discrimination and received before 2016 still under analysis. After the completion of the investigation in 2016, this complaint was considered as groundless for such behavior.

Out of the complaints registered in 2017, 37 were initially classified as discrimination, of which 31 were solved during the year and six were still under analysis until the end of 2017. One of these 31 solved complaints was considered legitimate, which led to the dismissal of the employee who displayed such behavior. There were also six complaints classified as discrimination that were received before 2017 and were under analysis, which were assessed in 2017 and considered as groundless for such behavior.

Harassment

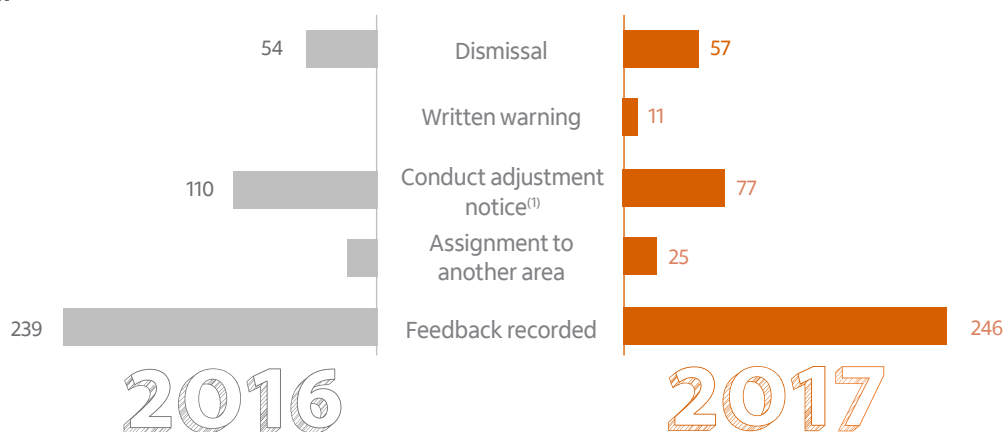
In 2016, 34 complaints were registered and initially classified as harassment, of which 29 were solved during the year and five were still under analysis until the end of 2016. Seven of the 29 solved complaints were identified as consistent for such behavior. There were also 17 complaints classified as harassment and received before 2016 still under analysis. After the completion of the investigation in 2016, five of them were considered as consistent for such behavior.

Out of the complaints registered in 2017, 49 were classified as harassment, of which 29 were solved during the year and 20 were under analysis until the end of 2017. The 29 complaints solved during the year were considered as groundless for such behavior. Additionally, 18 complaints classified as harassment that were received before 2017 were still under analysis. These complaints were assessed in 2017 and 11 of them were considered legitimate, which led to the dismissal of eight employees who displayed such behavior.

Disciplinary measures

In order to guide and discipline employees who have not complied with the principles of the Company's Code of Ethics and rules and to minimize related risks, the Internal Ombudsman's Office recommends and monitors the implementation of guiding/disciplinary measures to those involved in the complaints investigated and considered legitimate. In 2016, a total of 425 measures were implemented, whereas in 2017 this figure fell to 416, as follows:

Measures taken



(1) As of May 2017, the disciplinary measures scale was updated as per the Disciplinary Standards Policy (RP-29), with the inclusion of a conduct adjustment notice as a measure for a first minor violation (in place of what was previously a Warning). Warning is now applicable to a second minor violation (in place of what was previously a Suspension from work). Therefore, for a better understanding, the classification of measures was updated for indicators of both years.

In addition, in 2016, 528 monitoring actions and action and development plans were recommended to those reported, whereas in 2017 this figure totaled 488 actions.

Service

Based on the reduction of the timeframe for the resolution of calls recorded in the previous year, the channel established a timeframe of 29 business days for 2017. However, the increased volume of complaints received in the year, together with the recurrence of more complex cases that demanded more investigative efforts, caused the average response time to resolve complaints to be longer than that originally estimated.

The channel seeks to serve employees with as much agility as possible; however, commitment to the quality of service and detailed investigation is vital to the work of the department and should be given priority in any circumstances, ensuring that the work is carried out with a focus on empathy, consideration and respect towards the employees involved.

Preventive work

As a mitigation initiative, the Internal Ombudsman's Office held 39 meetings and talks during the year, reaching 1,784 employees. The channel also disclosed a number of communications through internal communications means, and the following stood out:

• **Dialogue** – a campaign to encourage dialogue in relationships, by illustrating day-to-day situations and how they can be solved by way of a good talk, from both employees' and managers' perspectives, and with tips on how to be ready and conduct such talks.

• **Executives' message** – broadcasting videos recorded by the bank's President and executives, with messages on the importance and interdependence of the channel work, with the purpose of reinforcing the senior management's engagement with commitment of the Internal Ombudsman's Office, which is to ensure the quality of our workplace.

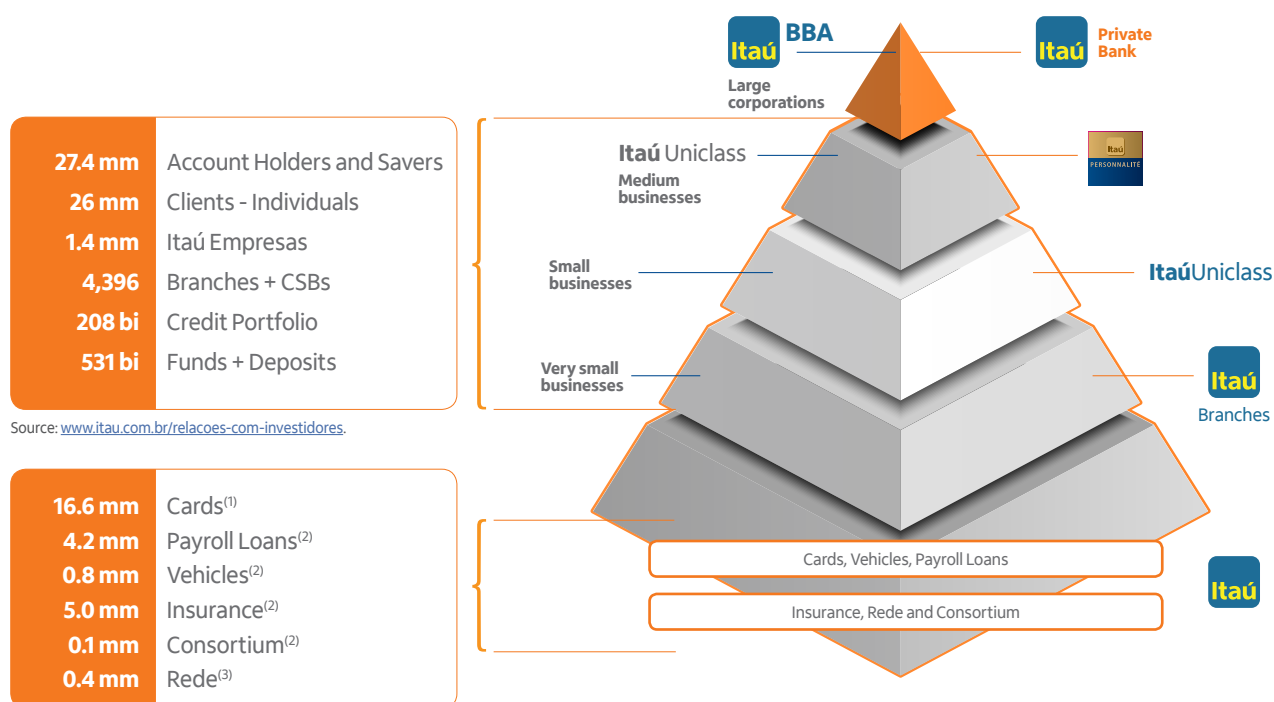
Governance

The Internal Ombudsman's Office is an independent area in the organization and reports directly to the Executive President. This channel has total autonomy to work and, if required, may involve the Audit Committee to resolve on cases involving senior management members.

Indicators related to complaints received and dealt with in this channel and discussions of significant issues are reported monthly to the Executive President, every six months to the Audit Committee and from time to time to the Integrity and Ethics joint committees.



Clients – individuals and companies



(1) Active Accounts.
(2) Contracts.
(3) Points of Sale.

In the information age, when our relationships and the use of technology and digital media are increasingly democratic, consumers are better informed and more aware of their rights and responsibilities. Consequently, troubleshooting, transparency, reliability, convenience and speed are requirements identified by clients as essential for the use of banking services. Consumers are also more likely to collaborate, suggest and build the reputation of a company as an agent responsible for this process. This is why we are always seeking to follow this movement, offering even more digital tools as well as bringing clients to take part in the development of what we intend to offer them.

We constantly do consumer researches to launch new products, segments or changes in our products (qualitative and quantitative researches, depending on the need of the project). The so called Client Experience has been consolidated in the bank and is the basis for developing tools.

In 2016, as part of this commitment, we increased the number of studies about the client's daily journey and their experiences with different services and products. Besides monitoring the bank's image with different financial players, we compare ourselves with technology companies, which are highly relevant for our audience. As regards Credit Cards, after understanding the experience with invoices, we are disruptively changing them to enable a better financial control, help them in their self-knowledge and reduce indebtedness, and increase transparency in the relationship between bank and clients. Additionally, to make the offering of products closer to the interest of clients, we redesigned and expanded the investment portfolio for the Personalidade segment with Personalidade 360°.

In 2017, we carried out projects to better understand the financial relation of some client niches, such as women Entrepreneurs and CFO. The CFO project was a survey to understand the financial control small business owners' use. This survey showed that they lacked an effective way of control. Many financial day-to-day figures were not controlled, such as sales amounts paid through mobile credit card readers or incoming and outgoing cash. With this data, Banco Itaú created a platform to help them have a more effective financial control over business. The Women Entrepreneurs project, in turn, is aimed to get to know about the relationship of the female public with finance to include and empower women economically. Based on this study, several fronts were created to include this audience into the financial world.

Clients started to be involved in increasingly earlier primary stages for the creation of new initiatives, such as in concept tests rather than in ready prototypes. This happens now with the build-up of the bank's new virtual assistant, to be launched in 2018. For this purpose, these tests include things such as the access logic and functions, from new functionalities offered to illustrations and icons that make up one application. Accordingly, both design and research department teams work together to understand the whole context and the way

clients perceive illustrations in a digital context. We consider this activity to be extremely important, since one of our main goals is to become a more client-centric company.

In order to become more time and cost efficient, in 2016 we set up an online community of clients and non-clients to support initiatives like the ones described in the paragraph above. This community is a laboratory that allows us to talk to our clients swiftly and efficiently, providing out of the box ideas and references and feedback, and to strengthen our relationship. Examples of tangible results of the laboratory are the development of new functionalities in the main banking app and the refining of pieces of communication. In 2017, with the evolution of digital channels, communities expanded and included new segments, such as, companies, credit card holders, and low-income clients.

Online community results	2017	2016
Activities developed with this new tool	282	90
Parties involved (companies and individuals)	570	300
Interactions	7,442	3,400

The Channel departments use what they learn from the "User Experience" to manage relationships with clients and for digital concept methodologies supported by the Design Thinking and Human Centered Design approaches. These approaches assume a deep understanding of the clients' needs and behaviors to conceptualize viable products and enterprises to create perceived value from business challenges. That is, they assume a direct and recurrent contact with the client/user to understand their needs, mental model and "fast tests" to check adherence to and understanding of the proposed solution. In 2017, for example, one of the deliveries focused on this purpose was the evaluation together with our clients of the new and exclusive Itaú's typography, which was created with the challenge to improve visibility and the client experience on our digital environments.

Institutional Policy for Relationship with Clients and Users

In 2017, we published the "Institutional Policy for Relationship with Clients and Users", with the purpose of improving and stating the guidelines and principles that must be adopted by employees, correspondents and partners in every aspect of the relationship with clients and users of our banking structure.

The design, offering, contracting and post-contracting of our products and services must be based on ethics, transparency, responsibility and diligence principles, ensuring our commitment to developing good relationships with clients and users, allowing for their free and conscious decision-making for products more appropriate to their interests, needs and purposes, and valuing customer satisfaction and a perennial relationship with clients over their lives.

Customer satisfaction survey – individuals and companies

GRI 102-43 | 103-2 | 103-3 Customer satisfaction

We believe that customer satisfaction and financial outcomes are inseparable goals. Our corporate vision of "being the leading bank in sustainable performance and customer satisfaction" shows how we view the complementary nature of these goals in our business approach. Therefore, ensuring customer satisfaction and including their vision in the business strategy means being prepared for constant change.

We consult more than 6 million clients per year in our satisfaction surveys made for all types and segments of clients. Tactically, we monitor customer satisfaction from time to time in our own service channels and, strategically, we monitor satisfaction with competitors together with major survey institutes.

In order to monitor our customer satisfaction on a more timely and comprehensive basis, we carry out monthly surveys on our channels: ATMs, SMS and Internet Banking.

As an example of the relevance of this topic, the variable compensation system for the Retail Banking Executive Board (AGIR) is determined by weighting items such as sale of products, prospection of current account and customer satisfaction. These outcomes impact the compensation of the whole team of branches, commercial team and main executives.

We carry out satisfaction surveys that assess Itaú compared to competition in Brazil, Argentina, Paraguay and Uruguay. This survey is carried out annually by top renowned institutes, via telephone calls, with a representative sample of each segment base. Interviews are made without identifying Itaú Unibanco as the party that contracted the survey to ensure unbiased evaluation. Considering the particular circumstances of the business and the access to very specific audiences, when it comes to the Wholesale Banking Executive Board, a list is provided and the survey is identified. Outcomes are shared with the quality departments of each business for action plans focused on improvements to be defined for better services and attracting new clients. Additionally, to ensure the quality and truthfulness of outcomes, the bank's survey department constantly audits processes and monitors the quality of surveys.

In Brazil, survey data collected from each segment (card users, either current or non-current account holders, Itaú branches, Uniclass, Personalité, EMP4, EMP3, EMP2, Middle, Large, Corporate, Ultra+FS, IFS, Institutional clients and Rede) are weighted based on the size of its portfolio and consolidated into an overall customer satisfaction index. Differences among the years may exist due to the restructuring and new acquisitions of the Company.

In foreign units, these outcomes are submitted to the board of directors of each country and to the committee responsible for LATAM.

Customer satisfaction survey	2017	2016	2015
Outcomes	8.05	7.96	8.02

Complaint management

The External Ombudsman's Office is the ultimate body responsible for responding to complaints that had not been resolved by the primary service channels, always seeking to resolve the problem on a definitive basis and contribute to a perennial and well-balanced relationship.

This office also works on the process of resolution of clients' demands that are forwarded to the Institution by the Central Bank of Brazil (BACEN) and the Superintendency of Private Insurance (SUSEP). Currently, 97.8% of the clients whose complaints were addressed by the External Ombudsman's Office did not resort to external bodies, such as BACEN, Consumer Protection and Advisory Program (PROCON) and the judicial system after they received a reply from the bank via the External Ombudsman's Office.

Also, we keep an ongoing dialogue with the bodies of the National Consumer Protection System (SNDC), regulatory bodies and civil entities. The purpose of this agenda is to bring the Institution closer to these bodies to promote and contribute to the evolution of consumer relations.

The External Ombudsman's Office participates in the process of validation of projects and creation of new products and services by means of the General Risk Assessment system – a governance model that predicts the possible risks, and indicates the controls necessary to ensure customer satisfaction, in addition to ensuring their adequacy to the Consumer Protection Code (CDC).

Finally, the External Ombudsman's Office is responsible for the governance of the ongoing improvement process through the analysis of our complaints in partnership with the business, product, quality, service and operations areas, carrying out specific forums on the topic with the involvement and support of senior management. We call this process Demand Management.

The result of these actions is the reduced volume of demands filed with consumer protection bodies, thus improving our position in the rankings disclosed by the many PROCONS, BACEN and National Consumer Department. In 2017, in relation to the previous year, there was a reduction of 20.8% in the complaints to the National Consumer Protection Information System (SINDEC – PROCONS) and of 13.5% in the complaints to BACEN.

The work of the External Ombudsman's Office has also been recognized by consumer protection-related entities and it was even granted awards, such as the 2017 External Ombudsman's Offices Brazil Award, by the Brazilian Association of Company and Client Relationships (ABRAREC), which positively contributes to the Institution's reputation.

In 2017, our service channels (Customer Services and External Ombudsman's Office) received 9.4 million contacts, 76% of which were related to information, questions and requests and 24% were related to customer dissatisfaction. Of the total contacts related to customer dissatisfaction, 98.4% were resolved within five working days via the Customer Service channel or explained at the bank's customer service department. At the External Ombudsman's Office,

94.2% of the contacts were resolved within ten working days and only 2.2% were forwarded to other consumer protection bodies (PROCON and BACEN) or to the judicial system (civil lawsuits).

Additionally, we work on the demands received via the platform Consumer.gov, which is managed by the National Consumer Department of the Ministry of Justice, which allows for the direct communication between consumers and companies. For the demands presented in this platform, our resolution rate was 80.2%, the best rate among the largest banks and our average satisfaction rate, assigned by clients, was 3.3 (scale from 1 to 5). The response time was also among the most efficient, with an average of 6.6 working days.

Customer satisfaction is an essential value at Itaú Unibanco and it is stated in our vision: "To be a leading bank in sustainable performance and customer satisfaction." We will continue to strengthen our relationship and dialogue with our clients, consumer protection bodies, regulatory bodies and the judicial system.



Communication management

GRI G4-DMA Product and service labeling (former FS15)

The communication process – that can be understood by subjects such as advertising, promotions, sponsorship and events, among others – is one of the main ways we can relate to our stakeholders and connect with them. Communication is an essential tool to strengthen our brand value, the company's reputation, and ensure the perpetuation of our business.

We use responsible marketing practices and manage the risks associated with the sale of our products and dissemination of our banking products through the Itaú Unibanco Code of Ethics, the Sector Policy on Money Laundering Prevention and other internal policies that standardize marketing processes. We respect the rules and regulations of CONAR, the National Council of Advertising Self-Regulation. In 2017, we did not identify any cases of non-compliance with the marketing communication codes and we did not face any public-interest civil action. **GRI 417-3**

The impact our communication projects may have on our brand and our business is managed through certain monitoring mechanisms. The tools we use to measure and map these impacts include:

- Customer satisfaction surveys;
- Pre-test and post-test surveys during our campaigns analyzing the performance of our communication; monitoring our campaigns on social media and in company-owned media;
- Constant monitoring of social media; and
- Monitoring of the number of interactions and views of communications, from where we are able to perceive what people are feeling during our campaigns.

Based on these analyses and discussions, it is possible to strengthen communication actions and give rise to talks that positively impact the Itaú brand.

Transparency and client satisfaction

GRI G4-DMA Product and service labeling (former FS15)

We constantly seek to improve communications with clients so as to be as objective as possible when informing them about charges, rates, characteristics and conditions of our products and services. We are also committed to providing guidance and information about our financial services and products and to suit our offer to the client's profile and moment in life. In this way we encourage the conscious use of products and services, because we believe that the better their choices, the bigger their satisfaction as clients.

• **Nosso Jeito de Falar de Investimentos Itaú Uniclass (Our Way of Talking About Investments – Itaú Uniclass):** in 2017, we continued to review the commercial manager training, including content and inspiration in such a way they could notice the benefits from the habit of saving in their personal lives. We believe that personal experience empowers a more assertive offer to clients.

• **Behavioral Finance Program:** this program aims at disseminating among employees knowledge about clients' biases, emotions and behaviors so that we can develop the best solutions for their financial life.

• **Credit Guider:** it is an online tool for determining the best credit product to meet the client's needs. Through objective questions we identify the client's characteristics, which are linked to their current account information so we may offer credit suggestions adequate to their goals.

• **Quality in Sales Program:** the quality of our customer service is part of our culture. Based on this principle, a Sales Quality Score was created primarily aimed at satisfactorily meeting our clients, reducing the number of complaints by improving the identification and management of possible misconduct of employees from commercial and operation departments. It's a monthly program that is part of the incentive system and supervises the sales of more than 30,000 employees. The program is based in four large pillars: information and training of the sales teams; improve in sales quality, reduction of misunderstandings with clients and application of corrective actions on misconduct cases. The employee and his manager are informed about the monthly supervision, including the history of the last 12 months and the next steps to guarantee the quality in their sales. All trainings are online, certificated and involve the following topics: focus on client service, sales with quality, and what we look for and what we do not tolerate. Since the implementation of the program, Itaú is improving its position in the ranking for complaints with the Central Bank of Brazil. In addition to being incorporated into our incentive models, the program has been improved and expanded.



Diversity and accessibility GRI G4 FS14

The disclosure of our purpose in 2017 and the resulting initiatives to ensure its continuity highlight the importance of the Diversity front, which stands out as one of the priorities of the Institution. The matters related to this topic are addressed by the Corporate Sustainability Governance, which reports to the Strategy Committee on an annual basis.

A multidisciplinary work group ensures the strategic alignment of the departments involved in the topic on the operational level, strengthening actions for valuing and promoting diversity in our relationship with clients, employees, suppliers and society. This group includes personnel, corporate communication, governmental and institutional relations, and sustainability departments. Different departments ensure specific work fronts to each one of our stakeholders:

- Employees (Personnel Department);
- Civil Society (Governmental and Institutional Relations);
- Media and spokespersons (Corporate Communication); and
- Suppliers, clients and internal business departments (Sustainability).

Our actions related to Diversity with focus at initiatives with clients and society were aimed on starting studies on our client bases, considering variables that enable the understanding of our relations with some of the stakeholders that represent pillars for the institution, improving our knowledge about their financial behavior, credit use, ownership of investments and other products offered, in order to rethink offers, products, services and opportunities to these stakeholders.

Studies with this purpose together with the mapping of national and international trends and benchmarking help the development of a repertoire to mobilize the business areas in the different topics addressed. The most outstanding pillars of diversity were gender and generation accordingly.

Financial services must be accessed by all our clients so as to support the economic development of all people, which is fundamental for maintaining the economic balance. Accessibility allows for the promotion of the autonomy and economic development of the disabled.

In Brazil, accessibility is ruled by Law No. 13,146 (07/06/2015) – Brazilian Law for the Inclusion of People with Disabilities (*Lei Brasileira de Inclusão da Pessoa com Deficiência*) (Statute of the Person with Disability – *Estatuto da Pessoa com Deficiência*). Seeking to adjust to this legislation, we follow the ABNT NBR 9050 (Brazilian Association of Technical Standards), which addresses buildings, furniture, and urban spaces and equipment. Additionally, this law requires websites and mobile

apps to be accessible in accordance with the best practices and guidelines internationally adopted. Accordingly, our bases are the Web Content Accessibility Guidelines – WCAG.

In our branches we follow several initiatives that comply with this standard. The initiatives are listed below:

At ATMs

Our branches have ATMs that follow the precepts of a universal teller machine, as determined by the Brazilian Technical Standards Association (ABNT). They provide autonomous and safe use to any person, no matter their mobility or limitations of perception.

By telephone

For persons with hearing impairments, we offer a client service through the “*Fale conosco*” (Talk to us”) channel, through which, by means of equipment called TDD, one can exchange text messages with the Customer Service Center, call centers and External Ombudsman’s Office.

On Apps

The Superintendence of User Experience, responsible for the client experience with apps and websites, operates in three frontlines to include accessibility, which are as follows:

- Specification of the accessibility process on the department flows;
- Partnership with the Superintendence of Test Quality for validating elements and updating the Accessibility Guide used by the department; and
- Training the team to go deeper into accessibility.

Tangible assets

The credit card monthly invoice and the current account statement for visually impaired clients are translated into Braille and mailed.

Tangible initiatives	2017	2016
Invoices sent in Braille	677	731
Letters with general account information sent in Braille	3,191	6,251

In addition to these initiatives, together with the departments involved we started 2017 by mapping and planning the integration of accessibility guidelines into the institution's policies, aiming at their formalization to integrate practices that ensure and promote accessibility to employees and clients with disabilities or reduced mobility. The publication of these guidelines as policies ensures that they reach all departments of the institution and that those departments involved and processes are required to comply with such guidelines.



Illicit act prevention

We maintain structures dedicated to the fight against illegal acts and to the mitigation of risks to society caused by the illegal use of financial resources or exposure of sensitive data. The main activities involved in these processes are:

• Prevention of fraud GRI 103-2 | 103-3 Combat against corruption and illegal activities

We have fraud prevention measures based on best practices in local and international markets. We have a recurring agenda with the bank's executives for risk sharing and decision-making, as well as proximity to business areas to help understand risks and to propose mitigating measures for the sustainability of products and services. The keys to this are:

• Preventive monitoring

The Fraud Prevention department is responsible for the preventive monitoring of higher risk transactions through advanced analytics techniques and tools that combine information such as history of transactions carried out by client, demographics, and reference files, focusing on the difference between the client profile and the fraud profile.

• Client service

We have structures dedicated to meeting client demonstrations and to the relationship with regulatory entities, aiming to advance the client in their complaints through addressing and determining responsibilities.

• Devices

In order to increase client's security, both Individuals and Companies, we provide security devices for transactions in electronic channels, in addition to those available in physical channels, where we have cards with chip technology and the use of biometric authentication by Finger Print technology. These devices are presented on our website (www.itau.com.br/atendimento-itau/para-voce/dispositivos).

• Campaigns and training

We carry out programs and actions for the dissemination of information and awareness of clients and employees about fraud prevention through different channels, such as:

- Social media, e-mails, SMSs, screen savers and partitions for ATMs and pop-ups on internet banking for clients; and
- Internal newsletters, e-mails, lectures and training for employees.

Our training activities address topics such as: fraud prevention, information leakage prevention, and combat against corruption, document fraud, and care in public settings, social media and misconduct. In 2017, we carried out 127 training sessions with 4,479 employees in Brazil and abroad.

• Information leakage prevention (information security) GRI 103-2 | 103-3 Information security

Information Security is one of the most relevant topics addressed in all levels of the Institution. The Information Security department is responsible for providing a sound and safe base using structured and consolidated information on the main information security risks in the organization's different levels aimed at reducing financial losses and image risks in Brazil and abroad, through the definition of policies, processes and procedures that support the information lifecycle. Policies are reviewed at least one a year or whenever a specific need arises.

We timely and effectively monitor and address any type of attack and security incidents, by managing all security tools with certified and specialized staff in several technologies. Access to systems and resources are managed efficiently, following the changes necessary to maintain security for accessing and changing systems and information.

We work together with the business and technology departments to maintain solutions and product architecture with the highest degree of safety, following the trends of the digital world market. The company's employees take part on ongoing awareness campaigns and training, in-person or online, covering issues related to information confidentiality, integrity and availability, which compose Information Security. These campaigns are shown through e-mails, corporate portal, e-learning, elemedia, social media to employees and clients.

The suppliers contracted by the bank are classified based on several criteria, such as: type of information that can be accessed, supplier size, type of service provided, sensitivity of information addressed and type of access to bank systems, if necessary. Depending on the classification, the requirements for protection of the supplier's infrastructure range from providing security recommendations to in loco control validation informed by the supplier, and monitoring possible corrections and improvements implemented by suppliers, when necessary. As regards suppliers who hold confidential information, we monthly scan the supplier environment and monitor corrections of possible vulnerabilities identified. Contracts entered into by the Institution and third parties include confidentiality clauses that must be followed by the supplier.

The bank's cyber security information security strategy is developed to prevent violation of our data security, minimize risks of service unavailability, protect integrity and prevent information leakage. For this reason, our strategy is based on strict control processes aimed at detecting, preventing, monitoring (24/7) and immediately responding to attacks and attempts to invade our infrastructure, thus ensuring security risk is managed and a sound foundation is built to the increasingly digital future of Itaú Unibanco.

In order to reach this purpose, we use a strategy of protecting an expanded perimeter. Under this concept, information must be protected regardless of where it is located, within the bank infrastructure, a third party or a foreign unit. The strategy also takes into account the entire information lifecycle, from collection to processing, transmission, storage, analysis and destruction.

To face the risks we are exposed to, we have a budget for Information Security projects and tools that is annually renewed by the Institution's executives.

For 2018 we will keep investing in protecting information over its entire lifecycle, continually evolving our technological infrastructure, increasing the protection of our foreign units and third parties, investing in previous detection of new external threats, prevention of information leakage and training and qualification of employees. To ensure that everything follows the plans, independent tests are carried out with the most reliable and best cyber security companies in the world.

The pages of the website www.itau.com.br are certified in accordance with the Brazilian standard ISO/IEC 27001 in order to ensure the protection and privacy of information provided by clients and other sources, with the sole and exclusive purpose of meeting the objectives defined in our products and interactive services.

• Money laundering prevention GRI 103-2 | 103-3 Combat against corruption and illegal activities

Management of this topic is detailed in section Anti-money laundering regulation, chapter Our risk management.



Client privacy management

Our clients' privacy is a sensitive issue handled in accordance with applicable laws and regulations, confidentiality and accuracy. The number of complaints about client privacy is insignificant compared to the total number of the Institution's clients. GRI 418-1

Considering the sensitivity of this issue, we are committed to ensuring our clients a safe and reliable environment. We have invested in infrastructure, technology and human resources to prevent information privacy violations, based on policies, processes, procedures and guidelines covering several fronts of action.

Examples of actions in place for products and services are the development and application of authentication security devices and the use of electronic channels and channel certifications in conformity with the strictest security and reliability standards.

Another measure we can mention is the protection and preservation of confidential information in its various forms, including encryption of the information flow on the Internet. Other initiatives are described in item Information Leakage Prevention.



Cases of discrimination GRI 406-1

We have a Communication Channel for our clients, named External Ombudsman's Office, which receives doubts, critics and complaints from clients. However, certain alleged discrimination incidents are taken to the Judiciary or to other customer protection services.

In 2017, nine legal actions related to alleged discrimination involving the bank's clients were concluded. We entered into settlements with the plaintiffs in eight of them and for the remaining one a judgment was issued indicating the occurrence of unfair treatment received by certain clients of one of our branches, resulting in our obligation to indemnify such clients.

No legal actions were recorded in our Latam branches.

It should be reinforced that the risk map in our Human Rights Due Diligence process did not identify any discrimination incident involving clients as a critical aspect of our operations. Nevertheless, incidents are carefully monitored and, for the occurrence the responsible departments are involved to develop action plans so as to prevent similar incidents in the future. The Due Diligence process is carried out every two years to assess the risk level of this topic and other ones. For further information, see [page A-414](#).

For further information on our Communication Channels visit [page A-428](#) for employees (Internal Ombudsman's Office) and visit [page A-432](#) for clients (External Ombudsman's Office).



Suppliers GRI 102-9 | 103-2 |

103-3 Management of suppliers and supply chain

Our supply chain is composed of first and second tier suppliers, with which our relationships are based on transparency, sustainability and adding shared value. In 2017, we implemented new internal policies to guide the management process of our suppliers and third parties, from the prospection, administrative and technical evaluation of new suppliers and periodic risk monitoring to the termination of the supplying relation. These policies guided the relationship with approximately 2,300 partners, generating 7,492 formalized contracts, totaling R\$10 billion.

We seek to build our supplier relations with the same legitimacy, quality and reliability we have reached with our clients. We recognize that our suppliers are essential to our business and, therefore, we value and reinforce healthy partnerships, building long-term sustainable relationships.

Risk management and ethical and transparent conduct are the cornerstones of our partnership processes, supported by contracts to minimize possible financial, reputational, operational and legal impacts during service provision and/or product supply up to the end of the contract. We require our suppliers to use sustainability practices in addition to complying with legislation and the ethical principles that guide commercial relationships. All of these guidelines are published in our website www.itau.com.br/forneceedores.



In 2016, the processes, policies and operation model of the Procurement department were restructured. Completed in the first half of 2017, this restructuring is aimed at obtaining higher operating efficiency, achieving satisfaction of the departments served, transparency, discipline and improved management of the supplier risk.

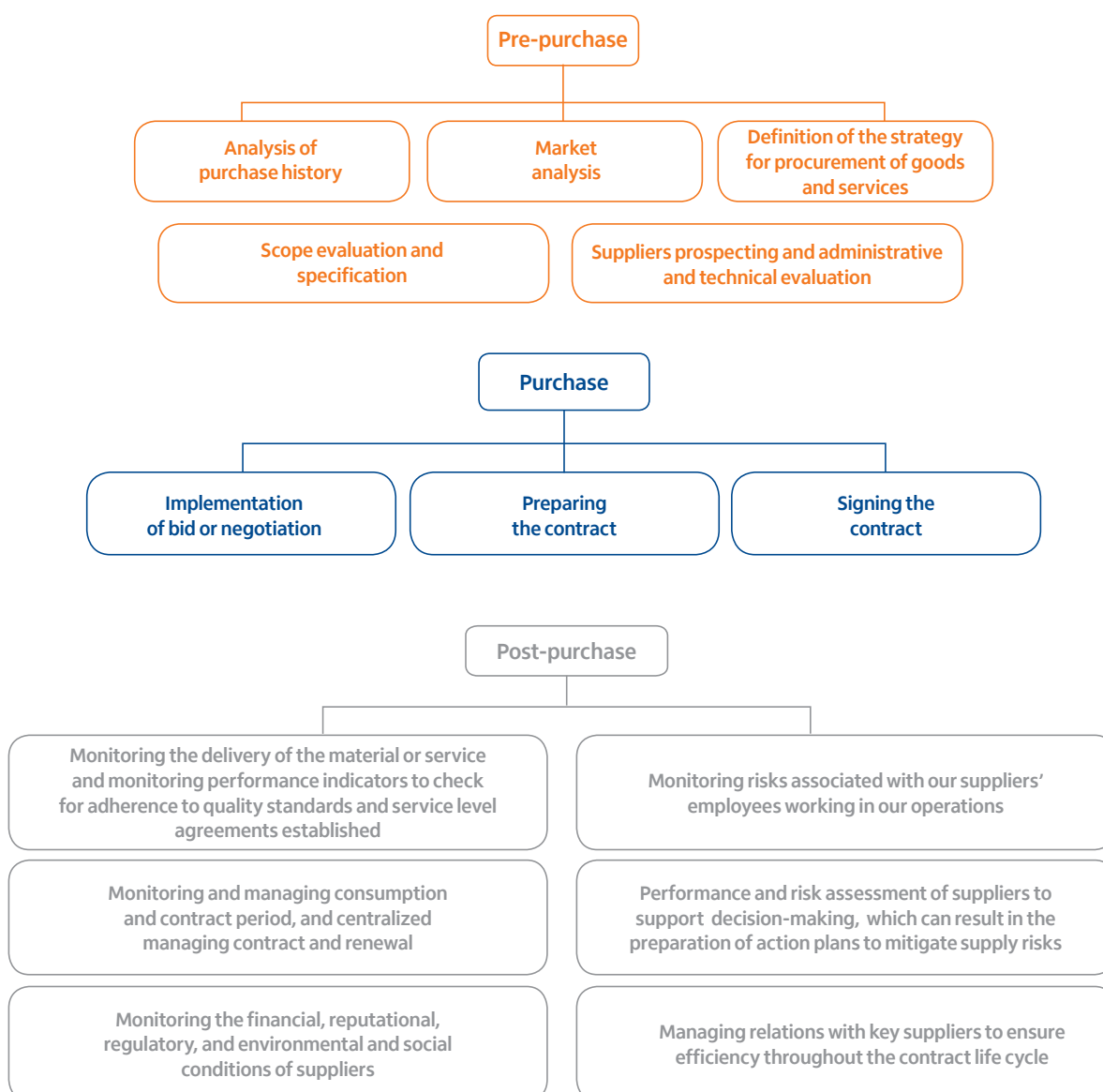
The Procurement department demands are now addressed in accordance with their criticality and relevance by specialized teams. Additionally, we implemented a structure focused on supplier management, aimed at improving a sustainable relationship between the bank and its most critical suppliers, fostering efficiency and innovation opportunities, and at improving the operations of the bank and its partners.

Procurement of goods and services

Goods and services from our supply chain are centrally managed by our Procurement department with the involvement of the contracting and legal departments, among other supporting departments. However, there are categories for which the trading and contractual negotiations are assigned to their technical managers. The remaining contracting steps are centralized by the Procurement department, ensuring the administrative evaluation of the supplier and registration of contracts signed in the management system.

The Procurement department operation model fosters the specialization in each market to identify the most appropriate procurement strategy for each type of business and ensure consistent supplier relations. This is a process of three stages:

Procurement process



Evaluation of suppliers GRI 308-2 | 414-2

We have a structured process for evaluating suppliers, the purpose of which is the mitigation of risks in our supply chain. This process starts with the access and registration of the supplier on website www.itau.com.br/fornecedores, where the Procurement Policy, the Sustainability and Environmental and Social Responsibility Policy, requirements for information security, the Code of Ethics and the Supplier Relationship Code, and the general conditions applicable to the procurement of goods and services are published for awareness and acknowledgment.

After registration, these companies go through an administrative approval process, which consists of an analysis of the supplier's adherence to practices of environmental and social responsibility, compliance with and adherence to fiscal, tax and labor legislation (regularity of certificates, licenses, payment of taxes, salaries and contributions), fulfillment of their corporate obligations through the same tools used to assess clients (credit analysis, indebtedness with the market and suppliers, Money Laundering Prevention (MLP), fraud, anti-corruption law and other discrediting facts).

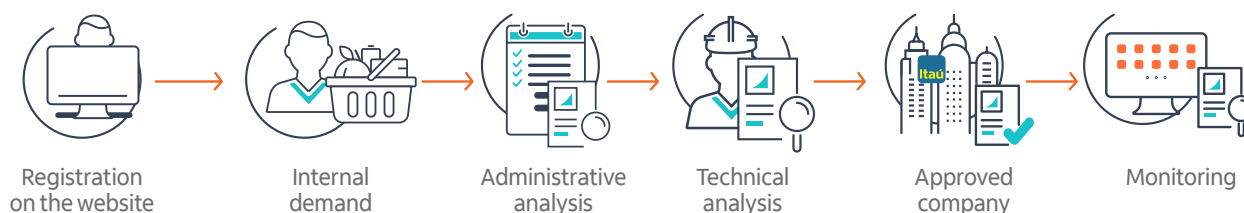
This process is based on three risk analysis pillars and comprises a specific view considering the risks of the category of products or services supplied.

- 1. Reputational/Regulatory:** analysis of risks related to the image and compliance of current legislation.
- 2. Continuity:** analysis of risks related to the financial health and supply impact on the bank's operations.
- 3. Labor:** analysis of the labor risk in service provision based on legal criteria.

In addition to this administrative evaluation, new contracts of suppliers which fall into categories of products and services considered critical, that is, those sectors whose production process or service provision may cause any negative E&S impact, go through a technical approval process. Under this process suppliers are evaluated to determine whether they are capable, structured, certified and legalized to provide the required service or product and whether what is being offered is in line with the bank's needs and requirements.

After these analyses, and if approved, the company will be able to participate in the contracting processes.

Evaluation process



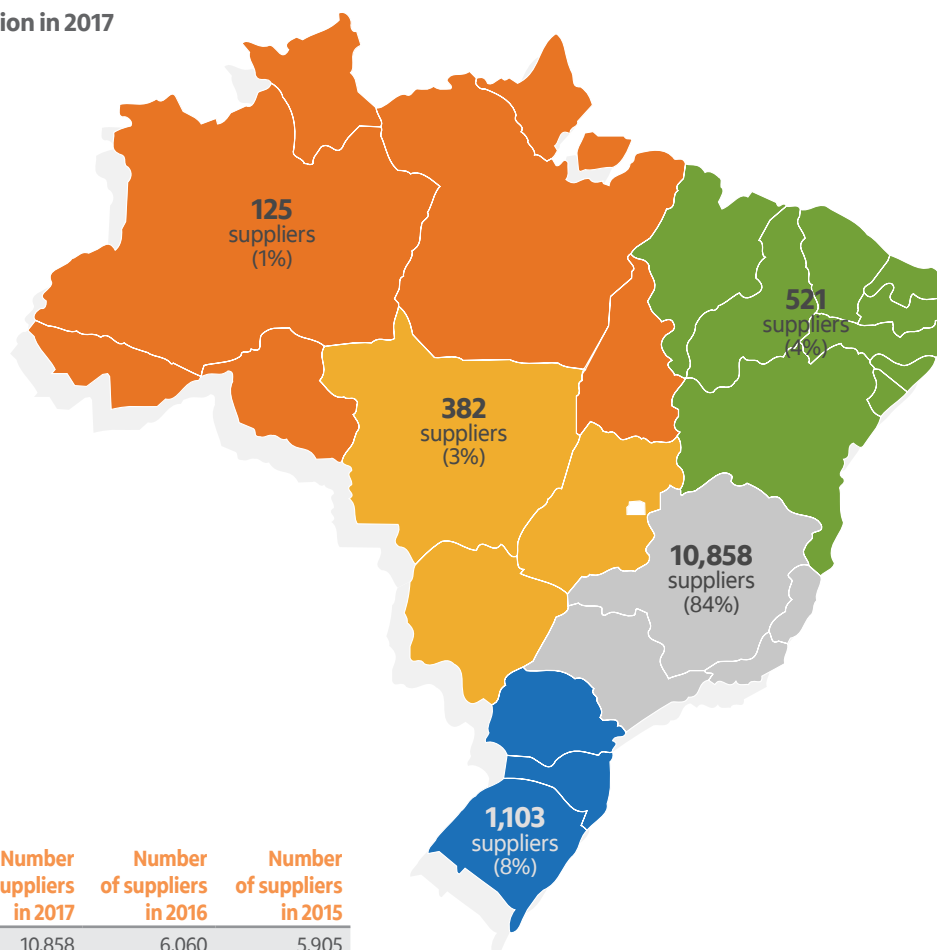
Evaluation results

	2017	2016	2015	Change (%) 2017-2016	Change (%) 2016-2015
Suppliers approved (Brazil)	12,989.00 ⁽¹⁾	7,106.00	6,884.00	14.80 ⁽¹⁾	3.20
New suppliers approved (Brazil) GRI 308-1 414-1	1,678.00	1,031.00	778.00	62.80	32.50
Approval rate of suppliers (%) (Brazil) GRI 308-1 414-1	68.30	86.60	90.90	(21.50)	(4.70)
Purchases from local suppliers – Brazilian companies and/or subsidiaries in Brazil (% of expenditures in Brazil) GRI 204-1	98.71	96.50	98.20	2.30	(1.70)
Purchases from local suppliers – in the same state (% of local suppliers) GRI 204-1	56.00	75.30	75.10	(0.30)	0.30

(1) As a result of the New Procurement Model used, we reviewed the administrative evaluation process focusing on improving the analysis of suppliers and streamlining the process for the involved parties. Upon this review, in which the approval validity is eliminated and the risk of these suppliers is periodically monitored, the volume of approved suppliers ranged by 4,205.

Our suppliers are distributed through all regions of Brazil in accordance with the volume of operations and location of our administrative centers. For this reason, most of the contracts are entered into with suppliers in Southeastern Brazil.

Number of suppliers by region in 2017



GRI 204-1

Region	2017 (%)	Number of suppliers in 2017	Number of suppliers in 2016	Number of suppliers in 2015
Southeast	84	10,858	6,060	5,905
South	8	1,103	527	503
Northeast	4	521	271	246
Central-west	3	382	200	191
North	1	125	48	39

Among the categories with the highest number of suppliers, we highlight Maintenance, Works and Equity, which serves the complexes and branches scattered throughout the country.

Category	%
Maintenance, works and equity	29.1
Marketing	13.4
Legal expenses	10.8
Training and benefits	10.6
IT	10.3
General expenses	9.1
Operating expenses	6.7
Security	3.1
Telecommunications	2.5
Call center	2.5
Selling expenses	0.8
Post office, card and check inputs	0.5
Advisory and consulting	0.3
Valuable deliveries	0.3
Grand total	100.0

Contractual formalization, breaches and penalties

Supplier contracts include specific requirements for the proper monitoring of environmental and social issues – such as labor obligations, occupational health and safety standards, compliance with environmental legislation, liability for damages and information security – that are applicable to our suppliers and their supply chain. In the event external audit processes detect irregularities, action plans may be developed to help a supplier solve the problem or, in certain situations, penalties are applied and they may lead to suspension or termination of the respective contract.

Monitoring [GRI 308-1](#) | [308-2](#) | [GRI 414-1](#) | [414-2](#)

We periodically monitor the approved suppliers and their employees, considering the risks of the category of products or services supplied.

The monitoring criteria are the same as those used in the administrative evaluation process, the purpose of which is to check the initial condition evaluated and, if relevant facts are identified, the commercial relationship with the supplier may, at any time, be terminated.

We periodically conduct independent audits of our critical suppliers to assess the risks across our supply chain. In 2017, we reviewed the risk level (high, medium or low) of the categories of our suppliers products and services from the social and environmental point of view to ensure assertive actions of the audit, which focused on tier 1 critical suppliers.

The audit carried out in 2017 showed that 50% of our suppliers in critical categories, representing 39 companies, were approved with no restrictions. The remaining companies have had action plans defined to address any identified gaps and the audit scheduled for 2018 will evaluate the agreed actions to ensure the mitigation of risks in our supply chain.

In addition, we made visits led by the technical departments specialized in our operations and in applying rules related to information security and other regulatory items.

Transparency GRI 102-17

We provide our suppliers with communication channels through which they may make suggestions, ask questions or report any violations or misconduct (including environmental and social issues).

Implemented in 2016, the Reporting Channel aims at ensuring a transparent and ethical environment between us and our suppliers. We made available the contact email address fornecedores_relatos@itau-unibanco.com.br and hot line 0800 723 0010, through which any ethical misconduct or noncompliance with our Code of Relationship with Suppliers can be reported.

To ensure the sustainable growth in our supply chain, we believe that we should promote the development of ongoing practices, seeking to advance together with our suppliers and their supply chain operations. Therefore, our website www.itau.com.br/fornecedores shows the initiatives we see as good environmental and social practices, as well as our Code of Relationship with Suppliers and our Code of Ethics.

In November 2016, we launched the Code of Relationship with Suppliers with the attendance of 391 partners.

The development of Code of Relationship with Suppliers, supplementing our Code of Ethics, aims at governing interactions between employees and suppliers through a statement of values that define the expected behavior in commercial relationships, called "Our Principles", listed below: Ethical and Long-Lasting Relationship, Transparency, Traceability and Integrity, Simplicity and Efficiency, Sustainable Results, Cooperation and Risk Management. In 2017, the Code of Relationship with Suppliers was updated and translated into English and Spanish.

Also in 2017, we monitored our suppliers' adherence to the guidelines of the Code of Relationship with Suppliers, and we were able to reach out suppliers responsible for 80% of total contracts in the year.

In addition, we periodically forward by email sustainability recommendations through official announcements to the bank's suppliers.

Finally, to reinforce our commitment to Ethics, in 2017 the Procurement Office employees responded to a survey conducted by an external consulting company that addressed: ethics and transparency in relationships between employees and suppliers.

It is worth noting that the management of repossessed assets (real estate properties, vehicles, equipment) and assets that are not used by the institution, acting in the maintenance, regularization and sale, also uses the process of suppliers, service providers, forwarding agents and auctioneers approved and monitored in the Suppliers process mentioned above.

Training GRI 102-43

We provide training to our employees and guide our suppliers to promote their development and strengthen their commitment to our culture, recognizing good risk mitigation practices and discussing opportunities for making our operations more efficient.

In partnership with the Sustainability department, we held a workshop with suppliers that are the bank's main waste generators to disclose how the waste issue is addressed in Itaú Unibanco and to strengthen the concepts of the Code of Relationship with Suppliers.

For the first half of 2018, an event is scheduled with the main suppliers to maintain this channel to foster discussions about and the introduction of good practices to our suppliers.

In 2017, 87 Procurement department employees (63% of employees of the total of 138 assets at the time of the course) were specifically trained for Procurement Methodology, with practice drills aligned to our day-to-day situations. In addition to this specific training, 100% of the Procurement department employees – total of 136 employees in December 2017 – had at least one training session focused on improving technical and/or behavioral knowledge.

CDP – Supply Chain

In line with Itaú Unibanco's climate change strategy, for two years already we have taken part in the CDP Supply Chain – Carbon Disclosure Program, a program that aims to act on climate issues in the supply chain.

This is an important initiative to support our internal supplier management strategy, and we invited our major suppliers and also the critical industries in terms of GHG emission to report information on climate change. The purpose is to understand

how these suppliers address climate change and how we can help them introduce this topic in their action strategy. In 2017, 59 suppliers attended workshops promoted by this institution and 85 reported information through a questionnaire.

Diversity

Valuing diversity contributes to a positive and more tolerable climate, by encouraging cooperation and synergy among employees and leaders towards their common goals with better performance. Accordingly, throughout 2017 we sought to improve the access to diversity in the supply chain.

Integrare

In 2016, we entered into a partnership with Integrare, a non-profit organization specialized in searching for and approaching very small, small and large companies interested in fostering their networking relationships. The mission of this association is to promote inclusion and the corporate development of suppliers from minority groups by providing access to and business qualification for black and indigenous businessmen or those who have special needs.

Our challenge is still to advance the diagnosis and search for suppliers to improve our relationship and seek value creation through the supply chain.

Achievements and challenges

The Procurement department contributes significantly to reduce costs and optimize resources through actions such as partnerships with suppliers, innovations in our supply chain,

developing new suppliers, consolidating volumes, redesigning the value chain, reviewing specifications, undertaking initiatives to renegotiate contracts, managing consumption, improving processes and assessing environmental and social gains.

GRI 204-1

General results	2017	2016	2015	Change (%) 2017-2016	Change (%) 2016-2015
Number of procurement processes	16,285 ⁽¹⁾	19,010	13,218	(14)	44
Total amount purchased (R\$billions)	10	10	9	0	11

(1) The changes in processes and improvement of controls arising from the New Procurement Model brought a reduction in the volume of purchase orders in 2017. The streamlining of processes, implementation of the screening cell, exception flow, consolidation of demands in the pools and delegated purchase were some of the processes that contributed to this reduction.

Therefore, in 2013, we encouraged medium (2015) and long-term targets (2020) by determining responsibilities and measures required to cope with the challenge of implementing engagement actions, mitigating risks and having greater transparency when disclosing operational and supplier indicators.

We have fulfilled our objective of monitoring, from time to time, all suppliers approved in the administrative approval process, thus guaranteeing a better control of risks in our supply chain.

We raise our suppliers' awareness through sustainability recommendations disclosed on our website and sent every six months to our suppliers. We are increasingly improving our process of conducting external audits of suppliers and establishing indicators related to the advancement of companies evaluated over the years.

Breakdown of the targets measured in 2017 and new commitments for 2018

Indicator	2017 Target	Status in 2017	2018 Target	2020 Target
Monitoring the risk associated with suppliers with recurrence being equal to six months or less.	100% of the amount spent.	Periodic monitoring of suppliers with active contracts negotiated by the Procurement department.	Continuity of risk monitoring of suppliers with active contracts negotiated by the Procurement department.	Adjusted target: Implement action plan and governance for suppliers with identified risks (addressed by the Procurement department) in accordance with internal criteria.
Recommendations for suppliers as to labor practices, human, environmental and social rights, and environmental and social management incentives for their own supply chain.	Send recommendations every six months to 100% of our active suppliers by email and include them in the website www.itaubr.com.br/fornecedores .	Recommendations sent to 100% of our active suppliers and made available on website www.itaubr.com.br/fornecedores .	Send recommendations every six months to 100% of our active suppliers by email and include them in the website www.itaubr.com.br/fornecedores .	Maintain and update recommendations and publications to 100% of our suppliers.
Supplier engagement (specific discussions, interaction reported in development programs).	Make progress on tiers 1 and 2 supplier engagement agenda by conducting specific workshops and start a new action plan monitoring process for developing programs within suppliers.	We carried out a workshop on waste in partnership with the sustainability department for tier 1 suppliers and monitored adherence to the Code of Relationship with Tier 1 Suppliers.	Make progress on tiers 1 and 2 supplier engagement agenda by conducting workshops.	Tiers 1 and 2 suppliers were prioritized in accordance with criteria determined by the department.
Audits conducted on-site (% of audits).	Conduct a project to reassess the suppliers selection criteria (critical categories vs % of the amount spent).	We reviewed in January 2017 the criticality of the categories and assumptions for the audit.	Annual review of the criticality of the categories and assumptions for the audit.	Annual review of the criticality of the categories and assumptions for the audit.
% of suppliers at risk, identified by a detailed environmental and social survey.	Conduct a detailed environmental and social survey among suppliers not assessed by detailed audit in order to achieve suppliers that represent 50% of the amount spent in the 12 months prior to the measurement in critical categories.	Target no longer considered priority in 2017.	-	-

Indicator	2017 Target	Status in 2017	2018 Target	2020 Target
Internal sustainability engagement (Procurement and Technical Management departments).	For 2017, our challenge is to advance the diagnostics and search for suppliers to improve our relationship and seek the creation of value through the supply chain.	Target no longer considered priority in 2017.	-	Stakeholders who work with 80% of the amount spent per year in critical categories.
Disclosure of supplier hiring indicators (e.g. certificates, best practices, gas emissions and other indicators).	Indicators on minority suppliers and results of the programs implemented.	Target no longer considered priority in 2017.	-	Indicators for tier 2 suppliers.
Supply chain risk assessment (contractors retained by our suppliers for critical processes).	For 2017 improvement actions are scheduled for the following indicators:	Risk assessment of subcontractors declared by our suppliers as provided for in contract.	-	Suppliers that represent 30% of the amount spent in the 12 months prior to the measurement in critical categories.
Preparing and monitoring action plans with at-risk suppliers identified in the RFI program and on-site audits.	<ul style="list-style-type: none"> Environmental and social survey for tier 2 suppliers; and Start of a new action plan monitoring process for developing programs within the suppliers. 			<ul style="list-style-type: none"> Preparing the plan: 100%; and Monitoring: 30% (critical cases).

Through all processes described in this document, we seek to avoid potential impacts on our value chain.

Among them, we highlight: **GRI 308-2 | 414-2**

- Varied environmental impacts related to illegal labor practices, such as child labor, forced labor, slave labor, inadequate working conditions and the impact on human rights, all included in the supplier approval process; and
- Impacts on society, which are mitigated by hiring committed suppliers, which in turn help to promote responsible and ethical practices in the market, thus cooperating with Brazilian society. It is unacceptable to hire companies associated with activities that encourage and/or exploit prostitution, including child prostitution, or companies that carry out its activities using child labor not in compliance with legislation or using labor analogous to slavery.



Society

Our strategy relates to social development initiatives, such as education, culture, sports, urban mobility, aging and entrepreneurship. In partnership with several institutions we encourage different initiatives, which are extended to the media, opinion makers, the market and several social organizations. We also work together with various levels of government to improve public policy models in the many countries where we operate.



Membership in associations **GRI 102-13**

In order to contribute to the construction of spaces for discussion and dialog among agents in the sector, provide guidance on the development of policies of self-regulation, as well as structuring joint actions among institutions, in the year of 2017 we were associated with the following entities with the purpose of representation, which dealt with themes such as Credit Environment, Taxation of the Banking System, Insurance and Economic Plans:

Entities to which we are affiliated

Associação Brasileira das Entidades Fechadas de Previdência Complementar (Abrapp – Brazilian Association of Closed Complementary Welfare Entities)
Associação Nacional das Empresas Financeiras das Montadoras (ANEF – National Association of Financial Companies of Automakers)
Associação Brasileira das Companhias Abertas (ABRASCA – Brazilian Association of Publicly Held Companies)
Associação Brasileira das Empresas de Cartões de Crédito e Serviços (Abecs – Brazilian Association of Credit Card and Services Companies)
Associação Brasileira das Entidades de Crédito Imobiliário e Poupança (Abecip – Brazilian Association of Real Estate Credit and Savings)
Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA – Brazilian Association of Entities of the Capital and Financial Markets)
Associação Brasileira de Administradoras de Consórcios (ABAC – Brazilian Association of Consortia Administrators)
Associação Brasileira das Empresas de Leasing (ABEL – Brazilian Association of Leasing Companies)
Associação Brasileira de Private Equity e Venture Capital (ABVCAP – Brazilian Association of Private Equity and Venture Capital)
Associação Brasileira de Propriedade Intelectual (ABPI – Brazilian Association of Intellectual Property)
Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais (Apimec – Association of Analysts and Investment Professionals of the Capital Markets)
Associação Nacional das Instituições de Crédito, Financiamento e Investimento (Acrefi – National Association of Credit, Financing and Investment Institutions)
BM&FBOVESPA S.A.
Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização (CNseg – National Confederation of Companies in General Insurance, Private and Life Pensions, Supplementary Health and Capitalization)
Federação Brasileira de Bancos (FEBRABAN – Brazilian Federation of Banks)
Federação Nacional de Capitalização (FenaCap – National Federation of Capitalization)
Federação Nacional de Previdência Privada e Vida (FenaPrevi – National Federation of Private and Life Pensions)
Federação Nacional de Saúde Suplementar (FenaSaúde – National Federation of Supplementary Health)
Federação Nacional de Seguros Gerais (FenSeg – National Federation of General Insurance)

The five largest expenditures with associations are, respectively, with the Brazilian Federation of Banks (R\$21,449,804.83), Brazilian Association of Credit Card and Services Companies (R\$1,126,800.00), Brazilian Association of Entities of the Capital and Financial Markets (R\$867,384.00), Brazilian Association of Entities of Real Estate Credit and

Savings (R\$785,646.00) and the Brazilian Association of Closed Complementary Welfare Entities (R\$373,362.20).

In addition, we have contributed to the development of society by means of a relationship of trust and cooperation with the institutions without purposes of representation that promote actions consistent with our institutional pillars, such as:

Entity	Parentage	Sponsorship
American Chamber of Commerce for Brazil (AMCHAM)	X	
Associação Brasileira de Avaliação Educacional (ABAVE – Brazilian Association of Educational Assessment)		X
Associação Brasileira de Comunicação Empresarial (Aberje – Brazilian Association of Corporate Communication)	X	
Associação Brasileira de Instituições de Previdência Estaduais e Municipais (ABIPEM – Brazilian Association of State and Municipal Welfare Institutions)		X
Associação Brasileira de Jornalismo Investigativo (ABRAJI – Brazilian Association of Investigative Journalism)		X
Associação Brasileira de Relações Institucionais e Governamentais (ABRIG – Brazilian Association of Institutional and Governmental Relations)		X
Associação Brasileira do Agronegócio (ABAG – Brazilian Agribusiness Association)	X	
Associação Comercial e Industrial de Anápolis (ACIA – Commercial and Industrial Association of Anápolis)	X	
Associação de Assistência à Criança Deficiente (AACD – Association for Assistance to Disabled Children)		X
Associação de Bancos do Estado de Minas Gerais (ABEMG – Association of Banks in the State of Minas Gerais)	X	
Associação de Bancos do Estado do Ceará (Association of Banks in the State of Ceará)	X	
Associação de Pais e Amigos dos Excepcionais de São Paulo (APAE – Association of Parents and Friends of Exceptional Children of São Paulo)		X
Associação dos Bancos no Distrito Federal (ASSBAN – Association of Banks in the Federal District)	X	
Associação dos Bancos no Estado do Rio Grande do Sul (Association of Banks in the State of Rio Grande do Sul)	X	
Associação dos Juizes Federais de São Paulo e Mato Grosso do Sul (AJUFESP – Association of Federal Judges of São Paulo and Mato Grosso do Sul)		X
Associação dos Magistrados do Estado do Rio de Janeiro (AMAERJ – Association of the Magistrates in the State of Rio de Janeiro)		X
Movimento Mulher 360 (360 Women's Movement)	X	
Associação Paulista de Entidades de Previdência do Estado e dos Municípios (APEPREM – São Paulo Association of Pension Entities of the State and Municipalities)		X
Atletas pelo Brasil (Athletes for Brazil)		X
BAYBRAZIL	X	
Bei Comunicação Ltda.		X
Brasil Investimentos & Negócios (BRAIN – Brazil Investments & Business)	X	
Carbon Disclosure Program (CDP)	X	
Centro Brasileiro de Relações Internacionais (CEBRI – Brazilian Center of International Relations)	X	
Centro de Estudos de Direito Econômico e Social (CEDES – Center for the Study of Economic and Social Law)	X	
Conselho Empresarial Brasil-China (CEBC – Brazil-China Business Council)	X	
Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS – Brazilian Business Council for Sustainable Development)	X	
Conselho Nacional Autorregulamentação Publicitária (CONAR – National Advertising Self-regulation Council)	X	
Conselho Regional de Administração (CRA – Regional Board of Directors)	X	
Fórum Brasileiro de Segurança Pública (Brazilian Forum of Public Security)		X
Fundação Abrinq (Foundation)	X	
Fundação de Amparo à Pesquisa e Extensão Universitária (FAPEU – Foundation of Assistance to University Research and Extension)		X
Fundação Fernando Henrique Cardoso (Foundation)		X
Fundação Instituto de Pesquisas Econômicas (Fipe – Institute of Economic Research Foundation)	X	
Fundação José Arthur Boiteux (FUNJAB – Foundation)		X
GBA Board Membership VS. Global Reporting Initiative (GRI)	X	
Grupo de Apoio ao Adolescente e à Criança com Câncer (GRAACC – Support Group for Teenagers and Children with Cancer)	X	
Grupo de Estudos Tributários Aplicados (GETAP – Group of Applied Tax Studies)		X
Instituto Akatu (Institute)		X
Instituto Brasileiro de Ciências Criminais (IBCCRIM – Brazilian Institute of Criminal Sciences)	X	
Instituto Brasileiro de Direito Civil (IBDCivil – Brazilian Institute of Civil Law)		X
Instituto Brasileiro de Direito Processual (IBDP – Brazilian Institute of Procedural Law)		X
Instituto Brasileiro de Direito Tributário (IBDT – Brazilian Institute of Tax Law)		X
Instituto Brasileiro de Governança Corporativa (IBGC – Brazilian Institute of Corporate Governance)		X

Entity

Parentage Sponsorship

Instituto Brasileiro de Estudos da Concorrência, Consumo e Comércio Internacional (IBRAC – Brazilian Institute of Studies of Competition, Consumption and International Trade)	X	
Instituto Brasileiro de Mercado de Capitais (IBMEC – Brazilian Institute of Capital Markets)		X
Instituto Brasileiro de Executivos de Finanças (IBEF – Brazilian Institute of Finance Executives)	X	
Instituto Brasileiro de Relações com Investidores (IBRI – Brazilian Institute of Investor Relations)		X
Instituto Ethos (Institute)		X
Instituto Novo Brasil pelo Carimbo Solidário (New Brazil Institute for Solidarity Seal)	X	
Instituto Pacto Nacional Pela Erradicação Do Trabalho Escravo (InPACTO – National Pact Institute to Eradicate Slave Labor)	X	
Integrare		X
Jota Jornalismo Ltda. – ME VS. Lideranças Empresariais Ltda.	X	
Movimento do Ministério Público Democrático (MPD – Movement of the Democratic Public Ministry)		X
Global Pact	X	
Equator Principles	X	
Sociedade Rural Brasileira (SRB – Brazilian Rural Society)	X	
SustainAbility	X	
United Nations Environment Programme – Finance Initiative (UNEP FI)	X	
WEPs Brasil 2016 – Companies Empowering Women	X	



Voluntary commitments GRI 102-12

We are committed to environment, human rights, sports, and diversity related causes. Our engagement is carried out through a number of frontlines, among which we highlight the execution of voluntary commitments. Through them, we monitor the progress of agendas and strengthen our mission as the leading bank in sustainable performance.

In 2017, to reinforce our position as promoting gender equality, we adhered to the Women's Empowerment Principles (WEPs), a commitment of UN Women and UN Global Compact. Through WEPs, we undertake to create or adjust current policies and practices related to women's empowerment, to help build stronger economies, and fairer and more stable societies, in addition to meeting the Agenda 2030 goals and boost business targets.

In addition to the commitments affirmed over 2017, we highlight below some of the principles and voluntary commitments executed in the last 15 years, which, together with our internal policies, underpin our management, allowing these topics to pervade all areas, such as our direct relationships with stakeholders:

Principles	Accession date	Acting country
Global Compact	2003	Global
Global Reporting Initiative (GRI)	2004	Global
Equator Principles III	2004	Global
Carbon Disclosure Program (CDP)	2009	Global
National Pact to Eradicate Slave Labor	2008	Brazil
GHG Protocol – Brazilian Program GHG Protocol	2008	Brazil
Principles for Responsible Investment (PRI)	2008	Global
United Nations Environment Program – Finance Initiative (UNEP-FI)	2008	Global
Corporate Charter on Human Rights and the Promotion of Decent Work	2012	Brazil
The Business Contribution to a Green Inclusive Economy (RIO+20)	2012	Brazil

Principles

Accession date

Acting country

International Integrated Reporting Council (IIRC)	2012	Global
Principles for Sustainable Insurance (PSI)	2012	Global
Compact for Sport	2015	Brazil
Business Pact for Integrity and Against Corruption	2016	Brazil
Women's Empowerment Principles (WEPs)	2017	Global

Itaú Corporate Communication

With the mission of promoting Itaú Unibanco's relationships and interactions with the media and other stakeholders to meet the organization's priority topics – generating positive exposure, protecting and strengthening the holding's image and reputation – the Superintendency of Corporate Communication works to ensure the consistency of speech and practices of the company.

We want to help the organization achieve its vision: to be the leading bank in sustainable performance and customer satisfaction. To be an increasingly sustainable bank we need to maintain an open and transparent relationship with the media and opinion makers in general.

In our interfaces with the media, we should work to reinforce the bank's main positions and key messages, helping the media to have a clear and accurate coverage and, ultimately, influencing our reputation positively. We also promote discussions on topics that may contribute to the development of society. One of the most successful strategies is to hold meetings and workshops designed to disseminate relevant information on topics that help understand the contribution of the financial services industry in a globalized world. In 2017, over 20 events were held covering issues such as financial education, macroeconomics, sustainability, urban mobility, investments, encouragement to reading, cultural activities and sports, digital channels, ombudsman office, and female entrepreneurship.

Coupled with communication strategies, dialogue is maintained on a permanent basis, allowing us to receive and properly address the demands of media outlets and opinion makers. From the press alone, over 2,000 topics were received in 2017. This work allows, among other actions, us to support the bank in changing practices, products and services.

Also in 2017, journalists from top national and international media outlets were hosted by the bank's executives to learn about projects and actions adopted focused on client satisfaction, profitability, people management, internationalization, digital transformation and risk management. During these meetings, we introduced initiatives that helped improve dialogue and increased the bank's transparency in its relationship with clients and society at large, including our commitment to the U.N. to empower women and foster gender equality, relations with the National Consumer Defense System, Client Service and Transparency. Topics such as economic scenario, macroeconomic projections, evolution of client service channels, women entrepreneurship, risks, and digital evolution were also then addressed.

Currently, the bank about 160 spokespersons authorized to talk to the media. The training programs provided to these executives are also the responsibility of the Corporate Communication Department. These are delivered on demand, as new executives are appointed spokespersons. In 2017, 53 executives were provided with training.

Our exposure to the national and international media is monitored by an image audit conducted by the Analysis and Research department of CDN, a communications agency focused on building and strengthening image and reputation. Both qualitative and quantitative information is analyzed to reach the indicator Media Exposure Quality Index (IQEM), which is monthly monitored by the Corporate Communication department.

Media Exposure Quality Index (IQEM)	2017 (%)	2016 (%)	2015 (%)
Financial services industry's positive exposure in the national media	41.0	40.7	36.8

Another relevant indicator used by the department is the RepTrak, which measures general audience's perception of our reputation and the reputation of main competitors. With quarterly surveys, this methodology provides for a detailed analysis of 26 attributes that explain the bank's reputation. In 2017, we obtained a median reputation, but stood out from the other players in the financial system, with two points above the sector's average. In the fourth quarter of 2017, our reputation indicator, known as Pulse, was 64.2.

Based on all results obtained from IQEM and RepTrak, we assess any risks to be mitigated and opportunities to work with the media and opinion makers. Thus, we plan actions and initiatives to reinforce the stakeholders' perception of our reputation, and put them into practice in partnership with the departments responsible for each topic.

The resulting data are used internally to support the strategic communication planning, set performance goals and provide for the analysis of results of the actions promoted by the department.



Relationship with the government

GRI 102-43 | 201-1 | G4-DMA Economic performance

We seek to work in direct contact with civil society and third sector entities, such as governmental entities, with the aim of cooperating in the construction of public policies consistent with the interests of society and the organization. In this way, the operations with public organizations, in meeting the issues that involve our business and the causes that we support, seek to ensure democracy, respect for the laws of the country, for the principles established by the Code of Ethics of Itaú Unibanco and for our Government Relations Policy, which govern the conduct permitted and expected of employees in cases of relationship with any public agents.

Our activity of representation of institutional interests and of the financial system in general, in an organized and transparent manner, was developed through actions of monitoring of normative and legislative proceedings, as well as provision of information and suggestions of techniques aiming to contribute to the improvement of the Brazilian regulatory scenario, always in compliance with the applicable legal and ethical decrees. In terms of strengthening the institutional causes, we made contributions of financial support throughout the year, to support projects and/or activities linked to public organizations and other institutions.

From this perspective, we invested the following efforts at federal level:

- Monitoring the progress of legislative propositions that are deliberated on in the National Congress.

Legislative propositions	2017	2016	2015
Propositions	More than 2,800	More than 1,900	More than 1,300

- We conducted visits to legislators and public managers with remarkable participations and expertise in areas such as security, consumer rights, urban mobility, fiscal and tax issues and the environment.

Visits to legislators and public managers	2017	2016	2015
Visits	More than 300	More than 200	More than 100

Examples of such articulations are:

- Meeting with representatives of the Executive and Legislative powers, among them, more than 50 members of the Congress and Senators, to discuss Bill 6,787 of 2016, amending the CLT – Consolidation of Labor Laws, in order to adapt the legislation to new labor relations (Labor Reform);
- Meeting with representatives of the Executive power, such as the Civil Office, Ministry of Finance and the Central Bank, with the participation of other entities of representation, to discuss Provisional Measure 775 of 2017, which provides, among other things, about changes in the legislations on credit guarantees; and

- We collaborate with the dissemination of educational campaigns and awareness of the population produced by the federal government based on its advertising on a lighted billboard at the top of our administrative building in the district of Pinheiros, in the city of São Paulo.

At state and municipal levels:

- We follow closely the discussions of legislative propositions that deliberate on Legislative Assemblies of the country and in various City Councils, based on matters that deal with safety, consumer rights, the tax system, banking operations, and urban mobility, among others.

Legislative propositions	2017	2016	2015
Propositions	More than 7,000	More than 4,500	More than 3,000

- We have established relations with governmental and strategic public entities with the purpose of nurturing, sustaining and developing activities aligned with our institutional causes, producing and adding value to society. Below are examples of such approximation:

- Implantation since 2016 of the *Projeto Câmera Cidadão* (Citizen Camera Project) in the cities of Nova Friburgo, Maceió, Recife and Salvador, allowing the sharing of images of external cameras of the agencies with government entities of security of and the municipalities; and
- We commit to the management of the Ibirapuera Auditorium in the city of São Paulo, with the support of Instituto Itaú Cultural (Institute).

Relationship with Public Agents

We cherish the maintenance of an ethical and transparent relationship with all Public Agents, respecting the current laws, rules and regulations, and seeking the sustainability of their businesses, it relates to several interlocutors in the exercise of Activities of Governmental Relations and in monitoring the development and implementation of public policies in general.

The Director of Institutional Relations and Corporate Communications is responsible for receiving, recording and managing the information contained in the register held by our administrators and employees, reporting the data and the situations they consider relevant to the Vice-President responsible for the area and to the Committee of Ethics and Integrity, for the adoption of measures that may be necessary, preserving the confidentiality of the information provided. In 2017, more than 800 interactions were recorded.

Political campaigns and donations GRI 415-1

In accordance with Law No. 9.504/1997, amended by Electoral Reform (Law No. 13.165/2015), in 2016 we updated our internal policy of donations disallowing any types of: I) donations made directly to public officials, agencies or entities of Public Authority, or made directly, collaterally or by affinity, to relatives of public agents, up to the second degree, whose purpose is to influence decisions in which the Conglomerate Itaú Unibanco has interests; II) election donations or donations that are destined to candidates and political parties. In this

way, following the laws and regulations in Brazil, in 2017 the Conglomerate Itaú Unibanco did not make any donation of resources to political parties or candidates for elections.

Political education

We support projects of political education to encourage the social engagement and citizenship of individuals. An example is the *Prêmio Paulista de Boas Práticas Legislativas* (São Paulo Award for Best Legislative Practices), which aims to encourage the recognition of the company to nearly six thousand councilors of the State of São Paulo, who are involved in the drafting and approval of projects capable of impacting positively the reality of their respective municipalities. In addition, it has as purpose to reward the Municipal Chambers through innovative actions in the field of public management promoted by their respective boards of directors and body of servers, in addition to recognizing what civil society and the third sector have done in the parliaments.

Another action with the partnership of Itaú is the Political Initiation Course, whose main objective is to offer to its participants contents capable of changing the relationship of individuals with politics. Its program is essential to consolidate the company's commitment to the democratization of politics, presenting it to society in a cross-party manner. In addition, we have the annual support of the Center for Public Leadership, nonprofit, nonpartisan organization, committed to promoting transformative changes by means of the effectiveness of the management and the improvement of the quality of public policies.



Government tax incentives GRI 201-1 | 201-4

In 2017, we received tax benefit in the amount of R\$130.2 million, through investments in culture, education, sports and health, incentivized by our tax law, as follows:

Investment by category (R\$ million)	2017	2016	2015
Donations of funds for child and adolescent rights	15.6	15.8	22.4
Rouanet law for culture support	67.0	74.4	87.0
Sports sponsorships	16.6	12.4	22.4
Audiovisual activities	0.4	0.3	0.8
Other ⁽¹⁾	30.6	31.9	65.3
Total	130.2	134.8	197.9

(1) Data refer to PRONAS (Programa Nacional de Apoio à Atenção da Saúde da Pessoa com Deficiência – National Program to Support the Health Care of People with Disabilities), PRONON (Programa Nacional de Apoio à Atenção Oncológica – National Program to Support Oncology Care) and Estatuto do Idoso (Elderly Statute).

Additionally, we benefited in the amount of R\$31.9 million from tax incentives referring to the following programs:

Tax Incentives by category (R\$ million)	2017	2016	2015
Employee food program	6.3	5.3	4.3
Extension of maternity leave	25.6	1.0	0.9
Total	31.9	6.3	5.2



Community GRI 102-43 | 201-1 |

G4-DMA Local communities

As a financial institution, we recognize our role as an agent of transformation, promoting local development. In this sense, we work to encourage projects, institutions and individuals in an innovative manner, toward the construction of a better world. For this, we participate in discussions, events and actions that contribute to the improvement and strengthening of communities around our major business hubs in the country. In 2017, we had the following activities in the surroundings of our offices and administrative hubs:

- Activities in the vicinity of *Centro Empresarial Itaú Unibanco* (Business Center), in the city of São Paulo, through the maintenance of public spaces, such as *Praça Alfredo Egydio de Souza Aranha* and *Parque Lina e Paulo Raia*; in addition to the sponsorship of cultural activities in the district of *Jabaquara* in partnership with the local community;
- Volunteering and support for civil society organizations through the engagement of our employees across Brazil;
- Realization of the Gymkhana of Solidarity, an action of engagement between our employees of administrative buildings and bank branches throughout the country, with the objective of collecting food, clothing, footwear, toys, items of personal hygiene and blankets for Charitable Entities. In 2017, we collected the historic mark of 325 tons in more than 38 cities. In contrast to the donations of the employees, we allocated approximately 45 thousand blankets and/or sheets to nonprofit organizations and municipal councils in different cities around the country, including Departments, Funds and City Halls; and
- We held meetings with local public authorities to identify opportunities for action within the institutional pillars. In 2017, we guided and helped city halls of Brazil in the organization and structuring of municipal funds of incentivized resources, like the Fund for the Elderly, Child and Teenager, as in Salvador, Maceió and Belo Horizonte.

In addition, we lobbied for and supported actions of social transformation, among them:

- IV Meeting of Municipalities with Sustainable Development (IV EMDS) that led specialists to discuss the theme "Funding and Governance of Cities in Brasília";
- Support for relevant forums of content and public policies, such as: Workshop on Law and Technology, National Congress of Company-Client Relations, 17th Brazilian Meeting on Finance, Brazilian Forum on Public Safety; and
- First Workshop of Best Practices Applied to the Territory, which brought together public managers and members of the private initiative in Recife to discuss integrated solutions for public safety, aiming to promote the exchange of experience in the fight against violence in Latin American cities.

Within the institutional pillars of urban mobility, education, health, culture and diversity, we also work with civil society and third sector entities with the aim of driving the articulation of the private social investment with causes and public policies in different cities of Brazil. Our main related actions are:

- Platform Metrics, a methodology developed in partnership with Insper for the evaluation of private social projects and studies on social impacts linked to the Sustainable Development Goals of the UN;
- Sponsorship of the 13th National Meeting of the Third Sector, in the city of Belo Horizonte;
- The support of the *Associação de Resgate à Cidadania por Amor a Humanidade* (Association to Rescue Citizenship through Love for Humanity), which aims to recuperate people who live on the streets in the city of São Paulo;
- Sponsorship of the *Associação Todos pela Educação* (Association Education for All), of São Paulo, and the National Council of Education Secretaries;
- The partnership with *Instituto Novo Brasil Pelo Carimbo Solidário* (New Brazil Institute for Solidarity Seal), which regulates the housing situation of residents of communities in the State of Rio de Janeiro; and
- Training workshops for public managers and members of the civil society with the purpose of structuring the municipal, state and federal elderly funds.



Corporate citizenship GRI 201-1 | 103-2 | 103-3 Corporate citizenship



Private social investment

GRI G4-DMA Economic performance

Under the premise of contributing to the society that strengthens us, historically we appear among one of the most important players in Private Social Investment in Brazil, whether it is through direct contributions to projects subordinate to incentive laws or through our Institutes and Foundations. Among the priority themes for our investment are: Education, Culture, Sports, Urban Mobility, Senior Citizens and Diversity.

In 2017, we formalized, through an internal policy, the ruling that all of the investments made by the bank should aim to contribute to the Sustainable Development Goals (SDGs), reaffirming our commitment to the global agenda adopted during the United Nations Sustainable Development Summit in 2015.

We believe in the need to build new models of collaboration among the different sectors of society and integrate the SDGs into the plans and policies of States and Municipalities. In this way, we also determined that the investments should consider, as a priority, incidence on public policies and the collective agendas at global, national and/or local levels.



In this sense, we joined the Platform for Philanthropy of UNDP, a global initiative that connects philanthropy to the knowledge and networks that can deepen cooperation, leverage resources and increase impact, articulating the SDGs toward a national development plan.

In 2016, we established, for the themes of Urban Mobility, Diversity, Culture and Health, advisory committees with experts on the theme for the consultation of investment priorities.

With the objective of advancing in the theme of evaluation of indicators and measurement of impact, we are developing, in partnership with Insper Metrics, a protocol for the evaluation of social projects and their social impacts linked to the Sustainable Development Goals of the UN. In 2017, studies were performed for two major projects of the bank: *Itaú Viver Mais* (Live Longer) and the project of shared bicycles.

Breakdown of the investment made in 2017: Private social investment⁽¹⁾

Not incentivized

	2017: value invested (R\$ million)	2016: value invested (R\$ million)	Number of projects 2017	Number of projects 2016
Education	181.0	140.3	520	180
Culture	148.5	74.1	50	4
Sports ⁽²⁾	7.2	8.5	7	4
Urban mobility	64.9	63.8	45	15
Institutional support and others	10.4	33.5	43	206
Elderly	2.3	-	3	-
Total of not incentivized	414.3	320.2	668	409

Incentivized

	2017: value invested (R\$ million)	2016: value invested (R\$ million)	Number of projects 2017	Number of projects 2016
Education	15.8	11.7	38	39
Culture	69.4	83.6	119	97
Sport	16.9	14.5	18	15
Health and elderly	31.0	38.4	37	39
Others	-	6.5	-	21
Total of incentivized	133.1	154.6	212	409
Total	547.4	474.8	880	620

(1) Due to the change in the structure of submission of contributions made during the years of 2015 and 2016, and the incompatibility in the form of their representation, this report does not express a comparison between the last three years.

(2) It does not include sponsorships to the Brazilian Soccer Team and the Miami Open Tennis Tournament.

Education

Itaú helps raise the quality of Brazilian public education through Fundação Itaú Social, Instituto Unibanco, and partnerships with other Institutes, Foundations and civil society organizations (CSO).



Fundação Itaú Social

The history of Fundação Itaú Social dates back to 1993, when the Community Action Program – later named *Programa Itaú Social* – was created. The program was aimed at structuring the bank's private social investment initiatives. In 2000, the program was expanded with the set up of Itaú Social Foundation by means of an endowment fund with the allocation of donations from the bank itself.

These resources are invested in investment funds (short term and fixed income) and in Itaúsa's and Itaú's shares. For its maintenance and project finance purposes, the Foundation's annual budget comes from the return on these investments. The investments for 2017 was R\$120 million and, at the end of the year, the Foundation's equity totaled R\$4 billion.

In 2017, the organization started a process to revisit the organizational structure for more effectiveness, thus reinforcing the commitment to the mission to develop, implement, and share social technologies to help improve the Brazilian public education. As a result, as of 2017 Fundação Itaú Social is now focused around two axes: education management actions – focused on the training of education area professionals – and incentive actions – focused on strengthening Civil Society.

Fundação Itaú Social proceeds with its assumption to build up partnerships at the three government levels, with CSOs and other companies, as the main way to operate in the field of education. Additionally, as it believes monitoring and assessment are key tools for ongoing improvement, the organization assesses its own programs and supports CSOs and the government in this practice accordingly. Therefore, it is undergoing the process of aligning its institutional targets with the Sustainable Development Goals (SDGs) proposed by the UN.

In 2017, approximately 1,590,000 people benefitted from these initiatives carried out by Fundação Itaú Social. This report shows the data and outcomes of some of the programs carried out in the period:

Program/geographic coverage	Purpose	Investment in 2017	Impact in 2017
<i>Prêmio Itaú-Unicef</i> (Itaú-Unicef Award) 1,651 partnerships between CSOs and public schools registered. Partnerships with all states registered.	Recognize extended learning projects carried out by CSOs in partnership with public schools.	R\$12,136,864.53	192 CSOs and schools awarded received transfers of R\$4 million.
<i>Leia para uma criança</i> (Read to a child) Collections of child books with guidance for mediated reading initiatives were sent to all states.	Encourage reading and sharing of stories to expand a child's cultural repertoire and strengthen emotional, family and community ties.	R\$12,069,305.10	3.6 million child books distributed to individuals; 400,000 child books sent to CSOs and Education Departments. 4,920 Braille books given out to individuals. 458 library boxes (sets of 50 books) given out for social actions.
Volunteering all states benefitted from volunteering actions. States with Itaú Mobilization Committees (groups made up with volunteering employees) (21): PR, GO, AC, SC, PE, SP, MT, RN, RJ, PB, BA, RS, MG, DF, CE, ES, MS, AL, PA, MA, and AM.	Rally Itaú's employees who already are or would like to be volunteers. Therefore, it prepares employees to carry out social actions and connect them to civil society organizations that may benefit from volunteering actions.	R\$4,552,411.13	80 volunteering actions carried out in 2017 with assistance from Itaú Social, of which 53 related to the Global Volunteering Action Week. 1,637 volunteers took part in the activities of the Global Volunteering Action Week, benefitting 14,548 people. 20,308 volunteers registered at Itaú Network of Social Actions.
<i>Escrevendo o Futuro</i> (Writing the Future) States where in-person training was given (23): AC, AL, AM, AP, BA, DF, ES, GO, MA, MG, MS, MT, PA, PB, PE, PI, PR, RJ, RR, RS, SE, SP, and TO.	Carry out a number of in-person and online training to teachers. <i>The Escrevendo o Futuro</i> portal provides input for educators to improve knowledge, come up with innovative learning strategies, and share experiences.	R\$6,042,014.72	60 groups in online training sessions with 5,347 participating teachers. 36 in-person meetings with 2,008 participating teachers.
Training in the Economic Evaluation of Social Projects States where in-person training was given: SP and RJ.	Disseminate the Economic Evaluation of Social Projects methodology.	R\$479,033.33	1 Advanced Course group with 36 participants. 2 Online Social Managers Course groups with 145 participants. 2 In-person Social Managers Course groups with 83 participants.

Targets

Initiatives	2017 target	Status in 2017	2018 target
<i>Prêmio Itaú-Unicef</i> (Itaú-Unicef Award).	Hold the award ceremony and register 3,000 applications from partnerships between CSOs and public schools. Carry out 50 mobilization actions. Hold 7 regional kick-off events in partnership with local organizations and government authorities.	The award ceremony was held and 1,651 applications were registered from partnerships between CSOs and public schools. The company decided not to hold the 7 kick-off events. However, 13 local mobilization actions with the same purpose were held.	2,000 CSOs and public schools registered. Limit operational costs up to 50% of the total program budget. Carry out 20 local mobilization actions.
<i>Escrevendo o Futuro</i> (Writing the Future).	In-person training sessions: training sessions in all 27 Brazilian states. Online training sessions: 94 groups.	In-person training sessions: training sessions in 23 Brazilian states. Online education: 60 groups.	In-person training sessions: training sessions in 20 Brazilian states. Online education: 63 groups.
Training in the Economic Evaluation of Social Projects.	2 Course for Managers groups. 1 Advance Course group. 2 Online Course groups. 1 International Seminar.	2 Course for Managers groups. 1 Advanced Course group. 2 Online Course groups	2 Course for Managers groups 1 Advanced Course group. 6 Online Course groups.
<i>Leia para uma criança</i> (Read to a child).	Distribution of 6,000 additional library boxes from previous editions. 3.2 million child books donated to public schools and social projects. 3.2 million child books donated to individuals.	Distribution of 458 library boxes from previous editions. 400,000 child books donated to public schools and social projects. 3.6 million child books donated to individuals.	Distribution of 820,000 child books and 6,443 library boxes to the network of Reference Centers in Social Assistance (CRAS – <i>Centros de Referência em Assistência Social</i>) through a partnership with the Ministry of Social Development. 3.2 million copies of child books donated to individuals and 5,000 Braille books.
Volunteering.	Volunteer advisory actions for 30 bank's teams in all Brazilian regions and engagement of 10,000 employees. Participation of at least four Itaú's foreign units in the Global Volunteering Action Week. Creation and implementation of a volunteering policy for risk mitigation purposes. Improve monitoring and assessment processes.	Volunteer advisory actions for 25 bank's teams in all Brazilian regions and engagement of 10,000 employees. Participation of at least Itaú's four foreign units in the Global Volunteering Action Week.	Volunteer advisory actions for 40 bank's teams in all Brazilian regions and engagement of 10,000 employees. Participation of at least Itaú's five foreign units in the Global Volunteering Action Week. Creation and implementation of a volunteering policy for risk mitigation purposes. Improve monitoring and assessment processes.



Instituto Unibanco

Founded 35 years ago, the Instituto Unibanco (Unibanco Institute) is an organization that works to raise the quality of Brazilian public education, and secondary schools in particular. Therefore, the Institute develops and implements public school system management solutions aimed to raise the learning results of young people.

The Institute has entered into partnerships with institutions, such as education departments, academic, education focused philanthropic institutions, and also with the National Council of Secretaries of Education (Consed). It is supported by an endowment that guides the funding of activities.

Program/geographic coverage	Purpose	Investment in 2017	Impact in 2017
<i>Jovem de Futuro</i> (Youth of the Future) CE, GO, ES, PA, PI and RN.	Educational technology and knowledge production designed to foster the ongoing improvement of school management.	R\$39,404,970.14	1,999 schools. 802,110 students ⁽¹⁾ .
<i>Estudar Vale à Pena</i> (Volunteer Program: Studying is Worthwhile) CE, GO, ES and SP.	A volunteering action aimed at raising awareness of the benefits of education among public secondary school students.	R\$1,849,167.06	1,303 active volunteers. 142 schools. 13,637 students.
<i>Fomento – Editais Gestão Escolar para Equidade e fundos de apoio</i> (Promotion – Call notices for school management for equity and support funds).	i) Call notice to identify, recognize and monitor projects developed in public secondary schools focused on school management that may contribute to improve the educational results of vulnerable students. - Call notice for School Management towards Equality: Encouraging Girls in Science. - Call Notice for School Management towards Equality: Young Black people. ii) Support for the institutional development of non-profit organizations in the field of education.	R\$3,138,629.62	Outcomes of the call notice 2017 In the 2 nd edition of the call notice, ten projects were chosen out of a total 185 enrollments in 24 states and the Federal District, up 50% from the first edition in 2014. These ten chosen projects came from the States of AC, AL, MG, PE ⁽²⁾ , RJ ⁽²⁾ , RS, SP ⁽²⁾ . Like what had occurred in the first edition, the call notice is aimed at identifying, recognizing and monitoring projects focused on school management that may help develop and implement practices able to improve the educational results of secondary young black students.

(1) Number of enrollments in 2017 was based on an estimate calculated based on the increase in enrollments from 2015 to 2016.

Encouraging girls in Science (Elas nas Exatas)

In 2017 the second edition of the call notice *Gestão Escolar para Equidade Elas nas Exatas* (School Management for Equality: Encouraging girls in Science) was launched. This call notice is an initiative of ELAS Fundo de Investimento Social, Carlos Chagas Foundation and Unibanco Institute, and this edition also counts on the participation of the UN Women.

This initiative also contributes to the UN 2030 Agenda for Sustainable Development, which lists 17 goals to be implemented by all countries in the coming 15 years, among them "ensure inclusive and quality education for all" and "achieve gender equality and empower all women and girls".

The first call notice School Management for Equality: Encouraging girls in Science was launched in 2015 and received over 170 proposals, of which ten were selected from five regions of Brazil: South – Florianópolis (SC); North – Itacoatiara (AM); Southeast – São Paulo (SP), Rio de Janeiro (RJ), and São João Del-Rei (MG); and Northeast – Salvador (BA), Cachoeira (BA), Iracema (CE), Campina Grande (PB), and Natal (RN).

Young black people (Juventude Negra)

In 2017 the ten projects chosen in the 2nd edition of the "Call Notice for School Management towards Equality – Young Black People" were unveiled. A joint initiative of the *Fundo Baobá – Fundo para Equidade Racial* (Baobá Fund for Racial Equality), the *Universidade Federal de São Carlos* (UFSCar), and Instituto Unibanco. These projects chosen came from public secondary schools of the States of Acre, Alagoas, Minas Gerais, Pernambuco, Rio de Janeiro, Rio Grande do Sul, and São Paulo, and some of them were developed in partnership with civil society organizations. There were total 185 projects enrolled from 24 states and the Federal District, up 50% from the first edition in 2014.

The institutions selected school management projects aimed at the promotion of racial equality in public secondary schools. Like what had occurred in the first edition, the call notice is aimed at identifying, recognizing and monitoring projects focused on school management that may help develop and implement practices able to improve the educational results of secondary young black students, and also help face the racial inequalities in secondary schools.

Impact measurement methodology

The so-called *Experimento* methodology was adopted to assess the impact of the *Jovem do Futuro* (Youth of the Future) program, by measuring the students' academic performance in two results: (i) proficiency in Portuguese and Maths at the end of the 3rd year; and (ii) three years after the project was implemented. The outcome points towards a positive impact of the Youth of the Future program at five points in the Saeb (Brazilian Basic Education Assessment System) scale for both subjects.

This methodology divided schools into two groups, according to the units interest in joining the project: treatment group, which received the Youth of the Future, and the control group, without the project but for comparison purposes. The assessment considered schools in which the project was implemented up to 2012, after the three-year assessment period was adopted. Those schools joining the program after this year have not yet completed the three years required for the assessment cycle and, therefore, were not included in the program assessment.

The intervention impact on the set of schools is, by definition, the contrast between the performance of these schools if they had been benefitted from the intervention and what would have happened if they had not been benefitted accordingly.

A total of 141 groups of schools were used in eight implementation areas of the Youth of the Future project in seven Brazilian states, where schools were randomly chosen to make up the treatment and control groups. According to these 141 comparisons, the treatment group schools outperformed the control group in 92 cases in the grades in Portuguese and in 95 in Maths.

Targets

Initiatives	2016	2017	2018 Target
<i>Jovem do Futuro</i> (Youth of the Future)	2,519 schools	1,999 schools	2,147 schools



Itaú BBA Education Initiatives

To optimize our social investment, we work in partnership with other foundations, institutes and NGOs sharing the same purpose: raise the quality of public elementary education in Brazil. We gather together efforts, intellectual capacities, knowledge, and resources to provide technical and financial support to education projects, since we believe in the potential development of young people.

In the last three years, our primary focus has been on designing a new secondary school model that is both flexible and integrated into technical learning and professional qualification, since 75% of Brazilian students who graduate from secondary school fail to go onto college or to take classes for a qualified job, according to IBGE.

This investment is made directly by Banco Itaú BBA and is managed by the Institutional and Government Relations of Itaú Unibanco S.A.

In 2017, we had positive results thanks to the technical and financial support to the Secondary Education Working Group of the National Council of State Education Secretaries (Consed), which led to the publication of an ebook including three papers developed over the year. One of the works was the *Mapeamento ETI – Escola em Tempo Integral*, applied in states of Brazil. This document is the result of a questionnaire sent to State Education Departments of Brazil, on the process of implementing the Extended Learning education policy, taking into account the scenario of the development policy of the Ministry of Education in its first year of implementation.

Other paper published was the study *Boas Práticas – Experiências de Ensino de Tempo Integral e de Flexibilização Curricular no Ensino Médio*. This publication includes systemized texts from all Brazilian states, and is aimed to share successful experiences that help implement the Extended Learning Education Policy in secondary schools. This was one of the main challenges faced by the State Education Departments in 2017, taking into account the social and demographic peculiarities of each region and the compliance with Ordinance No. 727/2017 that: “provides for new guidelines, and new parameters and criteria for the Program to Foster Extended Learning Secondary Schools (local acronym EMTI), in conformity with Law No. 13,415, of February 16, 2017”.

This will continue to be a major challenge in the coming years, as State Education Departments will proceed with the implementation process in Schools, with the need to consolidate the offer in schools implemented in 2017, and plan the expansion of the extending learning model in public schools. To offer support to the State Education Departments in this implementation process, the Extended Learning Front of the Secondary School Working Group from Consed (local acronym GT EM), composed of technicians representing the State Education Departments, has defined, as part of its 2017 Action Plan, the need to map the proposals for implementation of extended learning schools in the states.

All technical courses in place in the states have also been mapped, and are currently being consolidated into a digital platform to be accessed on Consed's website early 2018. This content will gather together all regulations and technical courses that govern the state professional and technical education policies developed in the 27 states of Brazil.

Key projects, institutions, and NGOs supported in 2017 were:

Program/geographic coverage	Purpose	Investment in 2017	Impact in 2017
National Council of Secretaries of Education (CONSED) All Brazilian states	Technical and financial support to Education Departments and technicians to meet the challenge of the Secondary School reorganization, as provided by Law No. 13,415/17, particularly the design of flexible course models to promote professional technical education as regular secondary education. Itaú BBA was also a sponsor of the <i>Prêmio Gestão Escolar</i> (PGE) (Education Management Award), organized since 1998 by CONSED to foster the improvement of public school management towards a greater purpose: ensure quality education, a fundamental right of all Brazilian students, by promoting the culture of self-assessment and management process intervention.	R\$262,000.00	<ul style="list-style-type: none"> • Four Modules of the Planning Learning Program were conducted for implementation of public policies and secondary school development; • Comparative analysis of Secondary Education with flexibility in curriculum models and guidance for work and publication; • Preparation of a proposal for a Professional and Technical Education Development Program via the <i>Dinheiro Direto na Escola</i> ("Direct Cash at Schools") program; • Creation of a Permanent Technical Planning and Advisory Committee; • Publication of the implementation process of the Good Extended Learning Practices policy and his map in the states; and • Document of proposed amendments to Ordinance No. 727/2017.
São Paulo State Education Department, São Paulo's Commitment Program São Paulo – SP	<p>The vision consolidated on five pillars of the Education – São Paulo's Commitment Program</p> <ol style="list-style-type: none"> 1) Valuing and investing in the development of the Human Capital of the Department. 2) Improving education management and actions of the Network focused on students' learning results. 3) Expanding and improving the extended learning in schools policy. 4) Making organizational and financial management mechanisms viable to operate the Program. 5) Mobilizing and engaging the Network, Students and society towards the education-learning process. 	R\$250,000.00	<ul style="list-style-type: none"> • Application of 20 prototypes at E. E. Prof. Alvino Bittencourt school- 361 students and 27 teachers; • Strengthening the <i>Ler e Escrever</i> (reading and writing) and EMAI (Mathematics in early years education) programs; • Intensive school tutoring activities; • Use of teaching modules for schools with poorer results in Mathematics, benefitting 16,500 students; • Ongoing tutoring activities by methodology called Learning in Network: use of teaching modules by way of learning pathways in Collective Pedagogical Work Activities (local acronym ATPC); and • School tutoring with online game platforms – 10,000 students.
<i>Todos pela Educação</i> (All for Education) All Brazilian states	Institutional support and support for studies and research on public basic education and to <i>Educação Já</i> (Education right now) project.	R\$1,300,000.00	<ul style="list-style-type: none"> • Publication of survey: <i>Ensino Médio: o que querem os jovens?</i> (Secondary education: what do young people want?).
<i>Movimento pela Base Nacional Comum Curricular</i> (BNCC) (Movement for a National Common Core Curriculum) All Brazilian states	<p>Creation of a National Common Core Curriculum that will be the cornerstone of a document that will define each student's learning rights, qualification of teachers, learning resources, and external assessments.</p> <p>The Movement for a National Common Core Curriculum (local acronym BNCC) is a non-governmental group of education professionals, who since 2013 work to promote the construction of a quality Curriculum. This group organizes debates, prepares studies and surveys with managers, teachers and students, and looks into successful cases in a number of countries.</p>	R\$300,000.00	In 2017, we highlight the seminar on system of cooperation and preparation for the implementation of BNCC, an initiative of the CONSED and the National Union of Municipal Education Leaders (local acronym Undime), which had the support of the BNCC.



Instituto Itaú Cultural



Photo: Modos de Ver o Brasil: Itaú Cultural 30 Anos (Ways to see Brazil: Itaú Cultural 30 years) exhibit | credit: Ophelia Agency.

In 2017, Itaú Cultural completed 30 years dedicated to researching, mapping, encouraging, producing and divulging Brazilian culture in all its fields of expression. The Institute developed a series of activities to celebrate over 6,000 activities carried out since 1987. One of them was the *Modos de Ver o Brasil: Itaú Cultural 30 Anos* (Ways to see Brazil: Itaú Cultural 30 years) exhibit, with approximately 800 works from the Itaú Unibanco's Artworks collection. This exhibit was held from May to August at Oca – located in Ibirapuera Park, a space revitalized by Itaú Cultural – and visited by over 97,000 people.

Another highlight was the *Prêmio Itaú Cultural 30 Anos* (Itaú Cultural 30 Years) awarded to ten individuals and groups with relevant influence in the artistic and cultural life of Brazil over the last three decades. Award winners were set apart in five categories: *Aprender* (Learning) – Ana Mae Barbosa (Rio de Janeiro, 1936) and *Mestre Meia-Noite* (Gilson Santana, Pernambuco, 1957), *Criar* (Creating) – Lia Rodrigues (São

Paulo, 1965) and *Véio* (Cícero Alves dos Santos, Sergipe, 1947). *Experimentar* (Experimenting) – Hermeto Pascoal (Alagoas, 1936) and *Teatro da Vertigem* (São Paulo, 1991) *Inspirar* (Inspiring) – Eliana Sousa Silva (Paraíba, 1962) and Niède Guidon (São Paulo, 1933), and *Mobilizar* (Rallying) – Davi Kopenawa (Amazonas, ca. 1956) and Sueli Carneiro (São Paulo, 1950).

In this year of commemorations, the Institute celebrated the mark of over nine million people impacted by its projects, over 1,000 exhibits hosted, 52,000 people enrolled into the Rumos program, and over 127 million single hits to its portal. The Ibirapuera Auditorium has welcomed over 1.3 million attendees since Itaú Cultural took control of its management – in August 2011 – at its over 930 activities held.

The Institute promotes an intensive free-of-charge programming with events held in its headquarters in São Paulo, and in strategic partner institutions located in other cities in Brazil and abroad. Projects by Itaú Cultural in 2017 totaled R\$93 million, and all activities carried out in this year fell outside the scope of Rouanet Law.

Itaú Cultural carried out 875 cultural activities over the year, impacting over 760,000 people throughout Brazil. Among these activities, we highlight the shows and events at the Ibirapuera Auditorium, the exhibits at the Heritage Hall, the Alfredo Egydio Room, and the programming at the Institute's headquarters, at Avenida Paulista, where the Olavo Setubal Hall is located and was visited by 318,510 people, up 26% from the previous year.

Diversity

Diversity guides a great part of Itaú Cultural actions. In addition to internal committees to discuss racial and accessibility issues, the Institute carries out events such as *Todos os Gêneros* (All Genders), an exhibit focused on sexuality, affection and gender identity – and *Diálogos Ausentes* (Absent Dialogues), a series of meetings holding talks, debates and exhibits on the production and presence of black artists in different artistic expression areas.

Throughout 2017, the *Ocupação* program focused on the journey of women essential to the Brazilian art and culture: actress Laura Cardoso, writer Conceição Evaristo, art critic Aracy Amaral, singer Inezita Barroso, and psychiatrist Nise da Silveira. The exhibit held to pay tribute to Ms. Conceição Evaristo gave rise to another exhibit held at *Centro de Artes da Maré*, in Rio de Janeiro. This space also hosted a traveling event of the *Diálogos Ausentes* (Absent Dialogues) exhibit.

Diversity

Indigenous issues also were addressed in two major events: the second edition of Mekukradjá – *Círculo de Saberes* (Mekukradjá – Circle of knowledge), promoting debates, workshops and screening movies, and the UnaShubuHiwea – *Livro Escola Viva do Povo HuniKui do Rio Jordão* (UnashubuHiwea – Live School Book of the HuniKui People of the Jordão river) exhibit.

In addition to developing such actions, *Itaú Cultural* gives special attention to accessibility features in its programming, priority to engaging black professionals, and offers a Brazilian sign language (named Libras) course to some of its employees.

Projects

Program/geographic coverage	Purpose	Investment in 2017	Impact in 2017
<i>Mostra Itaú Cultural – Modos de Ver o Brasil</i> (São Paulo)	Hosted from May to August 2017, <i>Modos de Ver o Brasil: Itaú Cultural 30 Anos</i> (Ways to see Brazil: Itaú Cultural 30 years) exhibit, with approximately 800 works from the Itaú Unibanco's Artworks collection. Hosted on the four floors of Oca, in the Ibirapuera Park, São Paulo, this exhibit was one of the activities developed by Itaú Cultural to celebrate its three decades of activity.	R\$8,748,678.61	<i>Itaú Cultural 30 Anos: Modos de Ver o Brasil</i> was visited by 97,000 people.
<i>Rumos Program</i> (national and international)	In 2017, the <i>Rumos</i> projects developments were approved in the 2015-2016 call notice, and the 2017-2018 edition program was disclosed, and the <i>Caminhada Rumos</i> (Rumos Walking) event was carried out – a series of talks on cultural production in all capital cities of Brazil – in addition to supplementary activities in states with fewer people registering.	R\$8,845,682.45 was invested in projects and monitoring activities. In 2017 R\$639,694.90 was invested to prepare the 2017/2018 <i>Rumos</i> call notice.	The outcome of part of these initiatives of the 2015-2016 edition was presented to the audience in the <i>Narrativas do Invisível – Mostra Rumos 2015-2016</i> (Tales of the Invisible – 2015-2016 Rumos Exhibit) event, which comprised exhibition, shows and debates. In the 2017-2018 edition, 12,616 applications from all Brazilian states and 18 countries (such as Argentina, Canada, Germany, Spain, France, Mozambique, and Venezuela). The <i>Caminhada Rumos</i> event impacted 15,316 people.
<i>Exposições Acervo Itaú and Itaú Cultural</i> (National)	The Itaú Unibanco's Artworks Collections has over 15,000 pieces of art. These include paintings, engraving, sculptures, pictures, films, videos, rare editions of literary works, and other pieces that, gathered over 60 years, cover Brazilian whole arts history, in addition to important periods of the world arts history. To ensure access to this collection, the Institute organizes exhibits focused on the diverse paths the collection offers, dedicating to the appreciation, study, access and dissemination of knowledge on the history of art.	R\$1,657,091.23	Traveling exhibits held by Itaú Cultural visited the cities of Ribeirão Preto, Fortaleza, Rio de Janeiro, Vitória, Curitiba, Cuiabá, and São Paulo, with over 131,000 visitors.
<i>Exposição de Arte Indígena</i> (Indigenous Art Exhibit (São Paulo))	The cultural production of the HuniKui indigenous ethnic population, settled in Northern Acre state, was the theme of UnaShubuHiwea – <i>Livro Escola Viva do Povo HuniKui do Rio Jordão</i> (a live school of the HuniKui people of the Jordão river) exhibit that brought to São Paulo samples of a world of plants, artifacts, paintings, songs, and prayers, creating an enchanted space that will be this year on a website of Itaú Cultural's virtual domains.	R\$783,222.68	This indigenous art exhibition received 6,353 visitors since it opened in December up to the end of 2017. It will be in display up to February 2018.
<i>Brechas Urbanas</i> (São Paulo)	The purpose of the monthly meetings called <i>Brechas Urbanas</i> (Urban Rifts) is to reflect on the life in the city from poetic and artistic perspectives. With online transmission, this event gathered artists and thinkers from different areas to debate issues such as madness in the city, activism and regaining public spaces, gender in large urban centers, and how cities inspire arts and are inspired by it.	R\$312,262.72	In 2017, <i>Brechas Urbanas</i> had 74,000 video views and was attended by 1,840 people.
Virtual Actions Brazil and abroad (national and international)	In 2017, Itaú Cultural redesigned its Internet portal. Adaptable to the most different devices, it brings the Institute's programming, records of activities already carried out, videos, news, and other content – in addition to access to the <i>Enciclopédia Itaú Cultural de Arte e Cultura Brasileiras</i> (Itaú Cultural Encyclopedia of Brazilian Arts and Culture).	R\$510,936.04	From January 1 to December 31, 2017, this portal had 14,655,977 single hits. Itaú Cultural's website and encyclopedia have accessibility features that make browsing easier by the audience made of blind, low-vision and deaf people.
Ibirapuera Auditorium – Oscar Niemeyer (São Paulo)	Itaú Cultural is responsible since 2011 for the management of the concert hall located at Ibirapuera Park. In 2017, 134 attractions – from musical concerts to theater plays – were held in this space, which also has a music school.	R\$12,168,746.49	Events held at the Ibirapuera Auditorium gathered over 187,000 people over the year.

Targets

Initiatives	2017 Target	Status in 2017	2018 Target
Celebration of Itaú Cultural 30th anniversary	1) Carry out activities related to the celebration of Itaú Cultural 30 years, such as the publication of a 30 th anniversary commemorative book. 2) <i>Gabinete</i> project (Institute's relationship with artists, managers, groups, educators and cultural institutions in the Brazilian states). 3) Itaú Cultural 30 years Award, which will pay tribute to artists, intellectuals and activists who stood out between 1987 – year Itaú Cultural was founded – and 2017. 4) <i>Mostra Itaú Cultural 30 Anos de Cinema Brasileiro</i> (Itaú Cultural 30 years of Cinema Exhibit), a partnership between the Institute and <i>Espaço Itaú de Cinema</i> .	1. The book project was changed, and was replaced by a virtual publication. 2. In those states with fewer number of applications for the Rumos program, we promoted more in-depth meetings, named <i>Rumos Escuta</i> (Rumos Listening) – originally it was called Gabinete. 3. The <i>Prêmio Itaú Cultural 30 Anos</i> (Itaú Cultural 30 Years Award) was awarded to ten individuals and groups that, over the last three decades, had a relevant influence in the artistic and cultural life of Brazil. Award winners were set apart in five categories: <i>Aprender</i> (Learning) – Ana Mae Barbosa (Rio de Janeiro, 1936) and Mestre Meia-Noite (Gilson Santana, Pernambuco, 1957), <i>Criar</i> (Creating) – Lia Rodrigues (São Paulo, 1965) and <i>Véio</i> (Cícero Alves dos Santos, Sergipe, 1947). <i>Experimentar</i> (Experimenting) – Hermeto Pascoal (Alagoas, 1936) and <i>Teatro da Vertigem</i> (São Paulo, 1991) <i>Inspirar</i> (Inspiring) – Eliana Sousa Silva (Paraíba, 1962) and Niède Guidon (São Paulo, 1933), and <i>Mobilizar</i> (Rallying) – Davi Kopenawa (Amazonas, ca.1956) and Sueli Carneiro (São Paulo, 1950). 4. The exhibit was held in six capital cities, with 198 free-of-charge sessions.	1. Virtual publication on 30 years of Itaú Cultural. – 3. A series of events in 2018 will expand the actions started with the award organized by Itaú Cultural. The <i>Véio: a Imaginação da Madeira</i> (the wood imagination) exhibit brings to the Institute's headquarters a walk through the production by sculptor from the state of Sergipe awarded, with curatorship of two members of the award jury, Agnaldo Farias and Carlos Augusto Calil. Ms. Sueli Cordeiro will attend as a consultant at the <i>Ocupação Ilê Aiyê</i> , in September. –
Travelling exhibits	Increase our presence nationwide.	Through partnerships with other institutions, Itaú Cultural took exhibits to seven Brazilian cities. As an illustration, we have the Santos-Dumont na Coleção Brasiliana Itaú, exhibit, held at the Institute's headquarters in 2016 and at the Palácio da Instrução, in Cuiabá (MT), from August to October 2017.	Continue to strengthen our presence nationwide through exhibits that are part of the collection, such as <i>Imagens Impressas</i> (printed images) and <i>Livros de Artistas</i> (books of artists) exhibits
Ocupação Itaú Cultural projects	<i>Ocupação 2017</i> projects: Laura Cardoso, Conceição Evaristo, Aracy Amaral, Inezita Barroso, and Nise da Silveira. In 2017, the program focus was the journey of women who were essential to the Brazilian artistic and cultural scenarios: actress Laura Cardoso, writer Conceição Evaristo, art critic Aracy Amaral, singer Inezita Barroso, and psychiatrist Nise da Silveira. In addition to an exhibit, held at Itaú Cultural's headquarters, each of these artists had their lives and work analyzed in the program website (itaucultural.org.br/ocupacao).	Over 225,000 people visited the five exhibits held by the program in 2017. Over the year, the website had 36,311 views. Printed publications focused on the journey of these artists were also distributed free of charge to the visitors attending the exhibits (total circulation: 11,000 copies).	<i>Ocupação 2018</i> projects: Angel Vianna (dance and education), Ilê Aiyê (music, Afro expressions and education), Paulo Mendes da Rocha (architecture), Antônio Candido (literature), and Dzi Croquettes (performance and diversity).
Ibirapuera Auditorium – Oscar Niemeyer (renewal of agreement)	Itaú Cultural renewed the management agreement of Ibirapuera Auditorium – Oscar Niemeyer with the Municipal Culture Department of São Paulo for two more years. In addition to the artistic programming, this public-private partnership, started in 2011, includes activities of the Auditorium School, which offers Brazilian music courses with duration of up to five years to up to 170 students (from 12 years old) from public schools who reside in the municipality of São Paulo.	The agreement for management of the Ibirapuera Auditorium was renewed up to December 31, 2019.	The programming of the Ibirapuera Auditorium proceeds to expand the possibilities for music, dance, literature, theater and cinema, either through an international schedule aimed to the external audience – such as the Russian State Symphony Orchestra concert – or through child and family activities, such as the release of a record by the Grupo Triii, or by welcoming young artists who want to break through the Brazilian music scenario, such as Amaro Freitas and Don L.
Launching the <i>Brasiliana Iconográfica</i> portal	In partnership with the National Library, Moreira Salles Institute and Pinacoteca (the art gallery of the State of São Paulo), Itaú Cultural designed a website (brasilianaiconografica.art.br) to make available hundreds of artworks and other works related to the Brazilian history, culture, and fauna and flora.	This portal was aired on October 25, 2017. By January 21, 2018 it had 24,130 single hits, among them users from Brazil, the U.S., Portugal, France, and the UK.	In 2018, it is expected that other institutions make available their collections on the website – to make it possible, Itaú Cultural met in 2017 with representatives of the National Museum of Arts, the National History Museum, the Museum of the Republic, Castro Maya Museums, Imperial Museum, and the Inconfidência Museum.
Actions celebrating the ten years of <i>Observatório</i> magazine	Hold the Culture Economy Seminar of the Brazilian Forum for Cultural Rights.	This seminar was not held. Other activities were held, such as the webseries Itaú Cultural – <i>Observatório</i> , with the participation of cultural managers and producers from a number of different Brazilian regions.	The winners of the <i>Prêmio Itaú Cultural 30 Anos</i> , Ana Mae Barbosa and Davi Kopenawa, will take part of the Arts, Culture and Education in Latin America seminar as debate panel members.



Espaço Itaú de Cinema

Originally opened under the name Espaço Unibanco in 1995, the Espaço Itaú de Cinema aims at providing diversified programming, from art-house to blockbuster movies.

This network of movie theaters is mainly aimed at providing different views of the movies, develop audiences, and leave a legacy to society, always supporting projects that value and

reinforce our commitment to democratization of culture. In 2017, over 3 million people visited these complexes.

Our network has 8 complexes with 57 screening rooms and 192 places for disabled people in six Brazilian cities (Brasília, Curitiba, Porto Alegre, Rio de Janeiro, São Paulo, and Salvador).

We also have some social programs, as described below:

Program/geographic coverage	Purpose	Impact in 2017
Clube do Professor (Teacher's Club)	The intention is to broaden the cinematographic experience of teachers. Admission is free for teachers with a <i>Clube do Professor</i> card and one companion.	33,748 teachers
Projeto Escola (School Project)	Its aim is to integrate different forms of expression, always seeking to correlate areas of knowledge in its programs. The project is not limited to just screening the movie, but it also stages workshops, debates and other complementary activities to address the content and the understanding of the topics introduced. As such, it seeks to help to develop viewers who are critical and more active in society.	18,168 students
Itaú Viver Mais (Itaú Live Longer)	A project specially developed for people older than 55, offering free-of-charge sessions on the last Tuesday of each month. More information on the section about the program is on the website: www.itaucinebras.com.br/pag/itau-viver-mais .	7,917 elderly
Popular Session	From Mondays to Fridays, one movie screened daily at a specific time at a discount price.	4,286 people

Targets

Initiatives	Impact in 2016	Impact in 2017	2018 Target
Clube do Professor (Teacher's Club)	37,661 people	33,748 teachers	10% increase from the closing of 2017
Itaú Viver Mais (Itaú Live Longer)	7,906 elderly	7,917 elderly	10% increase from the closing of 2017
Projeto Escola (School Project)	13,702 students	18,168 students	10% increase from the closing of 2017
Popular Session	7,150 people	4,286 people	10% increase from the closing of 2017

Other cultural events and sponsorships

Based on pillars we believe which encourage people's power of change (culture, sports, education, urban mobility), we support projects that promotes the Brazilian identity and diversity.

Itaú believes that access to culture is essential to the development of critical and conscious citizens, who, in turn, are empowered to spread this message and encourage the transformation of society and influence future generations.

In 2017 we sponsored relevant projects from the most different cultural arenas, such as the São Paulo International Film Festival, the most important film festival in Brazil, and the Porto Alegre International Photography Festival, which was designed to help broaden the visibility of Brazilian photographers and today is part of the list of international Brazilian contemporary photography events. We also support significant literary projects, such as the Paraty International Literary Festival (FLIP), which received 25,000 visitors, and FLUPP, a Literary Festival held in the suburb of Rio de Janeiro.

Another cultural performance supported by the bank is dance, with projects such as the Joinville Dance Festival, that had approximately 237,000 participants, among ballet dancers, pupils and visitors who attended the performance, the Corpo Group, a Brazilian contemporary dance company from Belo Horizonte, and the Oxygen Concert with attendance of approximately 900 people. We sponsored scenic arts performances, such as "Musical O Cartola", portraying the life and work of Cartola, one of the greatest names of the Brazilian popular music, with a cast of black actors only, who are new talents of the musical theatre.

As we value the democratization and access to culture, every year we sponsor great public exhibits in places such as the São Paulo Museum of Modern Art (MAM), the São Paulo Museum of Art (MASP), and Fundação Bienal. Therefore, we encourage the creation and continuity of inclusive and pluralistic spaces for society.

Music is another cultural aspect we assist with significant projects. The Music Festival in Trancoso, state of Bahia, was created to make classical and popular music a permanent source of personal and social development by educating the audience. Itaú has been the master sponsor of Rock in Rio since the 2011 edition. This is the largest music and entertainment festival in Brazil with an audience of approximately 700,000 people, and that had our institutional motto "what the world separates, music approximates". We provided open spaces with free access and a number of musical performances at the Itaú Arena during the seven days of the festival, including two great surprise performances, with Pablo Vittar and Raimundos, exalting the importance of different genders and audiences. For this end, we also created a manifesto, taking diversity and cultural inclusion to the audience:

"there are different types of Music, but Music doesn't care about anybody's gender. Music doesn't choose who listens it through either the color of skin or the haircut. Music speaks all languages. Music doesn't judge, doesn't condemn, but rather it welcomes, music accepts. If you stop to see, music is everything the world should be."

Sports

We believe that sports, along with education and culture, helps to develop critical citizens, thus leaving a legacy to society. Therefore, we sponsor a number of projects in three disciplines (tennis, soccer and multidisciplinary sports), that aim to promote social inclusion through sports and train people to disseminate sports practices and transform the lives of peoples.

Sports sponsorships

Our involvement with soccer goes back over 20 years with the sponsorship of TV broadcasts of various competitions, such as Brazil's national championship to 2014 FIFA World Cup and the Brazilian national teams. Since 2008, we have sponsored Brazil's men's and women's national soccer teams in all categories: Senior, Olympic, Under-23s, Under-20s, Under-17s, and Under-15s.

In 2015, we started the sponsorship of the Chilean national team, and in 2017, for the first time, we sponsored the Go Cup, the largest youth soccer tournament of Latin America, which gathered over 3,000 players ranging from 6 to 12 years old coming from private and public schools of 13 countries of this continent. With the participation of 17 Brazilian states, this tournament is aimed to promote cultural exchange and disseminate a message of equality among children through sports.

The "Itaú and Tennis" (is also a long-standing association), with a thorough platform ranging from the youth academy to the elite professional level, counting on Gustavo Kuerten as our tennis ambassador. In the sports development phase, we support the Tennis for All Circuit, which qualify Physical Education teachers from municipal schools in the interior of the State of São Paulo, so they will be able to give tennis classes in a playful way. The "Bola dentro" (Ball inside) project, which counts on our support for over two years, assists approximately 200 youth in the Villa Lobos Park in the city of São Paulo.

Another initiative we support is the Itaú Training Center/Tennis Institute, a project focused on developing high-performance youth athletes and that takes them to the world's top tournaments.

Additionally, in relation to women players, we support the international Future Women's Tennis Circuit, which enables young players to accumulate world-ranking points to have a chance to participate in high-performance tournaments outside Brazil.

With top performance since 2015, we are the main sponsors of the Miami Open, an ATP Masters 1000 and WTA Mandatory event we have supported since 2009, and deemed as one of the world's top tournaments held in Key Biscayne, Florida. In Brazil, we sponsor the Rio Open, South America's top tournament, since its very first edition in 2014.

Regarding multidisciplinary projects, we sponsor the Caravana do Esporte (sports caravan) – a traveling program that assists Brazilian municipalities with low human development index (HDI) referred to by UNICEF and promotes the qualification of instructors, which, since it started, has benefitted approximately 261,000 children and trained 18,770 teachers, in addition to two million indirect assistances. We also sponsor the Champions of Life project ("Projeto Campeões da Vida") of the Guga Kuerten Institute for the third year, which carries out approximately 700 beneficiaries by year in the Santa Catarina region and encourages the sports practice.

Also concerning the sports development phase, we sponsor the University Sports League ("Liga de Desporto Universitário"), Brazil's largest university sports project, carried out by the Brazilian University Sports Confederation (Confederação Brasileira do Desporto Universitário – CBDU).



Urban mobility GRI 201-1

Because we are an essentially urban bank and we recognize the importance of valuing active transportation for the sustainable development of cities, we define urban mobility as a pillar of investment within our platform of sustainability and foster the maturation of the culture of integration of bicycles to the transport model of cities jointly with the Public Authorities and with society, seeking to influence public policies that promote the use of bicycles in people's day-to-day life. The cause dialogs with the Sustainable Development Goals, encouraging access to systems of safe, affordable and sustainable transport.

Bicycle sharing system

We started sponsoring Bike Rio in partnership with the City Hall of Rio de Janeiro. The success of this program led to the expansion of the project to São Paulo and Porto Alegre in 2012, Pernambuco, Salvador and Santiago (Chile) in 2013, arriving in Brasília and Belo Horizonte in 2014. We are the sole sponsor of bicycle sharing systems in the world that has programs of national dimensions. In 2017, we started the renovation of the project in Pernambuco, Porto Alegre, São Paulo and Rio de Janeiro. We imported cutting-edge technology still foreign to Brazil and reviewed the standards of operation and implementation to provide users with more comfort, safety and convenience when using the system.



The project reached the mark of 16,423,758 trips since its inauguration and more than 2,603,625 registered users, as shown in the table below:

General results

Program	Date of inauguration	Status	Stations	Bikes	No. of users since the inauguration	No. of users registered in 2017 ⁽¹⁾	No. of trips since the inauguration	No. of trips in 2017 ⁽¹⁾
Bike Rio	October 2011	In operation	260	2,600	1,081,689	131,995	10,386,900	1,235,447
Bike Sampa (São Paulo)	June 2012	In operation	260	2,600	758,836	51,124	2,466,764	259,290
Bike Poa (Porto Alegre)	March 2013	In operation	41	410	210,559	19,740	1,157,863	240,694
Bike Pernambuco	August 2013	In operation	80	800	218,317	15,626	1,273,703	133,922
Bike Salvador	September 2013	In operation	40	400	182,588	10,996	801,371	78,036
Bike BH (Belo Horizonte)	June 2014	In operation	40	400	149,844	14,486	332,784	78,242
Bike Turista (Tourist)	April 2016	In operation	12	65	1,792	585	4,373	2,196
Total			733	7,275	2,603,625	244,552	16,423,758	2,027,827

(1) Calculation until the month of November 2017.

Infrastructure Bicycle stands and para-cycles

By considering parking lots as fundamental to incentivizing mobility through bicycles, we undertook the construction of 05 public bicycle stands, the Estações Bike (Bike Stations). Together, they add up to 300 spaces in São Paulo and Salvador and have a total of more than 12,525 registered users.

Cultural change

Escolinha Bike (School)

Escolinha Bike Itaú is an educational project that aims to teach children to ride safely in urban centers, in several Brazilian cities, in different spaces, such as public squares, parks, leisure streets, clubs and schools. In the year of 2017, more than 4,800 young cyclists (from 2 to 7 years old) were trained.

Movimento Paulista de Segurança no Trânsito (São Paulo Traffic Safety Movement)

In 2016, Itaú became sponsor and an integral part of the *Movimento Paulista de Segurança no Trânsito*, a program of the Government of the State of São Paulo, which has as its main objective the reduction of the number of fatalities in traffic accidents in the state by half by 2020. In the first year:

Fatalities in traffic (%)	Change 2017-2016	Change 2016-2015
Deaths ⁽¹⁾	(2.0)	(6.0)
Pedestrians killed ⁽²⁾	6.8	(13.0)

(1) General deaths.

(2) Deaths by run over accidents.

Among the actions carried out by the bank is the translation of an international guide on the planning of safe roads and workshops for the municipalities registered.

Institutional Support

In order to strengthen organizations that promote mobility by bike, in 2017, Itaú Unibanco promoted institutional supports to various projects in Brazil, like, for example: *União de Ciclistas do Brasil*, *Bike Anjo*, *Bike é Legal*, *Transporte Ativo*, *Ameciclo*, etc.

We also launched, in partnership with *Benfeitoria*, a public notice (Primeiro Passo – First Step) which contributed with 20% of collective financing campaigns in favor of cycle mobility.

To develop academic studies on the theme, we funded the *Desafio Itaú Cebrap de Mobilidade por Bicicleta* (Challenge for Mobility by Bike), where we awarded 5 academic scholarships to students from undergraduate to doctoral level who are conducting research on the subject.

Employees and clients

Besides the effort to support the promotion of public policies for cycle mobility, we are committed to encouraging employees and clients to adopt the bicycle as a means of transport through:

- Internal campaigns;
- Endomarketing communications;
- Awareness events; and
- Bicycle parking in four administrative hubs of the bank in the city of São Paulo, as well as changing rooms and lockers. In the hub of Faria Lima, the bicycle stand has spaces with specific chargers for electric bikes.

The launch of Ibike, a digital platform for relationship with clients, with content on urban mobility and the commercialization of bicycles.

Aging

Itaú Viver Mais (Itaú Live Longer)

The *Associação Itaú Viver Mais* (Itaú Live Longer Association) is a non-profit association focused on people over 55. Our purpose, since 2004, is to help improve the quality of life of these people, by providing cultural, physical and social activities in partnership with supermarkets, clubs, shopping malls, and movie theaters. In 2016, *Associação Itaú Viver Mais* (Itaú Live Longer Association) impacted 4,692 people in 37 locations, deployed among the states of São Paulo, Rio de Janeiro, Paraná, Bahia, Rio Grande do Sul, Minas Gerais, and the Federal District.

This association runs the following projects:

Projects/geographical coverage	Description	Impact
Physical and cultural activities. 37 locations in four states – São Paulo, Rio de Janeiro, Minas Gerais and Rio Grande do Sul.	Yoga, pilates, dance and tai chi chuan classes, workshops with musical instruments and handicraft	Number of people: 2016: 1,942 2017: 2,850
<i>Itaú Viver Mais Cinema</i> (Itaú Live Longer Cinema) – 7 screening rooms in 5 states and the Federal District	Free commented movie sessions in partnership with <i>Espaço Itaú de Cinema</i>	Number of people: 2016: 7,898 2017: 7,917
<i>Diálogos Itaú Viver Mais</i> (Itaú Live Longer Dialogues) – partnership with PUC-SP (Catholic Pontifical University of São Paulo) three events held in the city of São Paulo, State of São Paulo	An event dedicated to the exchange of knowledge about the elderly population	Number of people: 2016: 355 2017: 257
"Life in Balance" lecture	The main topic of the lecture was how to achieve financial balance without losing the quality of life after the age of 60, turning dreams into projects	Number of people: 2017: 46

Total amount invested (R\$)	2017	2016
	2,212,000	1,989,928

In 2017, the information collected over 2016 was consolidated and the learning acquired was directed. *The Comportamento 60+* (60+ Behavior) (Eureka) and *Benchmarking Internacional* (International Benchmarking) (KaloTaxidi) were drivers of our strategic line of studies in 2017:

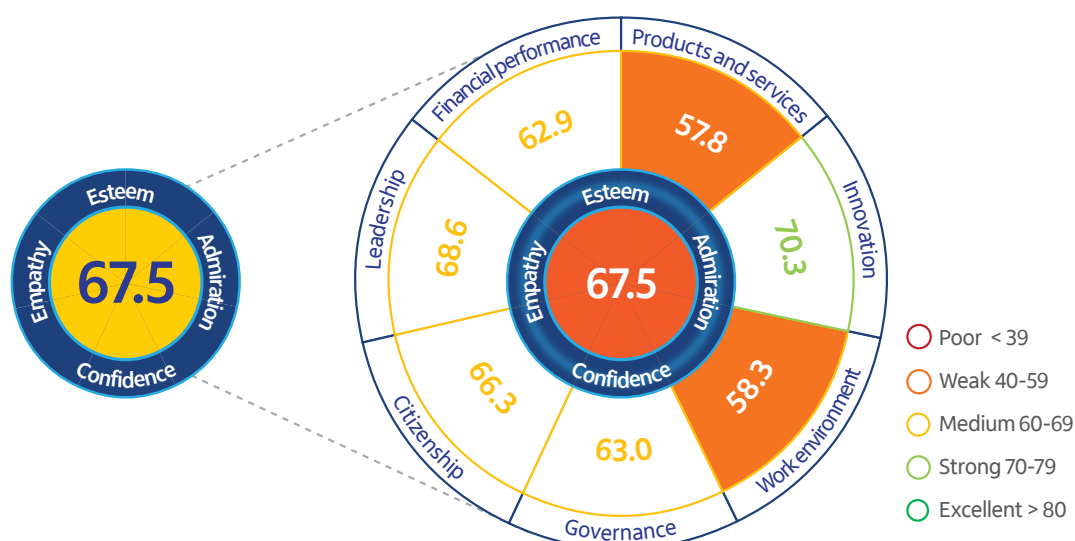
1. Study on 60+ Financial Behavior: Study carried out with the finance department of Itaú Unibanco S.A. to identify opportunities in the 60+ audience through econometric analyses on their use of credit and investment products. The proposed cut offs at ages 60+, 70+ and 80+ were considered for the qualitative survey carried out by Eureka. The results will be used in 2018 as input for the engagement of the business areas, with possible developments focused on investment products.

2. Impact Evaluation Guide: the survey, carried out by Insuper Metricis, resulted in a Guide specifically focused on evaluating the impact of the *Itaú Viver Mais* (Itaú Live Longer) program. This Guide was developed by the Insuper team together with the *Associação Itaú Viver Mais* (Itaú

Live Longer Association) management. The Guide will be adapted to the new value offer of the program, which enables the impact evaluation to be incorporated to its routine as from 2018.

3. Itaú Viver Mais (Itaú Live Longer) Strategy Review: based on interviews with participants and non-participants in the program, focused on focus groups with the 55+ audience, interviews with experts in topics associated to aging, and interviews with executives of the bank, the strategy review started in 2017 by Kalo Taxidi will be concluded early in 2018 and is intended to identify improvements and propose a new value offer to the *Associação Itaú Viver Mais* (Itaú Live Longer Association), connecting the program to the business interest of the bank and the society.

In 2017, we carried out the Reptrak, a reputation survey with 176 participants in *Itaú Viver Mais* (Itaú Live Longer), with the purpose of knowing perceptions and opinions on the actions of Itaú Unibanco and other large national banks, to improve specific aspects of banking services and products offered to its clients and initiatives in which they participate. The methodology used and applied was developed by the Reputation Institute, a research institute specialized in evaluating brand reputation. The *Itaú Viver Mais* (Itaú Live Longer) program positively contributes to Itaú's reputation – empathy, esteem, admiration and confidence – with the audiences that know it.



In 2017, we carried out the traveling photography exhibition project named *Viver Conviver & Reviver* (Living, Living Together and Reviving), which portrays and records people over 55, highlighting cultural differences. The exhibition was hosted by the cities of São Paulo, Rio de Janeiro, Porto Alegre and Belo Horizonte. The main goals were providing access to arts and culture to the elderly audience in the four states, encouraging actions of the community towards its cultural values, fostering an active citizenship and the community involvement in everyday issues. This project was devised by the *Associação Itaú Viver Mais* (Itaú Live Longer Association) and carried out by the Ministry of Culture.

In 2017, we participated in the third edition of the *Virada da Maturidade* (Maturity Festival) in Greater São Paulo, which offered in 2017, a diversified program of activities, including events associated to education, arts, culture and health, lectures and meetings intended to promote integration of audiences of all ages, with the purpose of showing that the elderly are the leading players in their life and motivating the discussion about aging well. The event was held from September 26 and October 1, and the Association participated through actions, such as three film screenings, one dialogue about the role of technology in longevity and a lecture on financial education and quality of life.

Program	Status in 2015	Status in 2016	2017 target	Status in 2017	2018 target
<i>Diálogos Itaú Viver Mais</i> (Itaú Live Longer Dialogues)/events.	Three events.	Six events were held, of which four in partnership with educational institutions with a study area focused on generation and aging.	Keep the partnerships with universities and uphold the quality of events, seeking topics relevant to our audience.	Three events were held in partnership with an educational institution with a study area focused on generation and aging.	Keep the partnerships with universities, fostering discussions with society about topics relevant to aging.
Participation in the National Council for the Elderly (CNDI).	Representation of the National Confederation of Financial Institutions in the CNDI.	Participation in the dialogues and monitoring of public policies focused on aging, and rapprochement with government bodies.	Improve our contact with the financial industry to promote dialogues on trends and initiatives.	Support new partnerships of the CNDI, participate in discussions on public policies and support the release of the Notice No. 5/17 for the selection of Projects for public institutions in the amount of eight million Brazilian reais, with funds from the National Fund for the Elderly and focused on defending and protecting the rights of the elderly.	Ratification by the President of the Inter-American Convention on the Protection of Human Rights of the Elderly – MSC 412/2017.
Surveys.	-	Carrying out and disclosing a qualitative survey to understand the behavior of people over 60.	Use the data obtained and align them with the bank's interests, broadening the study to understand market trends in aging.	Carrying out a survey with focus groups to improve the knowledge on the needs and opportunities for the 55+ audience, taking into account health, digitization, socialization, financial management and entrepreneurship.	Use inputs derived from the Strategy Review aligned to the interests of the bank and the society to develop new surveys focused on aging.



Empresa Amiga do Idoso (Elderly-Friendly Company)

Itaú Unibanco Holding S.A received in 2017 the title *Empresa Amiga do Idoso* (Elderly-Friendly Company), as recognition of the activities developed by the Company and its goals. Itaú Unibanco, through *Associação Itaú Viver Mais* (Itaú Live Longer Association), of which it is the main sponsoring company, develops social responsibility initiatives aiming at valuing elderly people, offering activities that help increase the quality of life of this audience, promoting intergenerational actions and ensuring, through social and cultural activities, the compliance with some of the principles of the *Estatuto do Idoso* (Elderly Statute) – Law No. 10,741, of October 1, 2003, such as: rights to leisure, well-being and health.

Entrepreneurship

Two years ago we created Cubo. Cubo is a non-profit organization aimed at fostering the entrepreneurship ecosystem in Brazil. This front also brings about many benefits to Itaú Unibanco, by encouraging knowledge sharing among employees and entrepreneurs, providing new business opportunities and opportunities to innovate in products and services, contributing to a more agile and collaborative culture, as well as to connect us with young talents.



Cubo

In 2017, Cubo completed two years of operation as an important technological entrepreneurship center in Brazil, with results achieved by the many audiences that use this platform: entrepreneurs, investors, students, and large companies. In this period, Cubo has promoted connections that proved fundamental to leverage business, ideas and initiatives by a new generation of entrepreneurs and startups.



Despite its brief period of operation, Cubo has already achieved figures that place it as an important player in the entrepreneurship ecosystem. This initiative has currently 54 resident startups that have already generated more than 1,000 jobs. Together, the startups of Cubo received, between 2015 and 2016, approximately R\$150 million in investments. Itaú and these startups have already closed over 30 projects, already completed or in progress.

Cubo has increasingly become a fundamental tool for the support and development of startups in Brazil. To be able to reach out to more entrepreneurs, host more and larger startups and increase the impact Cubo has on the entrepreneurship ecosystem, both in Brazil and abroad, Itaú Unibanco and Redpoint eventures have announced that Cubo will move to a new 12-storey building, thus increasing capacity fourfold to approximately 210 resident startups, as well as partners, thus becoming the largest entrepreneurship hub in Latin America. Activities are expected to be held in this new address already in the first half of 2018, with over 1,250 residents working daily in the building and over 2,000 people moving around in this entrepreneurship space.

In addition to this move, Cubo has announced Cubo Conecta 2017, an event held in September that celebrated Cubo's two years of operation, among other novelties. The first novelty was the brand being renamed to "Cubo Itaú", as it no longer will be called "Cubo coworking Itaú". This new brands is thought to better reflect Cubo's operation in the market, as it does not restrict the value delivered by this initiative. Cubo has been much more than a mere shared working space, it is a benchmark for connection hubs from Brazil, with the intention to be placed in the future as a global entrepreneurship hub.

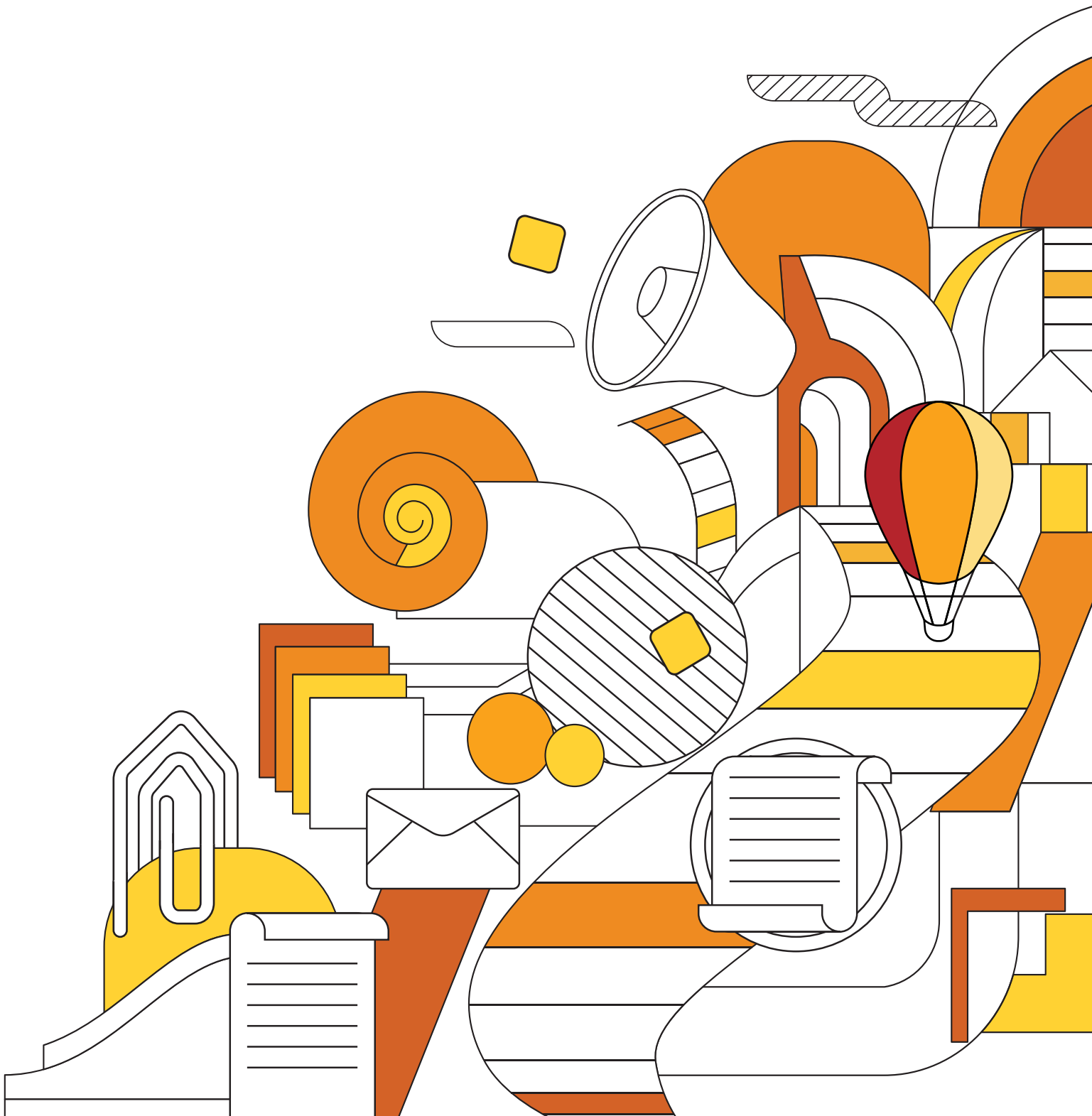
The second novelty was the launching of Cubo Digital platform, created to expand Cubo's operations, impact entrepreneurs from other parts of Brazil and foster a borderless ecosystem. At Cubo Digital entrepreneurs will be able to reserve spaces in the project physical building, post job vacancies and access communication and service providing tools, by paying in Cubo Coins, the platform digital coin, which is achieved by taking part in the project activities. It will accept startups that conform to the same criteria of those residents in the Cubo building: a technology, scalable product that will solve a real problem and has an active client base.

Cubo impacts positively the bank's internal culture, as it reinforces the digital culture. This is because it is close to the world of startups, which allows us to learn from new business models, new work formats and technology solutions, in addition to discover opportunities to innovate, create cutting-edge advantages, and take increasingly innovative solutions to our clients.



7 Attachments

This chapter reports additional information for the Performance and the Sustainability sections, including the GRI Content Index and the assurance of third part audit.



E&S Risk Policy and Equator Principles

In 2017, we did not have any project-related transaction rejected due to E&S issues.

Project finance⁽¹⁾⁽²⁾ closed (Equator Principles III criteria) GRI G4-FS6

	Number of projects		Total investment ⁽³⁾ (R\$ million)		Itaú Unibanco's share ⁽³⁾ (R\$ million)	
	2017	2016	2017	2016	2017	2016
Category						
A	1	1	409.79	671.60	125.21	200.00
B	-	2	-	3,027.64	-	701.36
C	1	-	2.00	-	0.34	-
Sector						
Cement	1	-	409.79	-	125.21	-
Energy	1	1	2.00	842.81	0.34	49.18
Logistics	-	2	-	2,856.43	-	852.19
Location						
Northeast Brazil	-	1	-	842.81	-	49.18
North Brazil	-	1	-	671.60	-	200.00
Colombia	-	1	-	2,184.83	-	652.19
Brazil ⁽⁴⁾	1	-	2.00	-	0.34	-
Uruguay	1	-	409.79	-	125.21	-
Independent consultant						
Transactions analyzed with independent consultant	1	3	409.79	3,699.24	125.21	901.36
Transactions analyzed without independent consultant	1	-	2.00	-	0.34	-
Total	2	3	411.79	3,699.24	125.55	901.363

(1) Project Finance as per Basel definition at www.bis.org/publ/bcbs107.pdf.

(2) One of the Project Finance transactions did not fall into Equator Principles because of its financial volume.

(3) If in a different currency, transaction-day exchange rate was used.

(4) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Notes: Brazil is a Non-Designated country, while Chile is a Designated country. One Project Finance transaction was not included in this table because it did not reach EP triggers.

Mandates⁽¹⁾ GRI G4- FS6

Sector	Mandates	
	2017	2016
Energy	5	1
Logistics	3	3
Sanitation	1	-
Location		
Brazil ⁽²⁾	6	-
São Paulo	2	-
Federal District	1	-
Americas	-	4
Total	9	4

(1) Mandates associated to project development.

(2) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores, etc.).

Note: Amendments to mandates are also considered.



Project related corporate loans (Corporate Finance) closed and assessed by using Environmental and Social Policy criteria⁽¹⁾⁽²⁾ GRI G4-FS6

	Number of projects		Total investment ⁽³⁾ (R\$ million)		Itaú Unibanco's share ⁽³⁾ (R\$ million)	
	2017	2016	2017	2016	2017	2016
Category						
A	-	-	-	-	-	-
B	1	1	123.46	1,544.83	45.00	115.73
C	6	8	1,324.79	364.89	407.20	172.80
Sector						
Sugar and Alcohol	4.00	6	104.37	217.37	52.18	93.89
Agribusiness	1.00	1	125.00	36.91	110.28	36.91
Logistics	-	1	-	1,544.83	-	115.73
Telecommunications	-	1	-	110.61	-	42.00
Energy	1.00	-	1,095.42	-	244.74	-
Health	1.00	-	123.46	-	45.00	-
Location						
Brazil ⁽⁴⁾	1.00	2	29.28	1,655.44	14.64	157.73
Mid-west Brazil	2.00	2	145.01	85.85	120.28	36.22
Southeast Brazil	3.00	3	1,150.50	107.38	272.28	47.67
South Brazil	1.00	2	123.46	61.05	45.00	46.91
Total	7	9	1,448.25	1,909.72	452.20	288.52

(1) Itaú Unibanco's Environmental and Social Risk Policy.

(2) No Corporate Finance meeting Equator Principles Criteria was closed.

(3) If in a different currency, transaction-day exchange rate was used.

(4) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Note: Project related corporate loans (Corporate Finance) are usually covered by existing credit limits rather than approved for specific operations.

Other Project finance transactions closed and assessed by using Environmental and Social Policy criteria⁽¹⁾ GRI G4-FS6

	Bridge loan ⁽³⁾		Project Guarantee		Total	
	2017	2016	2017	2016	2017	2016
Number of transactions contracted	10	10	11	12	21	22
Amounts of transactions contracted						
Total investment (R\$ million) ⁽²⁾	10,340.00	10,882.00	26,644.63	30,013.50	36,984.63	40,895.50
Itaú Unibanco's share (R\$ million) ⁽²⁾	981.50	1,282.05	2,248.95	1,571.97	3,230.45	2,854.02
Category of transactions contracted						
A	0	2	2	3	2	5
B	9	8	8	8	17	16
C	1	-	1	1	2	1
Location of projects associated with transactions closed						
Brazil	-	1	-	3	-	4
Mid-west Brazil	-	-	-	1	-	1
South	7	6	7	7	14	13
Southeast	-	-	1	1	1	1
Northeast	2	2	2	-	4	-
North	1	1	1	-	2	1
Sector of projects associated with transactions closed						
Energy	10	10	11	11	21	21
Logistics	-	-	-	1	-	1
Total	10	10	11	11	21	22

(1) Itaú Unibanco's Socio-Environmental Risk Policy.

(2) If in a different currency, transaction-day exchange rate was used.

(3) Based on the Equator Principles III, bridging loans address the specific requirements.



Environmental and social risk on corporate, wholesale, middle market and retail operations⁽¹⁾

GRI G4-FS6

Loan portfolio percentages by sector GRI G4-FS6

(In R\$ million)	
Sector	Portfolio
Companies	
Sugar and ethanol	7,022.52
Agribusiness and fertilizers	14,807.72
Food and beverages	12,137.50
Banks and other financial institutions	7,435.74
Capital goods	4,599.76
Pulp and paper	2,923.17
Commerce – sundry	26,171.84
Sundry	16,919.87
Power & sanitation	9,257.04
Education	1,868.34
Pharmaceuticals & cosmetics	4,904.84
Real estate	20,365.31
Industry – sundry	7,694.58
Leisure & tourism	4,337.93
Construction materials	4,545.93
Metallurgy/steel and iron	7,357.03
Media	604.75
Mining	5,275.63
Infrastructure	8,783.98
Oil & gas	4,956.07
Petrochemical & chemicals	7,711.05
Health care	2,170.65
Insurance & reinsurance & pension plans	15.67
Services – sundry	36,117.48
Technology	3,921.88
Telecommunications	1,780.44
Trading	1,588.88
Transportation	12,344.27
Vehicles/auto parts	11,846.82
Individuals	
Credit cards	71,937.40
Real estate loans	63,743.68
Consumer loans/overdraft	93,466.62
Vehicles	14,980.82
Total R\$ MM	493,595.21

(1) Among our financing tools, we currently have three categories with known negative impact: (i) carbon-intensive products; (ii) those threatening public, food and nutritional security; and (iii) those that indirectly cause damages to the physical or psychological integrity of users or third parties. This amount accounts for 2.3% of our loan portfolio.



Environmental and social risk on vehicle financing

Vehicle financing portfolio percentages by sector GRI G4-FS6

Business sector	Portfolio value (R\$ million)			Total value of business line (R\$ million)			Portfolio value (%)		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Transportation	2,346.10	2,824.34	4,008.99	4,693.85	5,439.70	7,511.45	50.0	51.9	53.4
Construction materials	335.54	477.48	726.57	4,693.85	5,439.70	7,511.45	7.1	8.8	9.7
Heavy and light duty vehicles	438.59	371.29	407.31	4,693.85	5,439.70	7,511.45	9.3	6.8	5.4
Food industry	414.03	511.11	680.55	4,693.85	5,439.70	7,511.45	8.8	9.4	9.1
Other (whose portfolio value is significantly smaller than the four main sectors)	1,159.59	1,255.48	1,688.03	4,693.85	5,439.70	7,511.45	24.7	23.1	22.5

Vehicle financing portfolio percentages by region GRI G4-FS6

Region	Portfolio value (R\$ million)			Total value of business line (R\$ million)			Portfolio value (%)		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Southeast	2,030.29	2,289.84	3,150.07	4,693.85	5,439.70	7,511.45	43.3	42.1	41.9
South	1,397.89	1,678.97	2,361.37	4,693.85	5,439.70	7,511.45	29.8	30.9	31.4
Central-west	474.54	518.68	691.01	4,693.85	5,439.70	7,511.45	10.1	9.5	9.2
Northeast	565.66	681.74	966.65	4,693.85	5,439.70	7,511.45	12.1	12.5	12.9
North	225.47	270.47	342.35	4,693.85	5,439.70	7,511.45	4.8	5.0	4.6

Vehicle financing portfolio percentages by size GRI G4-FS6

Size	Portfolio value (R\$ million)			Total value of business line (R\$ million)			Portfolio value (%)		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Very small companies (0-2.40 million)	1,242.70	1,497.16	2,080.16	4,693.85	5,439.70	7,511.45	26.5	27.5	27.7
Small companies (2.40 million-16.00 million)	1,678.66	2,137.15	3,047.93	4,693.85	5,439.70	7,511.45	35.8	39.3	40.6
Middle-market companies (16.00-90.00 million)	1,187.12	1,210.35	1,662.32	4,693.85	5,439.70	7,511.45	25.3	22.3	22.1
Middle-market/large companies (90.00-300.00 million)	424.97	461.35	552.8	4,693.85	5,439.70	7,511.45	9.1	8.5	7.4
Large companies (over 300.00 million)	160.28	127.97	168.24	4,693.85	5,439.70	7,511.45	3.4	2.4	2.2
Information not available	0.12	5.72	0.01	4,693.85	5,439.70	7,511.45	0.0	0.1	0.0

Environmental and social risk on mortgage loans

Mortgage loans portfolio percentages by sector GRI G4-FS6

Sector	Portfolio value (R\$ million) ⁽¹⁾⁽²⁾			Total value of business line (R\$ million) ⁽¹⁾⁽³⁾			Portfolio value (%) ⁽⁴⁾		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Residential property	4,619.03	5,940.92	6,235.03	7,099.43	9,341.20	11,584.25	54.76	58.07	58.19
Commercial property ⁽¹⁾	3,816.20	4,289.78	4,480.39	4,460.98	5,198.39	5,863.25	45.24	41.93	41.81

(1) Malls, corporate offices, hotels and office buildings.

(2) Debtor Balance + Delinquent Installments.

(3) Debtor Balance + Delinquent Installments + Installments to be Released.

(4) Percentage of business line.



Mortgage loans portfolio percentages by region GRI G4-F56

Region	Portfolio value (R\$ million) ⁽¹⁾			Total value of business line (R\$ million) ⁽¹⁾⁽²⁾			Portfolio value (%) ⁽³⁾		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Southeast	5,938.51	7,433.22	7,578.27	8,246.98	10,548.87	12,512.12	70.40	72.66	70.99
South	854.46	901.76	797.58	1,225.64	1,273.95	1,389.48	10.13	8.81	7.48
Central-west	784.14	910.16	1,010.43	1,055.66	1,385.05	1,667.85	9.30	8.90	9.19
Northeast	676.63	701.69	961.41	847.25	1,016.85	1,421.35	8.02	6.86	8.10
North	181.50	283.88	367.73	184.89	314.87	456.69	2.15	2.77	4.24

(1) Debtor Balance + Delinquent Installments.

(2) Debtor Balance + Delinquent Installments + Installments to be Released.

(3) Percentage of business line.

Itaú Seguros (Itaú Insurance) in numbers

Portfolio

Portfolio earned premiums, by business line and sector in 2017⁽¹⁾ GRI G4-F56

Global capital insurance

Business line	Earned premiums	Share (%)
Commerce – companies not classified	38,393,196.72	19.73
Services – companies not classified	12,563,710.84	6.46
Sale of food and beverages	8,556,225.09	4.40
Industry – companies not classified	6,105,848.16	3.14
Companies operating in several lines	5,593,254.74	2.87
Transportation	5,474,505.56	2.81
Civil construction	5,133,891.96	2.64
Repair, maintenance, installation services	3,985,833.70	2.05
Sale of construction materials	2,732,820.45	1.40
Steel and iron	2,625,495.54	1.35
Sale of vehicles and auto parts	2,519,235.14	1.29
Professional technical services	2,467,173.77	1.27
Metallurgy	2,060,867.67	1.06
Other or non-classified activities	96,348,561.53	49.52
Total	194,560,620.87	100.00

Card protection insurance

Business line	Earned premiums	Share (%)
Financial	285,556,052.83	57.53
Commercial banking	210,790,929.20	42.47
Total	496,346,982.03	100.00

Business insurance

Business line	Earned premiums	Share (%)
Commerce – companies not classified	49,157,071.90	78.10
Services – companies not classified	1,852,706.57	2.94
Sale of food and beverages	1,755,836.38	2.79
Companies operating in several lines	874,859.28	1.39
Steel and iron	701,882.78	1.12
Other or non-classified activities	8,599,872.19	13.66
Total	62,942,229.10	100.00

Home insurance

Business line	Earned premiums	Share (%)
Banks	78,815,261.33	21.01
Financial	296,390,667.07	78.99
Total	375,205,928.40	100.00

Travel insurance

Business line	Earned premiums	Share (%)
Other or non-classified activities	21,186,266.57	100
Total	21,186,266.57	100

Individual life insurance

Business line	Earned premiums	Share (%)
Other or non-classified activities	1,512,677,251.85	90.86
Financial	152,254,244.89	9.14
Total	1,664,931,496.74	100.00

Other insurance lines

Business line	Earned premiums	Share (%)
Other or non-classified activities	483,464,034.41	62.37
Financial	113,839,071.83	14.69
Lotto stores, consortia, and auctions	122,468,263.23	15.80
Commercial banking	30,067,821.94	3.88
Commerce – companies not classified	25,304,683.12	3.26
Total	775,143,874.53	100.00

(1) Only activities with a share of over 1% of the portfolio are disclosed.



Portfolio earned premiums by state in 2017 GRI G4-FS6

Insurance premiums by state

State	Earned premiums	Share (%)
Acre	1,376,609.26	0.04
Alagoas	6,853,913.73	0.19
Amazonas	16,136,871.80	0.45
Amapá	2,122,136.85	0.06
Bahia	55,189,685.68	1.54
Ceará	26,955,586.11	0.75
Federal District	34,669,091.60	0.97
Espírito Santo	18,089,524.71	0.50
Goiás	79,370,281.89	2.21
Maranhão	8,657,953.18	0.24
Minas Gerais	496,003,704.92	13.82
Mato Grosso	18,133,847.77	0.51
Mato Grosso do Sul	14,612,810.11	0.41
Pará	22,126,370.03	0.62
Paraíba	8,622,734.44	0.24
Pernambuco	45,066,596.00	1.26
Piauí	4,642,539.58	0.13
Paraná	177,960,842.24	4.96
Rio de Janeiro	369,483,029.65	10.29
Rio Grande do Norte	8,972,533.40	0.25
Rondônia	5,600,857.75	0.16
Roraima	1,959,510.67	0.05
Rio Grande do Sul	79,138,266.37	2.20
Santa Catarina	51,488,836.72	1.43
Sergipe	4,835,567.45	0.13
São Paulo	2,029,438,960.34	56.53
Tocantins	2,805,106.80	0.08
Total	3,590,313,769.06	100.00

Employees with indefinite employment contracts GRI 102-8

Year	Managers		Administrative		Commercial and operational		Trainees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Total
2015	7,106	7,136	14,263	12,102	28,209	14,564	24	74	49,602	33,876	83,478
2016	6,938	6,653	13,898	12,109	27,318	13,610	44	78	48,198	32,450	80,648
2017	7,084	6,699	14,355	12,825	27,860	13,878	62	77	49,361	33,479	82,840

Own employees by region, age and gender GRI 102-8

Women

Region	Under 30			Aged 30 to 50			Over 50			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
South	1,337	1,247	1,390	2,213	2,260	2,456	501	522	408	4,051	4,029	4,254
Southeast	13,627	12,855	13,625	23,635	23,291	24,098	2,864	2,941	2,368	40,126	39,087	40,091
Central-west	696	686	722	1,091	1,094	1,175	149	131	89	1,936	1,911	1,986
Northeast	665	684	752	1,689	1,637	1,696	211	201	146	2,565	2,522	2,594
North	256	260	309	410	372	354	17	17	14	683	649	677
Total	16,581	15,732	16,798	29,038	28,654	29,779	3,742	3,812	3,025	49,361	48,198	49,602

* Notes:

• We include only information from Itaú Unibanco's companies managed by the Human Resources department. Companies included in the report in 2017: Itaú Unibanco S.A.; Redecard S.A.; Microinvest S.A.; Soc De Cred; Banco Itaúcard S.A.; Hipercard Banco Múltiplo; Itaú Seguro S.A.; Banco Itaú BBA S.A.; Banco Itaú BMG Consignado; Itaú Corretora de Valores S.A.; Itaú BMG Gestão de V.; Itaú Unibanco Holding S.A.; Marcep Corretagem de Seguros; Itaúseg Saúde S.A.; Kinea Investimentos; Provar Negócios de Varejo; Luizacred S.A. Socied; Fic Promotora de Vendas; Itaú Adm. Prev. Ltda.; Icarros Ltda.

• Management considers employees who manage people. Administrative considers employees of administrative areas that do not manage people. Commercial and operational considers employees of agencies that do not manage people.

Organizational profile*

Employees by hierarchical level GRI 102-8

Hierarchical level ⁽¹⁾	2017	2016	2015
Directors	118	107	113
Managers	13,783	13,591	14,242
Administrative	27,180	26,007	26,365
Commercial and Operational	41,738	40,928	42,773
Trainees	139	122	98
Subtotal	82,958	80,755	83,591
Apprentices	2,482	2,743	2,143
Interns	4,743	4,213	4,271
Total	90,183	87,711	90,005

(1) Managers are considered employees who manage people. Administrative are considered employees of administrative departments that do not manage people. Commercial and operational are considered collaborators of the branches that do not manage people.

Employees with other types of employment contract GRI 102-8

Year	Directors		Apprentices		Interns	
	Women	Men	Women	Men	Women	Men
2015	13	100	1,531	612	2,521	1,750
2016	13	94	1,925	818	2,461	1,752
2017	15	103	1,750	732	2,739	2,004

Men

Region	Under 30			Aged 30 to 50			Over 50			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
South	630	582	681	1,173	1,232	1,469	593	665	565	2,396	2,479	2,715
Southeast	8,789	8,021	8,531	15,925	15,658	16,526	3,261	3,235	2,888	27,975	26,914	27,945
Central-west	356	343	370	546	576	665	223	209	189	1,125	1,128	1,224
Northeast	451	411	444	874	883	974	270	252	175	1,595	1,546	1,593
North	151	153	176	206	197	201	31	33	22	388	383	399
Total	10,377	9,510	10,202	18,724	18,546	19,835	4,378	4,394	3,839	33,479	32,450	33,876

Note: According to the national labour law.

Employees*

Terminations GRI 401-1

Region	Women									Men									Total		
	Under 30			Aged 30 to 50			Over 50			Under 30			Aged 30 to 50			Over 50					
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
South	231	274	91	209	192	235	90	101	98	157	155	119	112	147	171	110	105	63	909	974	777
Southeast	1,622	1,768	1,036	1,929	2,070	2,255	675	748	540	1,435	1,510	935	1,471	1,614	1,964	524	719	583	7,656	8,429	7,313
Central-west	105	125	57	111	139	128	15	36	17	83	92	49	77	91	85	28	51	31	419	534	367
Northeast	71	86	62	94	154	145	24	32	21	65	84	59	67	90	119	26	19	18	347	465	424
North	35	39	29	29	48	53	6	5	1	31	30	28	17	42	27	5	4	4	123	168	142
Total	2,064	2,292	1,275	2,372	2,603	2,816	810	922	677	1,771	1,871	1,190	1,744	1,984	2,366	693	898	699	9,454	10,570	9,023

Hires⁽¹⁾ GRI 401-1

Region	Women									Men									Total		
	Under 30			Aged 30 to 50			Over 50			Under 30			Aged 30 to 50			Over 50					
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
South	750	468	199	24	20	36	0	0	0	369	233	110	25	13	25	1	1	0	1,169	1.4%	735
Southeast	5,772	4,148	2,462	680	424	524	5	0	3	4,524	3,066	1,833	805	495	514	6	1	3	11,792	14.2%	8,134
Central-west	301	283	88	19	6	7	0	0	0	177	172	42	21	12	11	0	0	0	518	0.6%	473
Northeast	242	219	75	15	18	20	0	0	0	203	160	60	19	16	24	0	0	1	484	0.6%	413
North	105	72	48	11	6	2	0	0	0	61	49	24	5	7	2	0	0	0	182	0.2%	134
Total	7,170	5,190	2,872	749	474	589	5	0	3	5,339	3,680	2,069	875	543	576	7	2	4	14,145	17.1%	9,889

(1) The hiring rate in 2015 and 2016 was calculated by dividing total hiring by region by total employees within that region. In 2017, however, this rate was calculated by dividing total hiring by region by total employees under the Consolidation of Labor Laws (CLT).

Turnover (%)⁽¹⁾⁽²⁾ GRI 401-1

Region	Women									Men									Total		
	Under 30			Aged 30 to 50			Over 50			Under 30			Aged 30 to 50			Under 30					
	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽²⁾
South	5.70	7.71	6.55	10.00	8.89	9.57	18.90	20.27	24.02	10.00	11.18	17.47	9.70	11.21	11.64	18.9	16.91	11.15	10.30		
Southeast	5.60	6.67	7.60	8.70	9.36	9.36	27.10	26.48	22.80	8.20	9.65	10.96	9.50	10.22	11.88	19.0	23.58	20.19	9.20		
Central-west	6.30	9.42	7.89	10.50	13.39	10.80	14.40	29.68	19.10	11.10	14.53	13.24	14.00	15.14	12.78	15.2	26.35	16.40	10.60		
Northeast	3.30	9.11	8.24	5.80	9.82	8.55	15.20	20.38	14.38	4.90	12.53	13.29	7.60	9.97	12.22	12.7	10.98	10.29	6.30		
North	7.70	9.39	9.39	7.60	13.88	14.97	52.60	24.00	7.14	10.10	15.08	15.91	8.70	21.80	13.43	23.3	9.52	18.18	9.00		
Total	5.60	7.03	7.59	8.70	9.55	9.46	25.00	25.40	22.38	8.30	10.14	11.66	9.60	10.55	11.93	18.5	22.03	18.21	9.10		

(1) Calculations based on total terminations/(Total employees at the beginning of the period + Total employees at the end of the period)/2. Total employees at the end of the period considers employees at the beginning of the period plus the hiring of employees minus the employee terminations. Does not include officers, interns, expatriates and retirees on disability.

(2) Calculations based on the number of terminations in each category by the number of total employees of the same category. Until 2015, calculations were based on the number of terminations in each category by the number of total employees of the same category under management of the Human Resources department at the end of the year.

* Notes:

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Social category

Employee health and safety

Contractors are responsible for controlling data from outsourced staff.

Health and safety by gender (%) GRI 403-2

Rate	2017			2016			2015		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Work-related injuries	2.14	1.46	1.87	2.59	2.02	2.36	2.23	1.60	1.98
Working days lost	807.47	518.51	693.13	1,050.66	689.97	908.44	890.73	596.05	773.55
Occupational illness	1.58	1.09	1.39	2.23	1.72	2.03	1.72	1.32	1.56
Absenteeism ⁽¹⁾	1.44	0.79	1.18	1.35	0.76	1.11	1.73	0.95	1.42

(1) Calculation of absenteeism: Absenteeism = (total days of absence for health reasons in the period/total days worked by internal public in the same period) x 100.

Employees' health and safety by region GRI 403-2

Rate (%)	Work-Related Injuries (WRI)			Working Days Lost (WDL)			Occupational Illness (OI)			Absenteeism (TA) ⁽¹⁾		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
South	3.7	3.72	2.53	2,254	2,530	2,070	3.20	3.36	2.29	1.1	1.01	1.15
Southeast	1.3	1.88	1.70	373	566	516	0.83	1.52	1.24	1.15	1.10	1.42
Central-west	1.4	2.04	1.07	1,301	1,255	779	1.33	1.84	1.03	1.19	1.17	1.50
Northeast	8.5	9.16	6.60	3,338	3,977	2,833	8.23	8.96	6.24	1.75	1.47	1.85
North	2.2	1.89	1.45	958	1,073	801	2.26	1.74	1.05	1.10	0.96	1.06
Total	1.87	2.36	1.98	693.13	908.44	773.55	1.39	2.03	1.56	1.18	1.11	1.42

(1) Calculation of absenteeism: Absenteeism = (total days of absence for health reasons in the period/total days worked by internal public in the same period) x 100.

Deaths – absolute number⁽¹⁾ GRI 403-2

Category	2017		2016		2015	
	Women	Men	Women	Men	Women	Men
Employees	0	2	1	0	1	1

(1) Death by accidents commuting to work.

Training

Training hours by functional level and gender GRI 404-1

Hierarchical level	Women			Men			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Managers	147,858	93,706	186,816	152,821	104,162	173,647	300,679	197,868	360,463
Administrative	581,233	306,549	394,445	508,361	319,067	370,448	1,089,594	625,616	764,893
Commercial and Operational	264,898	494,400	499,047	155,434	249,401	280,248	420,332	743,801	779,295
Trainees	32,292	9,914	6,134	41,683	16,703	14,410	73,975	26,616	20,544
Interns	54,557	58,366	59,186	63,848	45,297	47,691	118,405	103,664	106,877
Total	1,080,838	962,936	1,145,628	922,147	734,629	886,445	2,002,985	1,697,565	2,032,073

Average training hours by employee GRI 404-1

Hierarchical level	Women			Men			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Managers	21	14	26	23	16	24	33	15	25
Administrative	40	22	28	40	26	31	60	24	29
Commercial and Operational	10	18	18	11	18	19	16	18	18
Trainees	521	225	256	541	214	195	802	218	210
Interns	20	24	60	32	26	27	42	25	25
Total	21	18	22	26	21	25	23	19	23

* Notes:

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Diversity GRI 103-2 | 103-3 Diversity, equity and inclusion

Employees by functional level⁽¹⁾ GRI 405-1

Functional level	2017	%	2016	%	2015	%
Directors	118	0.13	107	0.12	113	0.13
Managers	13,783	15.28	13,591	15.50	14,242	15.82
Administrative	27,180	30.14	26,007	29.65	26,365	29.29
Commercial and Operational	41,738	46.28	40,928	46.66	42,773	47.52
Trainees	139	0.15	122	0.14	98	0.11
Apprentices	2,482	2.75	2,743	3.13	2,143	2.38
Interns	4,743	5.26	4,213	4.80	4,271	4.75
Total	90,183	100.00	87,711	100.00	90,005	100.00

(1) Employees, by functional level, divided by the number of employees.

Gender	2017	%	2016	%	2015	%
Female	53,865	59.73	52,597	59.96	53,667	59.63
Male	36,318	40.27	35,114	40.04	36,338	40.37
Total	90,183	100.00	87,711	100.00	90,005	100.00

(1) Employees, by gender, divided by the total number of employees.

Employees, by functional level and gender – 2017⁽¹⁾ GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	15	0.03	103	0.28	118	0.13
Managers	7,084	13.15	6,699	18.45	13,783	15.28
Administrative	14,355	26.65	12,825	35.31	27,180	30.14
Commercial and Operational	27,860	51.72	13,878	38.21	41,738	46.28
Trainees	62	0.12	77	0.21	139	0.15
Apprentices	1,750	3.25	732	2.02	2,482	2.75
Interns	2,739	5.08	2,004	5.52	4,743	5.26
Total	53,865	100.00	36,318	100.00	90,183	100.00

(1) Employees, by functional level and gender, divided by the number of employees of the gender.

Employees by age group⁽¹⁾ GRI 405-1

Age group	2017	%	2016	%	2015	%
Under 30	34,182	37.90	32,197	36.71	33,407	37.12
Aged 30 to 50	47,855	53.06	47,285	53.91	49,710	55.23
Over 50	8,146	9.03	8,229	9.38	6,888	7.65
Total	90,183	100.00	87,711	100	90,005	100.00

(1) Employees, by age group, divided by the total number of employees.

Employees, by functional level and age group – 2017⁽¹⁾ GRI 405-1

Functional level	Under 30	%	Aged 30 to 50	%	Over 50	%
Directors	0	0.00	92	77.97	26	22.03
Managers	953	6.91	10,803	78.38	2,027	14.71
Administrative	9,606	35.34	15,476	56.94	2,098	7.72
Commercial and Operational	16,260	38.96	21,483	51.47	3,995	9.57
Trainees	139	100.00	0	0.00	0	0.00
Apprentices	2,482	100.00	0	0.00	0	0.00
Interns	4,742	99.98	1	0.02	0	0.00
Total	34,182	37.90	47,855	53.06	8,146	9.03

(1) Employees, by functional level and age group, divided by the total number of employees of the level.

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Employees, by functional level and minorities, black persons⁽¹⁾ – 2017 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	1	0.00	1	0.00
Managers	956	1.06	960	1.06	1,916	2.12
Administrative	2,697	2.99	2,263	2.51	4,960	5.50
Commercial and Operational	6,673	7.40	3,530	3.91	10,203	11.31
Trainees	1	0.00	5	0.01	6	0.01
Apprentices	851	0.94	367	0.41	1,218	1.35
Interns	755	0.84	453	0.50	1,208	1.34
Total	11,933	13.23	7,579	8.40	19,512	21.64

(1) Employees, by functional level, gender and minorities, divided by the total number of employees.

Employees, by functional level and minorities, black persons⁽¹⁾ – 2016 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	902	1.03	947	1.08	1,849	2.11
Administrative	2,552	2.91	2,088	2.38	4,640	5.29
Commercial and Operational	6,127	6.99	3,288	3.75	9,415	10.73
Trainees	5	0.01	5	0.01	10	0.01
Apprentices	780	0.89	296	0.34	1,076	1.23
Interns	708	0.81	384	0.44	1,092	1.24
Total	11,074	12.63	7,008	7.99	18,082	20.62

(1) Employees, by functional level, gender and minorities, divided by the total number of employees.

Employees, by functional level and minorities, black persons – 2015 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	885	0.98	956	1.06	1,841	2.05
Administrative	2,597	2.89	2,113	2.35	4,710	5.23
Commercial and Operational	6,043	6.71	3,430	3.81	9,473	10.52
Trainees	3	0.00	2	0.00	5	0.01
Apprentices	584	0.65	228	0.25	812	0.90
Interns	725	0.81	403	0.45	1,128	1.25
Total	10,837	12.00	7,132	7.90	17,969	20.00

Employees, by functional level and minorities, people with disabilities⁽¹⁾ – 2017 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	64	0.08	63	0.08	127	0.15
Administrative	611	0.74	804	0.97	1,415	1.71
Commercial and Operational	1,315	1.59	1,071	1.29	2,386	2.88
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	1,990	2.40	1,938	2.34	3,929	4.74

(1) Employees, by functional level, gender and minorities, divided by the total number of employees.
Note: According to the national labour law.

Employees, by functional level and minorities, people with disabilities⁽¹⁾ – 2016 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	62	0.07	62	0.07	124	0.14
Administrative	613	0.70	813	0.93	1,426	1.63
Commercial and Operational	1,345	1.53	1,103	1.26	2,448	2.79
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,020	2.30	1,978	2.26	3,998	4.56

(1) Employees, by functional level, gender and minorities, divided by the total number of employees.

Employees, by functional level and minorities, people with disabilities – 2015 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	56	0.06	61	0.07	117	0.13
Administrative	635	0.71	791	0.88	1,426	1.58
Commercial and Operational	1,387	1.54	1,161	1.29	2,548	2.83
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	2	0.00	0	0.00	2	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,080	2.34	2,013	2.26	4,093	4.55

Ratio of women's basic salary to men's GRI 405-2

Functional level	2017 rate	2016 rate
Directors	1	1
Managers	0.9	0.9
Administrative	0.9	0.9
Commercial and Operational	0.9	1
Trainees	1	1
Apprentices	1	1
Interns	1	1

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GRI 102-5	Ownership and legal form	We are a publicly traded corporation.	No
GRI 102-6	Markets served	A-43	No
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GRI 103-1 Efficiency	-	A-361	-	-	-	Yes
GRI 103-2 Efficiency	-	A-10	-	-	-	No
GRI 103-3 Efficiency	-	A-10	-	-	-	No
Topic: Economic Performance						
GRI 201-1	Direct economic value generated and distributed	A-356 , A-391 , A-445 , A-446 , A-447 , A-457	-	-	-	Yes
Material theme: Credit and default						
GRI 103-1 Credit and default	-	A-361	-	-	-	Yes
GRI 103-2 Credit and default	-	A-108	-	-	-	No
GRI 103-3 Credit and default	-	A-108	-	-	-	No
Material theme: Diversification of revenue						
GRI 103-1 Diversification of revenue	-	A-361	-	-	-	Yes
GRI 103-2 Diversification of revenue	-	A-174	-	-	-	No
GRI 103-3 Diversification of revenue	-	A-174	-	-	-	No
Material theme: Customer satisfaction						
GRI 103-1 Customer satisfaction	-	A-362	-	-	-	Yes
GRI 103-2 Customer satisfaction	-	A-432	-	-	-	Yes
GRI 103-3 Customer satisfaction	-	A-432	-	-	-	Yes
Material theme: Ethics and transparency						
GRI 103-1 Ethics and transparency	-	A-362	-	-	-	Yes
GRI 103-2 Ethics and transparency	-	A-118	-	-	-	No
GRI 103-3 Ethics and transparency	-	A-118	-	-	-	No
Topic: Anti-competitive behavior						
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	A-164	-	-	-	No



Specific disclosures		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Material theme: Corporate governance						
GRI 103-1 Corporate governance	-	A-363	-	-	-	Yes
GRI 103-2 Corporate governance	-	A-48	-	-	-	No
GRI 103-3 Corporate governance	-	A-48	-	-	-	No
Material theme: Attraction, retention and development						
GRI 103-1 Attraction, retention and development	-	A-363	-	-	-	Yes
GRI 103-2 Attraction, retention and development	-	A-414	-	-	-	Yes
GRI 103-3 Attraction, retention and development	-	A-414	-	-	-	No
Topic: Employment						
GRI 401-1	New employee hires and employee turnover	A-29 , A-469	-	-	-	Yes
Topic: Training and Education						
GRI 404-1	Average hours of training per year per employee	A-470	-	-	-	Yes
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	A-30 , A-421 , A-423	Transition programs to facilitate employability in case of shutdown or income retirement.	The information is currently unavailable.	We set up a pilot program in 2015, although we do not yet have sufficiently consolidated data for release in this report. In 2018, our focus is to improve the management so it can be reported.	Yes
Material theme: Forecast of scenarios						
GRI 103-1 Forecast of scenarios	-	A-363 , A-364	-	-	-	Yes
GRI 103-2 Forecast of scenarios	-	A-4	-	-	-	No
GRI 103-3 Forecast of scenarios	-	A-4	-	-	-	No
Material theme: Information security						
GRI 103-1 Information security	-	A-364	-	-	-	Yes
GRI 103-2 Information security	-	A-435	-	-	-	Yes
GRI 103-3 Information security	-	A-435	-	-	-	Yes
Topic: Customer Privacy						
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	A-436	The number of complaints about a breach of customer privacy.	The information is subject to specific restrictions of confidentiality.	Due to the sensibility of this matter we are not comfortable disclosing this information.	Yes
Material theme: Risk and capital management						
GRI 103-1 Risk and capital management	-	A-364 , A-365	-	-	-	Yes
GRI 103-2 Risk and capital management	-	A-104	-	-	-	No
GRI 103-3 Risk and capital management	-	A-104	-	-	-	No



Specific disclosures		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Topic: Economic Performance						
GRI 201-2	Financial implications and other risks and opportunities due to climate change	A-393, A-404	-	-	-	Yes
GRI 201-4	Financial assistance received from government	A-446	-	-	-	Yes
Material theme: International operations						
GRI 103-1 International operations	-	A-365	-	-	-	Yes
GRI 103-2 International operations	-	A-43	-	-	-	No
GRI 103-3 International operations	-	A-43	-	-	-	No
Material theme: Brand and reputation						
GRI 103-1 Brand and reputation	-	A-366	-	-	-	Yes
GRI 103-2 Brand and reputation	-	A-30, A-118	-	-	-	No
GRI 103-3 Brand and reputation	-	A-30, A-118	-	-	-	No
Topic: Marketing and Labeling						
GRI 417-3	Incidents of non-compliance concerning marketing communications	A-433	-	-	-	Yes
Material theme: Information technology						
GRI 103-1 Information technology	-	A-366	-	-	-	Yes
GRI 103-2 Information technology	-	A-32	-	-	-	No
GRI 103-3 Information technology	-	A-32	-	-	-	No
Material theme: Compensation and incentives						
GRI 103-1 Compensation and incentives	-	366, 367	-	-	-	Yes
GRI 103-2 Compensation and incentives	-	A-73	-	-	-	No
GRI 103-3 Compensation and incentives	-	A-73	-	-	-	No
Topic: Training and Education						
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	A-420	-	-	-	No
Material theme: Combat against corruption and illegal activities						
GRI 103-1 Combat against corruption and illegal activities	-	A-367	-	-	-	Yes
GRI 103-2 Combat against corruption and illegal activities	-	A-119, A-126, A-427, A-435, A-436	-	-	-	Yes
GRI 103-3 Combat against corruption and illegal activities	-	A-119, A-126, A-427, A-435, A-436	-	-	-	Yes
Topic: Anti-corruption						
GRI 205-2	Communication and training about anti-corruption policies and procedures	A-126, A-427	-	-	-	Yes



Specific disclosures		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Material theme: Management of suppliers and supply chain						
GRI 103-1 Management of suppliers and supply chain	-	A-367, A-368	-	-	-	Yes
GRI 103-2 Management of suppliers and supply chain	-	A-436	-	-	-	Yes
GRI 103-3 Management of suppliers and supply chain	-	A-436	-	-	-	Yes
Topic: Supplier Environmental Assessment						
GRI 308-1	New suppliers that were screened using environmental criteria	A-438, A-439	-	-	-	No
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	A-438, A-439, A-442	-	-	-	No
Topic: Supplier Social Assessment						
GRI 414-1	New suppliers that were screened using social criteria	A-438, A-439	-	-	-	No
GRI 414-2	Negative social impacts in the supply chain and actions taken	A-438, A-439, A-442	-	-	-	No
Topic: Procurement Practices						
GRI 204-1	Proportion of spending on local suppliers	A-438, A-439, A-441	-	-	-	No
Material theme: Financial education and inclusion						
GRI 103-1 Financial education and inclusion	-	A-368	-	-	-	Yes
GRI 103-2 Financial education and inclusion	-	A-407	-	-	-	Yes
GRI 103-3 Financial education and inclusion	-	A-407	-	-	-	Yes
Material theme: Innovation						
GRI 103-1 Innovation	-	A-369	-	-	-	Yes
GRI 103-2 Innovation	-	A-185	-	-	-	No
GRI 103-3 Innovation	-	A-185	-	-	-	No
Material theme: Corporate citizenship						
GRI 103-1 Corporate citizenship	-	A-369	-	-	-	Yes
GRI 103-2 Corporate citizenship	-	A-447	-	-	-	Yes
GRI 103-3 Corporate citizenship	-	A-447	-	-	-	Yes
Topic: Indirect Economic Impacts						
GRI 203-2	Significant indirect economic impacts	A-377, A-409	-	-	-	Yes
Topic: Public Policy						
GRI 415-1	Political contributions	A-446	-	-	-	Yes
Material theme: Ecoefficiency and environmental management						
GRI 103-1 Ecoefficiency and environmental management	-	A-370	-	-	-	Yes
GRI 103-2 Ecoefficiency and environmental management	-	A-393, A-394, A-404	-	-	-	Yes
GRI 103-3 Ecoefficiency and environmental management	-	A-393, A-394, A-404	-	-	-	Yes



Specific disclosures		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Topic: Materials						
GRI 301-1	Materials used by weight or volume	A-402	-	-	-	No
Topic: Energy						
GRI 302-1	Energy consumption within the organization	A-397	-	-	-	Yes
GRI 302-4	Reduction of energy consumption	A-398	-	-	-	No
Topic: Water						
GRI 303-1	Water withdrawal by source	A-396	-	-	-	Yes
GRI 303-3	Water recycled and reused	A-396	-	-	-	Yes
Topic: Emissions						
GRI 305-1	Direct (Scope 1) GHG emissions	A-399	-	-	-	Yes
GRI 305-2	Energy indirect (Scope 2) GHG emissions	A-399	-	-	-	Yes
GRI 305-3	Other indirect (Scope 3) GHG emissions	A-399	-	-	-	Yes
GRI 305-5	Reduction of GHG emissions	A-399	-	-	-	Yes
Topic: Effluents and Waste						
GRI 306-2	Waste by type and disposal method	A-401	-	-	-	Yes
Topic: Compliance						
GRI 307-1	Non-compliance with environmental laws and regulations	A-404	-	-	-	No
Material theme: Diversity, equity and inclusion						
GRI 103-1 Diversity, equity and inclusion	-	A-371	-	-	-	Yes
GRI 103-2 Diversity, equity and inclusion	-	A-415, A-425, A-428, A-471	-	-	-	Yes
GRI 103-3 Diversity, equity and inclusion	-	A-415, A-425, A-428, A-471	-	-	-	Yes
Topic: Employment						
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	A-425	-	-	-	No
Topic: Diversity and Equal Opportunity						
GRI 405-1	Diversity of governance bodies and employees	A-471, A-472	-	-	-	Yes
GRI 405-2	Ratio of basic salary and remuneration of women to men	A-73, A-472	-	-	-	Yes
Topic: Non-discrimination						
GRI 406-1	Incidents of discrimination and corrective actions taken	A-428, A-436	-	-	-	Yes
Material theme: Health, safety and well-being						
GRI 103-1 Health, safety and well-being	-	A-371	-	-	-	Yes
GRI 103-2 Health, safety and well-being	-	A-165, A-417	-	-	-	No
GRI 103-3 Health, safety and well-being	-	A-165, A-417	-	-	-	No



Specific disclosures		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Topic: Occupational Health and Safety						
GRI 403-1	Workers representation in formal joint management-worker health and safety committees	A-419	-	-	-	No
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	A-470	-	-	-	Yes
GRI 403-3	Workers with high incidence or high risk of diseases related to their occupation	A-420	-	-	-	No
Financial Services – financial services (version G4)		Page number (or link)	Omission(s)	Reason(s) for omission(s)	Explanation for omission(s)	External assurance
Economic						
Economic Performance						
G4-DMA Economic Performance	-	A-356 , A-445 , A-447	-	-	-	No
Social						
Local Communities						
G4-DMA Local Communities	-	A-447	-	-	-	No
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	A-31 , A-32 , A-408 , A-409	-	-	-	Yes
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	A-410 , A-434	-	-	-	Yes
Product and service labeling						
G4-DMA Product and service labeling (former FS15)	Policies for the fair design and sale of financial products and services	A-358 , A-383 , A-433	-	-	-	Yes
G4-DMA Product and service labeling (former FS16)	Initiatives to enhance financial literacy by type of beneficiary	A-389 , A-407	-	-	-	Yes
Product portfolio						
G4-DMA Product portfolio (former FS1)	Policies with specific environmental and social components applied to business lines	A-382 , A-383 , A-387 , A-389 , A-390	-	-	-	Yes
G4-DMA Product portfolio (former FS2)	Procedures for assessing and screening environmental and social risks in business lines	A-358 , A-382 , A-383 , A-387 , A-389 , A-390 , A-409	-	-	-	Yes
G4-DMA Product portfolio (former FS3)	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	A-383	-	-	-	Yes
G4-DMA Product portfolio (former FS4)	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	A-383 , A-389	-	-	-	Yes
G4-DMA Product portfolio (former FS5)	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	A-382 , A-383 , A-390	-	-	-	Yes
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/sme/large) and by sector	A-409 , A-463 , A-464 , A-465 , A-466 , A-467 , A-468	-	-	-	Yes



Financial Services – financial services (version G4)

Page number
(or link)

Omission(s)

Reason(s) for
omission(s)Explanation for
omission(s)

External assurance

G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	A-39 , A-392 , A-409	-	-	-	Yes
G4-FS8	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	A-392	-	-	-	Yes
Audit						
G4-DMA Audit (former FS9)	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	A-56 , A-382 , A-387	-	-	-	Yes
Active ownership						
G4-DMA Active ownership (former FS12)	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	A-391	-	-	-	Yes
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	A-390	-	-	-	Yes
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening	A-390	-	-	-	Yes



Independent auditors' limited assurance report on sustainability information included in the 2017 Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein

To the Board of Directors and Stockholders
Itaú Unibanco Holding S.A.
São Paulo- SP

Introduction

We have been engaged by Itaú Unibanco Holding S.A. ("Itaú Unibanco") to present our limited assurance report on (i) the compilation of sustainability information included in the 2017 Consolidated Annual Report of Itaú Unibanco Holding S.A., disclosed in the chapter on "Sustainability" and in the attachments therein, for the year ended December 31, 2017, and on (ii) compliance with the principles defined in AA1000 AccountAbility Principles Standards 2008 ("AA1000APS") as regards the engaging of stakeholders and definition of materiality.

Management's responsibility

The management of Itaú Unibanco Holding S.A. is responsible for the preparation and fair presentation of the sustainability information included in the 2017 Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein, in accordance with the guidelines of the Global Reporting Initiative (GRI-Standards) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error, and is also responsible for complying with the principles defined in AA1000APS as regards the engaging of stakeholders and definition of materiality.

Independent auditors' responsibility

Our responsibility is to express a conclusion on the information related to sustainability included in the 2017 Consolidated Annual Report of Itaú Unibanco Holding S.A., disclosed in the chapter on "Sustainability" and in the attachments therein, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Brazilian Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the sustainability information included in the 2017

Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein, taken as a whole, is free from material misstatement.

Our responsibility is also to express a conclusion on the engaging of stakeholders and definition of materiality, based on our limited assurance engagement conducted in accordance with AA1000 Assurance Standard ("AA1000AS") 2008 - Type 1, which establishes the following procedures:

- Confirm the existence of a process for identification and participation of key stakeholders.
- Confirm the existence of a transparent procedure for determining the materiality of significant issues.
- Confirm the existence of a communication process with key stakeholders, and also of a clearly structure in the Consolidated Annual Report, as regards the process of responsiveness to sustainability-related issues.

A limited assurance engagement conducted in accordance with NBC TO 3000, ISAE 3000, and AA1000AS mainly consists of making inquiries of management and other professionals of Itaú Unibanco involved in the preparation of the sustainability information, as well as applying analytical procedures to obtain evidence that allows us to take a conclusion in a limited assurance report on the information taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information taken as a whole might present significant misstatements.

Main procedures performed

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the sustainability information included in the 2017 Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein, other circumstances of the engagement, and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:



- (a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the sustainability information included in the 2017 Consolidated Annual Report of Itaú Unibanco, disclosed in the chapter on "Sustainability" and in the attachments therein;
- (b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;
- (c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the 2017 Consolidated Annual Report, included in the chapter on "Sustainability" and in the attachments therein; and
- (d) comparing the financial indicators with the financial statements and/or accounting records.
- (e) obtaining evidence about the most material GRI-Standards indicators included in the 2017 Consolidated Annual Report and presented in the "GRI Standards summary contents".

The limited assurance engagement also included tests to assess compliance with the guidelines of the Global Reporting Initiative (GRI-Standards) applied in the preparation of the sustainability information included in the 2017 Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein, in addition to checking the compliance with the principles of AA1000APS in the engaging of stockholders and in the definition of materiality.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issue of an opinion on the sustainability information included in the 2017 Consolidated Annual Report, disclosed in the chapter on "Sustainability" and in the attachments therein, and on the

compliance with principles of AA1000APS. Consequently, we were not able to obtain reasonable assurance that we were aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the sustainability information included in the 2017 Consolidated Annual Report, included in the chapter on "Sustainability" and in the attachments therein, or evidence of lack of compliance with the principles of AA1000APS. Therefore, we do not express an opinion on these matters.

Non-financial data is subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.

Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that (i) the sustainability information included in the 2017 Consolidated Annual Report of Itaú Unibanco Holding S.A., included in the chapter on "Sustainability" and in the attachments therein, for the year ended December 31, 2017, has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-Standards), and (ii) that the engaging of stakeholders and definition of materiality has not been performed in accordance with the guidelines established in the AA1000 AccountAbility Principles Standard.

São Paulo, April 20, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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





Declaration of Independence

To the Board of Directors, Stockholders, and Officers

Itaú Unibanco Holding S.A.

São Paulo, April 20, 2018

In connection with our work related to the issue of our Independent Auditors' Limited Assurance Report on (i) the sustainability information included in the 2017 Consolidated Annual Report of Itaú Unibanco Holding S.A., disclosed in the chapter on "Sustainability" and in the attachments therein, for the year ended December 31, 2017, and (ii) the compliance with the principles defined in AA1000 AccountAbility Principles Standards 2008 ("AA1000APS") as regards the engaging of stakeholders and definition of materiality, we declare that PricewaterhouseCoopers Auditores Independentes is independent of Itaú Unibanco Holding S.A. and that no conflicts of interest arose during the verification of environmental and social data related to the sustainability information pursuant to the Code of Ethics of the International Federal of Accountants (IFAC) and to local rule NBC PA 291(R1), of the Brazilian Federal Accounting Council (CFC).

Yours faithfully,

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



Selected statistical information

The following information is included for analytical purposes and should be read in together with our section Performance, item Financial Performance, Significant Accounting Policies, Assets and Liabilities and Item Consolidated Financial Statements (IFRS).

The data included or referenced in this section are presented in accordance with IFRS, unless otherwise indicated.

Average balance sheet and interest rate data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average real yield/rate for each period.

We calculated the average balances using monthly book balances as we believe such balances are representative of our operations and it would be too costly to produce average balances using daily book balances in IFRS.

The majority of our business is comprised by operations with individuals and corporates, which have grown organically and without significant fluctuations over short periods. Non-accrual loans and leases are disclosed as a non-interest earning asset for the periods indicated in the table below:

(In millions of R\$, except percentages)									
Assets	2017			2016			2015		
	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)
Interest-earning assets⁽¹⁾	1,226,148	144,690	11.8	1,151,431	161,495	14.0	1,070,449	147,789	13.8
Interbank deposits	29,640	744	2.5	26,914	678	2.5	29,489	1,628	5.5
Securities purchased under agreements to resell	262,150	25,712	9.8	252,737	34,162	13.5	204,362	27,572	13.5
Central Bank compulsory deposits	90,189	7,201	8.0	72,031	6,920	9.6	63,418	5,748	9.1
Financial assets held for trading	226,514	22,944	10.1	179,035	23,669	13.2	152,687	19,826	13.0
Available-for-sale financial assets	92,588	8,886	9.6	87,678	11,160	12.7	82,744	8,979	10.9
Held-to-maturity financial assets	38,512	2,896	7.5	41,384	3,788	9.2	38,295	3,758	9.8
Loan operations and lease operations (accrual)	432,501	75,584	17.5	438,081	80,118	18.3	445,583	79,392	17.8
Other Financial Assets	54,055	723	1.3	53,570	1,000	1.9	53,871	886	1.6
Non-interest-earning assets	143,022			159,779			115,597		
Cash and deposits on demand	19,027			21,204			19,159		
Central Bank compulsory deposits	3,806			3,782			3,797		
Derivatives	21,635			28,904			24,276		
Non-accrual loans	19,066			21,487			18,559		
Allowance for loan and lease losses	(27,274)			(28,902)			(24,526)		
Fixed assets, net	7,647			8,176			8,618		
Investments in unconsolidated companies	5,087			4,790			4,219		
Goodwill	9,890			6,286			2,011		
Intangible assets, net	7,634			8,336			6,225		
Tax assets	41,150			47,265			43,212		
Assets held for sale	685			570			341		
Other assets	34,669			37,881			9,706		
Total	1,369,170			1,311,210			1,186,046		

(1) For the net yield on total average interest-earning assets, see "Net Interest Margin and Spread".



(In millions of R\$, except percentages)

Liabilities	2017			2016			2015		
	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)
Interest-bearing liabilities	1,016,569	78,325	7.7	969,461	95,125	9.8	875,904	75,064	8.6
Interest-bearing deposits	287,398	13,340	4.6	244,121	14,701	6.0	236,315	13,587	5.7
Savings deposits	110,411	6,393	5.8	106,838	7,501	7.0	114,500	7,720	6.7
Deposits from banks and time deposits	176,987	6,946	3.9	137,283	7,200	5.2	121,815	5,867	4.8
Securities sold under repurchase agreements	328,721	33,082	10.1	339,416	45,932	13.5	297,509	32,879	11.1
Interbank market debt and Institutional market debt	229,178	16,911	7.4	240,563	16,596	6.9	219,463	15,999	7.3
Interbank market debt	133,894	10,059	7.5	144,968	8,347	5.8	134,637	7,970	5.9
Institutional market debt	95,284	6,852	7.2	95,595	8,249	8.6	84,826	8,030	9.5
Reserves for insurance and private pension and Liabilities for capitalization plans	171,024	14,918	8.7	144,387	17,790	12.3	121,856	12,557	10.3
Other interest-bearing liabilities	248	74	30.0	974	106	10.9	761	42	5.5
Non-interest bearing liabilities	212,633			214,024			203,376		
Non-interest bearing deposits	61,844			61,895			54,148		
Derivatives	23,195			29,752			29,488		
Other non-interest-bearing liabilities	127,594			122,377			119,740		
Total stockholders' equity attributed to the owners of the parent company	127,590			117,844			105,034		
Non-controlling interests	12,378			9,880			1,732		
Total	1,369,170			1,311,210			1,186,046		

Changes in interest income and expenses – volume and rate analysis

The following table sets forth the allocation of the changes in our interest income and expense in terms of average volume and

changes in the average yields/rates for the periods indicated below. Volume balance and rate variations have been calculated based on variations of average balances over the period and changes in average interest yield/rates on interest earning assets and interest-bearing liabilities from one period to the other.

(In millions of R\$, except percentages)

	Increase/(decrease) due to changes in:								
	2017-2016			2016-2015			2015-2014		
	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾
Interest-earning assets	(4,462)	(12,345)	(16,805)	10,158	3,547	13,706	15,027	12,647	27,674
Interbank deposits	68	(2)	67	(131)	(819)	(950)	301	41	342
Securities purchased under agreements to resell	1,327	(9,778)	(8,451)	6,539	52	6,591	4,001	5,641	9,642
Central Bank compulsory deposits	852	(571)	281	813	358	1,171	(733)	578	(156)
Financial assets held for trading	(6,128)	5,403	(725)	3,477	366	3,843	2,166	2,532	4,698
Available-for-sale financial assets	670	(2,944)	(2,274)	559	1,622	2,181	403	1,303	1,707
Held-to-maturity financial assets	(250)	(643)	(892)	181	(151)	30	1,371	40	1,411
Loan and lease operations (accrual)	(1,010)	(3,524)	(4,534)	(1,275)	2,000	726	7,434	2,710	10,144
Other Financial Assets	9	(286)	(277)	(5)	119	114	83	(198)	(115)
Interest-bearing liabilities	3,925	(20,726)	(16,801)	9,342	10,719	20,060	11,420	(9,333)	2,087
Interest-bearing deposits	981	(2,342)	(1,362)	446	669	1,114	276	1,247	1,523
Saving deposits	131	(1,239)	(1,108)	(572)	354	(219)	191	624	815
Interbank deposits	(557)	(817)	(1,375)	(138)	659	521	485	(115)	370
Time deposits	1,407	(286)	1,121	1,156	(344)	812	(400)	738	338
Securities sold under repurchase agreements	(1,407)	(11,444)	(12,850)	5,032	8,020	13,053	3,279	2,829	6,109
Interbank market debt and Institutional market debt	(600)	914	315	1,308	(711)	596	6,595	(15,695)	(9,100)
Interbank market debt	(573)	2,284	1,712	586	(208)	377	3,444	(9,878)	(6,434)
Institutional market debt	(27)	(1,370)	(1,397)	722	(503)	219	3,151	(5,816)	(2,666)
Reserves for insurance and private pension and Liabilities for capitalization	4,926	(7,798)	(2,872)	2,542	2,691	5,233	1,262	2,307	3,569
Other Interest-bearing liabilities	24	(56)	(32)	14	50	64	8	(22)	(14)

(1) Volume change has been computed as the change in the average interest-earning assets or interest-bearing liabilities from one period to the other multiplied by the average yield/rate in the earlier period.

(2) Yield/rate change has been computed as the change in the yield/rate in the period multiplied by the average interest-earning assets or interest-bearing liabilities in the earlier period.

(3) We allocated the net change from the combined effects of volume and yield/rate proportionately to volume change and yield/rate change, in absolute terms, without considering positive and negative effects.



Net Interest margin and spread

The following table sets forth our average interest-earning assets, total average interest bearing liabilities, net interest income and the comparative net interest margin and net interest spread for the periods indicated below.

(In millions of R\$, except percentages)			
	2017	2016	2015
Total average interest-earning assets	1,226,148	1,151,430	1,070,450
Total average interest-bearing liabilities	1,016,569	969,461	875,904
Net interest income ⁽¹⁾	66,365	66,370	72,725
Average yield on average interest-earning assets ⁽²⁾	11.8%	14.0%	13.8%
Average rate on average interest-bearing liabilities ⁽³⁾	7.7%	9.8%	8.6%
Net interest spread ⁽⁴⁾	4.1%	4.2%	5.2%
Net interest margin ⁽⁵⁾	5.4%	5.8%	6.8%

(1) Is the sum of total interest income less total interest expense.

(2) Total interest income divided by total average interest-earning assets.

(3) Total interest expense divided by total average interest-bearing liabilities.

(4) Difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(5) Net interest income divided by total average interest-earning assets.

Return on equity and assets

The following table sets forth certain data with respect to return on equity and assets for the periods indicated below.

(In millions of R\$, except percentages)			
	2017	2016	2015
Net income attributable to owners of the parent company	23,903	23,263	25,740
Average total assets	1,369,170	1,311,210	1,186,046
Average stockholders' equity	127,590	117,844	105,034
Net income as a percentage of average total assets ⁽¹⁾	1.7%	1.8%	2.2%
Net income as a percentage of average stockholder's equity ⁽¹⁾	19.7%	20.1%	24.8%
Average stockholder's equity as a percentage of average total assets	9.3%	9.0%	8.9%
Dividend payout ratio per share ⁽²⁾	70.6%	45.0%	30.6%

(1) Attributable to owners of the parent company.

(2) Dividend and interest on stockholders' equity per share divided by earnings per share. Please refer to section Our profile, item In numbers, Selected Financial Data for additional information on the computation of both dividend and interest on shareholders' equity and basic earnings per share.

Note: Payout calculated considering the recurring net income based on BRGAAP figures.

Exchange rates

Currently, the Brazilian foreign exchange system allows the purchase and sale of foreign currency and the performance of international transfers in *reais* by any individual or legal entity, subject to certain regulatory procedures.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law allows the government to impose these restrictions whenever there is

a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance. We cannot predict whether the Brazilian government will impose remittance restrictions in the future. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

Please refer to section Our Risk Management, item Risk Factors, Macroeconomic Risks, item Foreign exchange, for further details.

The following table sets forth information on the selling rate for U.S. dollars and euro as reported by the Central Bank for the periods and dates indicated.

Year	Exchange Rate of Brazilian Currency per US\$1.00				Exchange Rate of Brazilian Currency per €1.00			
	Low	High	Average ⁽¹⁾	Year-End	Low	High	Average ⁽¹⁾	Year-End
2013	1.9528	2.4457	2.1741	2.3426	2.5347	3.2682	2.8947	3.2265
2014	2.1974	2.7403	2.3599	2.6562	2.8900	3.4320	3.1113	3.2270
2015	2.5754	4.1949	3.3876	3.9048	2.9080	4.7209	3.7358	4.2504
2016	3.1193	4.1558	3.4500	3.2591	3.3879	4.5032	3.8043	3.4384
2017	3.0510	3.3807	3.2031	3.3080	3.2455	3.9693	3.6502	3.9693
2018 (through April 18, 2018)	3.1391	3.4263	3.2667	3.3844	3.8617	4.2394	4.0169	4.1902

Source: Economática System.

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.



Month	Exchange Rate of Brazilian Currency per US\$1.00				Exchange Rate of Brazilian Currency per €1.00			
	Low	High	Average ⁽¹⁾	Month-End	Low	High	Average ⁽¹⁾	Month-End
October 2017	3.1315	3.2801	3.1912	3.2769	3.6698	3.8256	3.7500	3.8140
November 2017	3.2136	3.2920	3.2594	3.2616	3.7710	3.8839	3.8280	3.8839
December 2017	3.2322	3.3332	3.2919	3.3080	3.8152	3.9693	3.8961	3.9693
January 2018	3.1391	3.2697	3.2106	3.1624	3.8617	3.9624	3.9187	3.9404
February 2018	3.1730	3.2821	3.2415	3.2449	3.9482	4.0364	4.0024	3.9585
March 2018	3.2246	3.3380	3.2792	3.3238	3.9728	4.1274	4.0443	4.0850
April 2018 (through April 18, 2018)	3.3104	3.4263	3.3762	3.3844	4.0595	4.2394	4.1590	4.1902

Source: Economática System.

(1) Represents the average of the closing exchange rates of each day during the relevant period.

Risks related to our ADSs

Before investing in our shares and ADSs, it is important for the investor to know that, in addition to the risks related to our business, which may impact the value of our securities and our ability to perform certain obligations, including the payment of dividends and interest in equity, the investor will be exposed to additional risks, as described below. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us and/or ADS holders.

The relative price volatility and limited liquidity of the Brazilian capital markets may significantly limit the ability of our investors to sell the preferred shares underlying our ADSs, at the price and time they desire

The investment in securities traded in emerging markets frequently involves a risk higher than an investment in securities of issuers from the U.S. or other developed countries, and these investments are generally considered more speculative. The Brazilian securities market is smaller, less liquid, more concentrated and can be more volatile than markets in the U.S. and other countries. Thus, an investor's ability to sell preferred shares underlying ADSs at the price and time the investor desires may be substantially limited.

The preferred shares underlying our ADSs do not have voting rights, except in specific circumstances

Pursuant to our Bylaws, the holders of preferred shares and therefore of our ADSs are not entitled to vote in our general stockholders' meetings, except in specific circumstances. Even in such circumstances, ADS holders may be subject to practical restrictions on their ability to exercise their voting rights due to additional operational steps involved in communicating with these stockholders, as mentioned below.

According to the provisions of the ADSs deposit agreement, in the event of a general stockholders' meeting, we will provide notice to the depositary bank, which will, to the extent practicable, send such notice to ADS holders and instructions on how such holders can participate in such general stockholders' meeting, and ADS holders should instruct the depositary bank on how to vote in order to exercise their voting rights. This additional step of instructing the ADS depositary bank may make the process for exercising voting rights longer for ADS holders.

Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares

We may not be able to offer the U.S. holders of our ADSs preemptive rights granted to holders of our preferred shares in the event of an increase of our share capital by issuing preferred shares unless a registration statement relating to such preemptive rights and our preferred shares is effective or an exemption from such registration requirements of the Securities Act is available. As we are not obligated to file a registration statement relating to preemptive rights with respect to our preferred shares, we cannot assure that preemptive rights will be offered to you. In the event such registration statement is not filed or if the exemption from registration is not available, the U.S. holders of our ADSs may not receive any value from the granting of such preemptive rights.

The surrender of ADSs may cause the loss of the ability to remit foreign currency abroad and of certain Brazilian tax advantages

While ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian for our preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into foreign currency and remit the proceeds abroad, the availability and requirements of such electronic certificate may be adversely affected by future legislative changes.

If an ADS holder surrenders the ADSs and, consequently, receives preferred shares underlying the ADSs, such holder will have to register its investment in the preferred shares with the Central Bank of Brazil either as (i) a Foreign Direct Investment, subject to Law No. 4,131/62, which will require an electronic certificate of foreign capital registration, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) as a Foreign Investment in Portfolio, subject to Resolution CMN No. 4,373/14, which among other requirements, requires the appointment of a financial institution in Brazil as the custodian of the preferred shares and legal representative of the foreign investor in the Electronic Declaratory Registration of Portfolio (RDE – Portfolio). The failure to register the investment in the preferred shares as foreign investment under one of the regimes mentioned above (e.g. RDE – IED or RDE – Portfolio) will impact the ability of the holder to dispose of the preferred



shares and to receive dividends. Moreover, upon receipt of the preferred shares underlying the ADSs, Brazilian regulations require the investor to enter into corresponding exchange rate transactions and pay taxes on these exchange rate transactions, as applicable.

The tax treatment for the remittance of dividends and distributions on, and the proceeds from any sale of, our preferred shares is less favorable in case a holder of preferred shares obtains the RDE-IED instead of the RDE-Portfolio. In addition, if a holder of preferred shares attempts to obtain an electronic certificate of foreign capital registration, such holder may incur expenses or suffer delays in the application process, which could impact the investor's ability to receive dividends or distributions relating to our preferred shares or the return of capital on a timely manner.

The holders of ADSs have rights that differ from those of stockholders of companies organized under the laws of the U.S. or other countries

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may have legal principles that differ from those that would apply if we were incorporated in the U.S. or in another country. Under Brazilian Corporate Law, the holders of ADSs and the holders of our preferred shares may have different rights with respect to the protection of investor interests, including remedies available to investors in relation to any actions taken by our Board of Directors or the holders of our common shares, which may be different from what is provided in U.S. law or the law of another country.

Taxation for the ADS holders

This summary is based upon tax laws of Brazil and the United States in effect as of the date hereof, and contains a description of the main Brazilian and U.S. federal income tax considerations regarding the acquisition, ownership and disposition of our preferred shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to these matters, considering that laws are subject to change and to differing interpretations (possibly with retroactive effect). Although there is no income tax treaty between Brazil and the United States in place, the tax authorities of the two countries have agreed in applicable provisions of reciprocal tax treatment as to compensation of tax withheld at the source country in the residence country. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect a U.S. Holder (as defined below) of our preferred shares or ADSs.

Prospective purchasers of our preferred shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our preferred shares and ADSs, including, in particular, the effect of any non-U.S., non-resident, state or local tax laws.

Brazilian tax considerations

The following discussion summarizes the main Brazilian tax consequences related to the acquisition, ownership and disposition by Non-Resident Holders of our ADSs.

Non-resident holders resident or domiciled in tax haven jurisdictions

In accordance with Brazilian law, as regulated by Article 1 of Normative Instruction No. 1,037 of June 4th, 2010, as amended, a "tax haven" is defined as a country or location (a) that does not impose any income tax or where the maximum income tax rate is 20% , or 17% as further detailed below (b) where the local legislation imposes restrictions on disclosure regarding shareholder composition or investment ownership. A list of current tax haven jurisdictions has been published per such Normative Instruction. Non-Resident Holders resident or domiciled in tax haven jurisdictions may be subject to withholding tax in Brazil at higher rates than Non-Resident Holders not resident or domiciled in tax havens, as described below.

Additionally, on June 24, 2008, Law No. 11,727 introduced the concept of "privileged tax regime", which is defined as a tax regime that (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax benefits to non-resident entities or individuals (a) without the requirement to carry out substantial economic activity in the country or dependency or (b) contingent to the non-exercise of substantial economic activity in the country or dependency; (iii) does not tax or that taxes income generated abroad at a maximum rate of lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of assets and rights or economic transactions carried out.

On November 28, 2014, the Brazilian tax authorities issued Ordinance No. 488, which decreased these minimum thresholds from 20% to 17% in certain cases. Under Ordinance No. 488, the 17% threshold applies only to countries and regimes aligned with international standards of fiscal transparency, in accordance with rules to be established by the Brazilian tax authorities.

Notwithstanding the above, we recommend that you consult your own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Ruling No. 1,037 and of any related Brazilian tax law or regulation concerning tax havens and privileged tax regimes.

Taxation of dividends

Payment of dividends derived from profits generated after January 1, 1996, including dividends paid in kind, are not subject to withholding tax in Brazil. Payment of dividends derived from profits generated before January 1st, 1996 may be subject to Brazilian withholding tax at varying rates, according to the year when the profits have been generated.



Taxation of interest on net equity

Law No. 9,249, dated December 26, 1995, as amended, allows a Brazilian corporation, such as ourselves, to also make payments of interest on net equity in addition to dividend distributions. Please refer to section Our Risk Management, item Regulatory Environment, Taxation for further information. Currently, payments of interest on net equity are subject to withholding tax at a general rate of 15%, or 25% in the case of a Non-Resident Holder that is resident or domiciled in a tax haven jurisdiction.

Taxation of gains

(a) Sales or other dispositions of ADSs

Arguably, gains realized outside Brazil by a Non-Resident Holder from the sale or other disposition of ADSs to another Non-Resident Holder are not subject to Brazilian taxation. However, according to Law No. 10,833, dated December 29, 2003, as amended, the disposition of assets located in Brazil by a Non-Resident Holder may be subject to Brazilian withholding tax at a 15% flat rate or progressive rate may vary from 15% to 22.5% depending on the kind of investment made into Brazil and the location where the Non-Resident Holder is resident or domiciled (also, a 25% rate may apply if the foreign beneficiary is resident or domiciled in a jurisdiction deemed to be a tax haven for Brazilian tax purposes).

Although the referred Law is not completely clear with respect to what is considered to be an asset located in Brazil, ADSs generally should not be considered to be assets located in Brazil for purposes of such Law because they represent securities issued and negotiated in an offshore exchange market. It is important to note that even if ADSs were considered to be assets located in Brazil, Non-Resident Holders not resident or domiciled in tax haven jurisdictions may still apply for exemption from capital gains tax according to Article 81 of Law No. 8,981, dated January 20, 1995, as amended.

(b) Conversion of our preferred shares into ADSs

The deposit by a Non-Resident Holder of our preferred shares with the depositary for conversion into ADSs may be subject to Brazilian capital gains tax, if such Non-Resident Holder is resident or domiciled in a tax haven jurisdiction or if such preferred shares have not been registered under the Central Bank according to CMN Resolution No. 4,373, dated September 29, 2014, effective as of March 30, 2015 (former CMN Resolution No. 2,689, dated January 26, 2000, and CMN Resolution No. 1,927, dated May 18, 1992), as amended. In those cases, the difference between the acquisition cost of such preferred shares or the amount otherwise previously registered under the Central Bank and the average price of such preferred shares, according to the mentioned CMN Resolution No. 4,373/14, may be considered taxable capital gain, and may be subject to income tax. Please refer to section Our Risk Management, item Regulatory Environment, Funds of foreign investors, for further details.

Non-Resident Holders that are resident or domiciled in tax haven jurisdictions may be subject to capital gain tax at a 25% rate on sale or transfer of shares out of the financial markets upon such a conversion.

On the other hand, when Non-Resident Holders that are not resident or domiciled in tax haven jurisdictions deposit preferred shares registered according to CMN Resolution No. 4,373/14 in exchange for ADSs, such deposit should not be subject to capital gain tax.

(c) Sales or other dispositions of our preferred shares

Non-Resident Holders not resident or domiciled in tax haven jurisdictions that register their portfolio according to CMN Resolution No. 4,373/14 benefit from a special tax treatment according to which any capital gain arising from the sale of securities within Brazilian stock exchanges is exempt from income tax. On the other hand, sale of shares not registered according to CMN Resolution No. 4,373/14 or made outside of Brazilian stock exchanges is generally subject to 15% capital gain tax.

Such special treatment is not applicable to Non-Resident Holders resident or domiciled in tax haven jurisdictions, who are subject to general taxation rules applicable to Brazilian residents on the sale of their investments in the financial markets, including stock exchanges and over-the-counter markets. The taxation rate is then generally of 15%. If such Non-Resident Holders sell shares outside of the financial markets, the income taxation rate will instead be of 25%. Any exercise of preemptive rights related to our preferred shares (and in connection with the ADS program) will not be subject to Brazilian taxation. The gains from the sale or assignment of preemptive rights will be subject to the Brazilian income tax according to the same rules applicable to disposition of shares or ADSs.

Tax on financial transactions IOF/exchange (IOF/FX) and IOF/securities

According to the Decree No. 6,306/2007, and further amendments, Tax on Financial Transactions may levy some foreign exchange transactions. Please refer to section Our Risk Management, item Regulatory Environment, Taxation, for further details about Tax on Financial Transactions.

The acquisition of ADSs is not subject to IOF tax. As of December 24, 2013, pursuant to Decree No. 8,165, the IOF/Securities tax levied on the assignment of shares traded in the Brazilian stock exchange market in order to permit the issuance of depositary receipts to be negotiated overseas has been reduced to 0% rate.

Other Brazilian taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the transfer of ownership or title (ownership without beneficial interest) of our preferred shares or ADSs or the vesting of free beneficial interest of such shares or ADSs outside Brazil by a Non-Resident Holder, except for gift, inheritance and legacy taxes that are levied by some states of Brazil if bestowed in such states of Brazil or abroad when the



receiver is resident or domiciled in these states of Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable to Non-Resident Holders of our preferred shares or ADSs.

INVESTORS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO BRAZILIAN, FEDERAL, STATE AND LOCAL TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR PREFERRED SHARES OR ADSs IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY NON-BRAZILIAN TAX LAWS.

U.S. federal income tax considerations

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of our preferred shares or ADSs by U.S. Holders (as defined below) who hold such preferred shares or ADSs as capital assets within the meaning of section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders that hold our preferred shares or ADSs as part of a "straddle," "hedging," "conversion" or other integrated transaction, U.S. Holders that mark their securities to market for U.S. federal income tax purposes, U.S. Holders that have a functional currency other than the U.S. dollar, U.S. Holders that own (or are deemed to own) 10% or more (by voting power) of our shares or U.S. Holders that receive our preferred shares or ADSs as compensation. In addition, this discussion does not address the effect of any U.S. state, local or non-U.S. tax considerations or any U.S. estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or subject to differing interpretations. This discussion also assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of our preferred shares or ADSs that is, for U.S. federal income tax purposes: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust (a) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (b) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes invests in our preferred shares or ADSs, the U.S. federal income tax treatment of a partner will depend in part upon the status and activities of such entity and the particular partner. Any such entity and partners in such entity should consult their own tax advisors regarding the U.S. federal income tax considerations applicable to them relating to the purchase, ownership and disposition of such preferred shares or ADSs, especially in light of recent changes to U.S. tax law.

INVESTORS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL, STATE AND LOCAL TAX CONSIDERATIONS RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR PREFERRED SHARES OR ADSs IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY NON-U.S. TAX LAWS.

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

Treatment of ADSs

A U.S. Holder of ADSs generally will be treated for U.S. federal income tax purposes as the owner of such U.S. Holder's proportionate interest in our preferred shares held by the depositary (or its custodian) that are represented and evidenced by such ADSs. Accordingly, any deposit or withdrawal of our preferred shares in exchange for ADSs generally will not result in the realization of gain or loss to such U.S. Holder for U.S. federal income tax purposes.

Distributions

A U.S. Holder that receives a distribution with respect to our preferred shares (whether held through ADSs or directly), including payments of interest on net equity as described above under Brazilian Tax Considerations – Taxation of Interest on Net Equity, generally will be required to include the amount of such distribution (without reduction for any Brazilian withholding tax with respect thereto) in gross income as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) on the date such U.S. Holder (or the depositary, in the case of ADSs) actually or constructively receives such distribution, and will not be eligible for the dividends received deduction allowed to corporations. A distribution on our preferred shares (whether held through ADSs or directly) in excess of current and accumulated earnings and profits generally will be treated first as a non-taxable return of capital to the extent of such U.S. Holder's basis in such preferred shares or ADSs, as the case may be, and thereafter as gain from the sale or exchange of such preferred shares or ADSs (which will be treated in the same manner described below under Sale, Exchange or Other Disposition of Preferred Shares or ADSs). We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder may need to include the entire amount of any such distribution in income as a dividend.



The U.S. dollar value of any distribution on our preferred shares made in Brazilian *reais* generally should be calculated by reference to the exchange rate between the U.S. dollar and the Brazilian *real* in effect on the date of receipt of such distribution by the U.S. Holder (or the depositary, in the case of ADSs), regardless of whether the *reais* so received are in fact converted into U.S. dollars. Such U.S. Holder generally will have a basis in such *reais* equal to the U.S. dollar value of such *reais* on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such *reais* by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Distributions treated as dividends that are received by certain non-corporate U.S. persons (including individuals) in respect of shares of a non-U.S. corporation (other than a corporation that is, in the taxable year during which the distributions are made or the preceding taxable year, a PFIC) that is readily tradable on an established securities market in the United States generally qualify for a 20% reduced maximum tax rate (and potentially additional tax discussed below under “Medicare Tax”) so long as certain holding period and other requirements are met. Since the ADSs will be listed on the NYSE, unless we are treated as a PFIC with respect to a U.S. Holder, dividends received by such a U.S. Holder in respect of the ADSs should qualify for the reduced rate. Based on existing guidance, it is not entirely clear whether dividends received by such a U.S. Holder of our preferred shares in respect of such shares will qualify for the reduced rate, because our preferred shares are not themselves listed on a United States exchange. Special rules apply for purposes of determining the recipient’s investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax advisor regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Sale, exchange or other disposition of preferred shares or ADSs

Upon a sale, exchange or other disposition of our preferred shares or ADSs, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on such sale, exchange or other disposition and such U.S. Holder’s adjusted tax basis in such preferred shares or ADSs. Any gain or loss so recognized generally will be long-term capital gain or loss if such U.S. Holder has held such preferred shares or ADSs for more than one year at the time of such sale, exchange or other disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

A U.S. Holder that receives Brazilian *reais* from the sale, exchange or other disposition of our preferred shares generally will realize an amount equal to the U.S. dollar value of such *reais* on the settlement date of such sale, exchange or other disposition if (i) such U.S. Holder is a cash basis or electing accrual basis taxpayer and our preferred shares

are treated as being “traded on an established securities market” or (ii) such settlement date is also the date of such sale, exchange or other disposition. Such U.S. Holder generally will have a basis in such *reais* equal to the U.S. dollar value of such *reais* on the settlement date. Any gain or loss on a subsequent conversion or other disposition of such *reais* by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of receiving *reais* from the sale, exchange or other disposition of our preferred shares in cases not described in the first sentence of this paragraph.

Foreign tax credit considerations

Distributions on our preferred shares (whether held through ADSs or directly), including payments of interest on net equity as described above under “Brazilian Tax Considerations – Taxation of Interest on Net Equity,” that are treated as dividends, before reduction for any Brazilian withholding taxes with respect thereto, will generally be included in the gross income of a U.S. Holder. Thus, such U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Distributions treated as dividends generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as “passive category income” or, in the case of some U.S. Holders, as “general category income”. Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a U.S. foreign tax credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. Under current law, gain resulting from a sale or other disposal of our preferred shares or ADSs may be subject to Brazilian income or withholding taxes. A U.S. Holder’s use of a foreign tax credit with respect to any such Brazilian income or withholding taxes could be limited, as such gain generally will constitute income from sources within the United States. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for a taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes paid or accrued by such U.S. Holder in such taxable year. Foreign currency exchange gain or loss generally will constitute income from sources within the United States. The rules relating to foreign tax credits are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Passive foreign investment company considerations

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



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

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

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

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

If we are treated as a PFIC for any taxable year during which a U.S. Holder owns our preferred shares or ADSs, any gain realized on a sale or other taxable disposition of such preferred shares or ADSs and certain "excess distributions" (generally distributions in excess of 125% of the average distribution over the prior three-year period, or if shorter, the holding period for such preferred shares or ADSs) will be treated as ordinary income and will be subject to tax as if (i) the excess distribution or gain had been realized ratably over the U.S. Holder's holding period for such preferred shares or ADSs, (ii) the amount deemed realized in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at such U.S. Holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

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

If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs ("Subsidiary PFICs"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in any such Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (i) we receive a distribution from, or dispose of all or part of our interest in, any such Subsidiary PFIC or (ii) such U.S. Holder disposes of all or part of our preferred shares or ADSs.

A U.S. holder of shares in a PFIC (but possibly not a Subsidiary PFIC, as discussed below) may make a "mark-to-market" election, provided the PFIC shares are "marketable stock" as defined under applicable Treasury regulations (i.e., "regularly traded" on a "qualified exchange or other market"). Under applicable Treasury regulations, a "qualified exchange or other market" includes (i) a national securities exchange that is registered with the U.S. Securities and Exchange Commission or the national market system established under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (ii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in applicable Treasury regulations. The ADSs are traded on the NYSE and the preferred shares are traded on the B3. The NYSE constitutes a qualified exchange or other market. Although the IRS has not addressed whether the B3 meets the requirements to be treated as a qualified exchange or other market, we believe that the B3 should be so treated. PFIC shares traded on a qualified exchange or other market are regularly traded on such exchange or other market for any calendar year during which such shares are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. We cannot assure U.S. Holders that our preferred shares or ADSs will be treated as "marketable stock" for any taxable year.

The tax consequences that would apply if we were a PFIC would be different from those described above if a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder's holding period. If such an election were made, such U.S. Holder generally would (i) include in gross income, entirely as ordinary income, an amount equal to the excess, if any, of the fair market value of our preferred shares or ADSs as of the close of each taxable year and such U.S. Holder's adjusted tax basis in such preferred shares or ADSs, and (ii) deduct as an ordinary loss the excess, if any, of such U.S. Holder's adjusted tax basis in such preferred shares or ADSs over the fair market value of such preferred shares or ADSs at the end of the taxable year, but only to the extent of the net amount previously included in gross income as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of our preferred shares or ADSs in a taxable year in which we were a PFIC would be treated as ordinary income, and any loss from such sale, exchange or other disposition would be treated



first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. A U.S. Holder's adjusted tax basis in such preferred shares or ADSs would increase or decrease by the amount of the gain or loss taken into account under the mark-to-market regime. Even if a U.S. Holder is eligible to make a mark-to-market election with respect to our preferred shares or ADSs, however, it is not clear whether or how such election would apply with respect to the shares of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC shares might not be marketable stock. The mark-to-market election is made with respect to marketable stock in a PFIC on a shareholder-by-shareholder basis and, once made, can only be revoked with the consent of the IRS. Special rules would apply if the mark-to-market election is not made for the first taxable year in which a U.S. Holder owns any equity interest in us while we are a PFIC.

A U.S. Holder who owns our preferred shares or ADSs during any taxable year that we are treated as a PFIC generally would be required to file an information return with respect to us and any Subsidiary PFIC in which the U.S. Holder holds a direct or indirect interest. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our preferred shares or ADSs and the availability and advisability of making a mark-to-market election should we be considered a PFIC for any taxable year.

Medicare tax

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income", which may include all or a portion of their income arising from a distribution with respect to a preferred share or ADS and net gain from the sale, exchange or other disposition of a preferred share or ADS.

Backup withholding and information reporting

Backup withholding at a rate of 24% and information reporting requirements generally apply to certain U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of our preferred shares or ADSs. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished by the U.S. Holder to the IRS.

Disclosure requirements for specified foreign financial assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified

amounts. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include our preferred shares or ADSs if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this filing requirement.

Disclosure requirements for certain U.S. holders recognizing significant losses

A U.S. Holder that claims significant losses in respect of our preferred shares or ADSs for U.S. federal income tax purposes (generally (i) US\$10 million or more in a taxable year or US\$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) US\$2 million or more in a taxable year or US\$4 million or more in any combination of taxable years for all other taxpayers, or (iii) US\$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be required to file Form 8886 for "reportable transactions". U.S. Holders should consult their own tax advisors concerning any possible disclosure obligation with respect to our preferred shares or ADSs U.S. Foreign Account Tax Compliance Act (FATCA).

Please refer to section Our Risk Management, item Regulatory Environment, Taxation, U.S. Foreign Account Tax Compliance Act (FATCA) for more clarification on FATCA.



Sustainability

Sustainability is embedded in our corporate strategy through a consolidated governance structure that is integrated into our business, which allows us to incorporate social and environmental issues into daily activities and processes throughout the Itaú Unibanco Group. Long-term strategic decisions on sustainability are discussed on an annual basis by our Board of Directors, at an annual meeting of the Strategy Committee (composed of Board of Directors members) and twice a year at meetings of our Executive Committee. Since 2011, our sustainability activities have been based on three strategic focuses: (i) social and environmental risks and opportunities, (ii) financial education and (iii) dialogue and transparency.

Our management of social and environmental risk is based on the identification, measurement, mitigation and monitoring of risks. We know that the increasing societal consciousness of the environmental and social challenges we face, makes these issues more material to our operations, products and services. We developed and participated in various initiatives to reduce environmental and social risks and seize opportunities to address those risks. Over that period, we have created strategies, routines, processes and products, adopted specific policies and adhered to voluntary commitments such as Principles for Responsible Investments (PRI), Equator Principles (EP), Carbon Disclosure Project (CDP), Principles for Sustainable Insurance (PSI) and Global Compact that guide our business and institutional practices. We have developed specific social and environmental guidelines applicable to our lending processes (lending and financing), insurance, investments and suppliers. Our main social and environmental guidelines include: (i) a list of restricted activities (firearms, ammunition and explosives; extraction and production of wood and the production of firewood and charcoal extracted from native forests; fishing activities; extraction and industrialization of asbestos; and abattoirs and beef packaging plants), (ii) a list of prohibited activities (prostitution; illegal use of child labor; and work under conditions similar to slavery), (iii) compliance with environmental licensing, (iv) the inclusion of social and environmental contractual clauses, and (v) specific rules for providing real estate collateral.

In 2016, we improved our performance on human rights by structuring a multidisciplinary working group and governance on diversity, which reports to the Personnel Committee and the Sustainability Committee. In 2017 we launched Itaú's Human Rights Commitment, which aims to reinforce our commitment to respect for human rights in its relations with employees, client, suppliers, partners and society. It guides our actions related to critical topics, mitigation practices, remedy and monitoring and work with vulnerable groups (such as children, adolescents, indigenous people, migrants, women, black people, people with disabilities, among others).

Our Emissions Offsetting Program publishes its notice for the offset of carbon emissions every two years. In 2017, we held an unprecedented partnership with Natura. We launched the "Compromisso com o Clima" (Commitment to Climate) campaign to select projects interested in offset the emissions of both companies. We aim to acquire approximately 500 thousand

tons of CO₂ together to offset emissions between 2016 and 2018. Only legal entities can register and look for two types of projects: (i) Traditional: projects aimed at generating emissions reductions verified by certification standards of the voluntary or regulated carbon market; and (ii) Special: projects that generate proven GHG reduction or removal and do not aim at project certification along with voluntary or regulated market standards. It is worth pointing out that, even with the purchase of offsets, we will continue conducting initiatives to reduce our emissions and seeking opportunities to mitigate the impacts of our own operation.

Our financial entertainment channel, called Real Life TV, was the main initiative of 2017 to encourage young people to think about their finance and choices of consumption. Several frames were conveyed in social networks and included humor, reports of real people who have managed to achieve their dreams even without money, practical tips and even cartoon. The first two episodes had more than 65 million total views. The "Mão de Vaca Show", cartoon of the series, recorded the greatest volume among the frames, with 12.1 million views. In addition, we launched a BOT (interactive robot on Facebook) to provide financial education tips.

Our dialogue and transparency efforts focused on developing our reporting processes with the goal of consolidating the integration of communications. Since 2004, sustainability information is disclosed based on the Global Reporting Initiative criteria, and is integrated into our annual report, which includes both financial and sustainability information. Additionally, in 2013, we entered into a partnership with the International Integrated Reporting Council (IIRC), to prepare a concise piece of communication focused on our ability to create value for stakeholders over time. Please find our 2017 Integrated Report at www.itaubr.com.br/annual-report.

The management of sustainability issues has contributed to our access to funding through development agencies, and to our presence in sustainability indexes. We are the only Latin American bank to be included in the Dow Jones Sustainability Index since the inception of the index in 1999, and we also integrate the Business Sustainability Index and the Carbon Efficient Index, both of B3.



Controls and procedures

(a) Disclosure controls and procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer (CEO), and our chief financial officer (CFO), of the effectiveness of our disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as required by paragraph (b) of the Exchange Act Rules 13a-15 or 15d-15, as of December 31, 2017.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Therefore, our management does not expect that the controls will prevent all errors and all fraud.

Based upon the evaluation performed, our CEO and CFO have concluded that as of December 31, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that material information relating to us and our consolidated subsidiaries is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officers, to allow timely decisions regarding required disclosure.

(b) Attestation report of the independent registered public accounting firm

The report of PricewaterhouseCoopers Auditores Independientes, our independent registered public accounting firm, dated April 20, 2018, on the effectiveness of our internal control over financial reporting as of December 31, 2017 is presented with our consolidated financial statements.

Please refer to Performance, item Consolidated Financial Statements (IFRS) for further details about our independent auditor's report.

(c) Changes in internal control over financial reporting

In connection with the evaluation required by the Exchange Act Rule 13a-15(d), our management, including our CEO and CFO, concluded that the changes that occurred during the year ended December 31, 2017 have not materially affected, and are not reasonably likely to materially affect, our internal control over financial reporting.



Glossary

A

- ABRASCA – *Associação Brasileira de Companhias Abertas* (Brazilian Association of Public Companies)
- ADS – American Depositary Shares
- ANBIMA – *Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* (Brazilian Financial and Capital Markets Association)
- APIMEC – *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais* (Association of Capital Markets Analysts and Investment Professionals)
- ATM – Automatic Teller Machine

B

- B3 S.A. – Brasil, Bolsa, Balcão (Brazilian Exchange and OTC, formerly BM&FBovespa – *Bolsa de Valores, Mercadorias e Futuros S.A.*)
- Banco Itaú Argentina – Banco Itaú Argentina S.A.
- Banco Itaú Chile – Banco Itaú Chile S.A.
- Banco Itaú Paraguay – Banco Itaú Paraguay S.A.
- Banco Itaú Uruguay – Banco Itaú Uruguay S.A.
- BCBS – Basel Committee on Banking Supervision
- BIS – Bank for International Settlements
- BNDES – *Banco Nacional de Desenvolvimento Econômico e Social* (Brazilian Development Bank)
- BNY Mellon – The Bank of New York Mellon
- Brazilian Corporate Law – Law No. 6,404, of December 15, 1976, as amended (including by Law No. 11,638)
- Brazilian Payment System – encompasses the institutions, the systems and the procedures related to the transfer of funds and other financial assets, among the diverse economic agents of the Brazilian market, or that involve the processing, clearing and settlement of payments in any of its forms

C

- CADE – *Conselho Administrativo de Defesa Econômica* (Administrative Council for Economic Defense)
- CCR – Counterparty Credit Risk

- CDC – *Código de Defesa do Consumidor* (Consumer Protection Code)
- CDI – *Certificado de Depósito Interbancário* (Interbank Deposit Certificate)
- CEDEAR – Argentine Certificates of Deposits
- Central Bank – *Banco Central do Brasil* (Brazilian Central Bank)
- CFC – *Conselho Federal de Contabilidade* (Federal Accounting Council)
- CGRC – Risk and Capital Management Committee
- Cia E. Johnston – Companhia E. Johnston de Participações
- CMN – *Conselho Monetário Nacional* (National Monetary Council)
- CNSP – *Conselho Nacional de Seguros Privados* (National Council of Private Insurance)
- COAF – *Conselho de Controle de Atividades Financeiras* (Financial Activities Control Council)
- COSO – Committee of Sponsoring Organizations of the Treadway Commission
- COFINS – *Contribuição para o Financiamento da Seguridade Social* (Social Security Financing Contribution)
- CONSIF – *Confederação Nacional do Sistema Financeiro* (National Association of the Financial System)
- CSB – Corporate Site Branch
- CSC – Superior Credit Committee
- CSCCA – Superior Wholesale Credit and Collection Committee
- CSCCV – Superior Retail Credit and Collection Committee
- CSLL – *Contribuição Social Sobre o Lucro Líquido* (Social Contribution on Profits)
- CSP – Superior Products Committee
- CSRML – Superior Market Risk and Liquidity Committee
- CSRO – Superior Operational Risk Management Committee
- CTAM – Model Assessment Technical Committee
- CVM – *Comissão de Valores Mobiliários* (Brazilian Securities and Exchange Commission)



D

- DJSI – Dow Jones Sustainability Index

F

- FATF – Financial Action Task Force
- FEBRABAN – *Federação Brasileira de Bancos* (Brazilian Federation of Banks)
- Fed – U.S. Federal Reserve System
- FGC – *Fundo Garantidor de Crédito* (Credit Insurance Fund)

I

- IASB – International Accounting Standards Board
- IBRACON – *Instituto de Auditores Independentes do Brasil* (Institute of Independent Auditors of Brazil)
- IBRI – *Instituto Brasileiro de Relações com Investidores* (Brazilian Investor Relations Institute)
- ICAAP – Internal Capital Adequacy Assessment Process
- IFRS – International Financial Reporting Standards
- IOF – *Imposto Sobre Operações Financeiras* (Tax on Financial Transactions)
- IRPJ – *Imposto de Renda da Pessoa Jurídica* (Corporate Income Tax)
- IRS – U.S. Internal Revenue Service
- ISE – *Índice de Sustentabilidade Empresarial* (Corporate Sustainability Index)
- ISSQN – *Imposto sobre Serviços de Qualquer Natureza* (Service Tax)
- Itaú BBA Colombia – Itaú BBA Colombia S.A. Corporación Financiera
- Itaú BBA International – Itaú BBA International plc
- Itaucard – Banco Itaucard S.A.
- Itaú Holding Financeira – Itaú Holding Financeira S.A.
- Itaú Unibanco Group – Itaú Unibanco Holding S.A. and all its subsidiaries and affiliates
- Itaúsa – Itaú Investimentos S.A.
- IUPAR – Itaú Unibanco Participações S.A.

L

- LCR – Liquidity Coverage Ratio

N

- NSFR – Net Stable Funding Ratio
- NYSE – New York Stock Exchange

P

- PEP – Politically Exposed Person
- PFIC – Passive Foreign Investment Company
- PIS – *Programa de Integração Social* (Social Integration Program)

R

- RAET – *Regime Especial de Administração Temporária* (Temporary Special Administration Regime)
- RMCCI – *Regulamento de Mercado de Câmbio e Capitais Internacionais* (Regulation of Exchange and Capital Markets)

S

- SEC – U.S. Securities and Exchange Commission
- SELIC – *Sistema Especial de Liquidação e de Custódia* (Special Clearing and Settlement System)
- SOX – The Sarbanes-Oxley Act of 2002
- STF – *Superior Tribunal Federal* (Brazilian Federal Supreme Court)
- STJ – *Superior Tribunal de Justiça* (Brazilian Superior Court of Justice)
- SUSEP – *Superintendência de Seguros Privados* (Superintendency of Private Insurance)

T

- TR – *Taxa Referencial* (Brazilian Reference Interest Rate)

U

- Unibanco – União de Bancos Brasileiros S.A.

V

- VaR – Value at Risk



List of Foreign Subsidiaries (as of December 31, 2017)

Company	Country
Banco Itaú Argentina S.A.	Argentina
FC Recovery S.A.U.	Argentina
Itaú Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	Argentina
Itaú Valores S.A.	Argentina
Ittrust Servicios Inmobiliarios S.A.C.I.	Argentina
Itaú Bahamas Directors Ltd.	Bahamas
Itaú Bahamas Nominees Ltd.	Bahamas
Itaú Bank & Trust Bahamas Ltd.	Bahamas
Itaú Unibanco S.A. Nassau Branch	Bahamas
Karen International Limited	Bahamas
Bicsa Holdings Ltd.	Cayman Islands
Bie Cayman, Ltd.	Cayman Islands
Itaú Bank & Trust Cayman Ltd.	Cayman Islands
Itaú Bank, Ltd.	Cayman Islands
Itaú BBA International (Cayman) Ltd.	Cayman Islands
Itaú Cayman Directors Ltd.	Cayman Islands
Itaú Cayman Nominees Ltd.	Cayman Islands
Itaú Unibanco Holding Cayman Branch	Cayman Islands
Itaú Unibanco S.A. Cayman Branch	Cayman Islands
ITB Holding Ltd.	Cayman Islands
MCC Securities Inc.	Cayman Islands
Topaz Holding Ltd.	Cayman Islands
Uni-Investment International Corp.	Cayman Islands
CGB II SPA	Chile
CGB III SPA	Chile
CorpBanca Corredora de Seguro S.A.	Chile
Corplegal S.A.	Chile
Itaú Administradora General de Fondos S.A.	Chile
Itaú Asesorías Financieras S.A.	Chile
Itaú Chile Compañía de Seguros de Vida S.A.	Chile
Itaú Chile Corredora de Seguros Limitada	Chile
Itaú Chile Inversiones, Servicios y Administración S.A.	Chile
Itaú CorpBanca Corredores de Bolsa S.A.	Chile
Itaú CorpBanca Recaudaciones y Cobranzas S.A.	Chile
Itaú CorpBanca S.A.	Chile
MCC Asesorías Ltda.	Chile
MCC S.A. Corredores de Bolsa	Chile
Itaú Asset Management Colombia S.A. Sociedad Fiduciaria	Colombia

Company	Country
Itaú BBA Colombia S.A. Corporación Financiera	Colombia
Itaú Comisionista de Bolsa Colombia S.A.	Colombia
Itaú CorpBanca Colombia S.A.	Colombia
Itaú Corredor de Seguros Colombia S.A.	Colombia
Itaú Securities Services S.A. Sociedad Fiduciaria	Colombia
Itaú Asia Securities Ltd.	Hong Kong
Itaú Unibanco S.A. Tokyo Branch	Japan
Itaú Europa Luxembourg S.A.	Luxembourg
Itaú BBA México, S.A. De C.V.	Mexico
Proserv – Promociones Y Servicios S.A. de C.V.	Mexico
Corporación Interamericana para el Financ. de Infraestructura S.A. (CIFI) ⁽¹⁾	Panama
Itaú (Panamá) S.A.	Panama
Itaú Casa de Valores S.A.	Panama
Albarus S.A.	Paraguay
Bancard Sociedad Anónima	Paraguay
Banco Del Paraná S.A.	Paraguay
Banco Itaú Paraguay S.A.	Paraguay
IPI – Itaúsa Portugal Investimentos, SGPS, Unipessoal, Lda.	Portugal
Itaúsa Europa – Investimentos, SGPS, Unipessoal, Lda.	Portugal
Banco Itaú (Suisse) S.A.	Swiss
Banco Itaú International	USA
Itaú BBA USA Securities, Inc.	USA
Itaú International Securities Inc.	USA
Itaú Unibanco S.A. New York Branch	USA
Itaú USA Asset Management Inc.	USA
Jasper International Investment LLC	USA
Itaú BBA International Plc.	UK
Itaú UK Asset Management Limited	UK
Itaú Middle East Limited	United Arab Emirates
Banco Itaú Uruguay S.A.	Uruguay
Compañía Uruguaya de Medios de Procesamiento S.A. (C.U.M.P.S.A.) ⁽¹⁾	Uruguay
Mundostar S.A.	Uruguay
Nevada Woods S.A.	Uruguay
Oca Casa Financiera S.A.	Uruguay
Oca S.A.	Uruguay
Rias Redbanc S.A. ⁽¹⁾	Uruguay
Unión Capital AFAP S.A.	Uruguay

(1) Minority shareholder.

