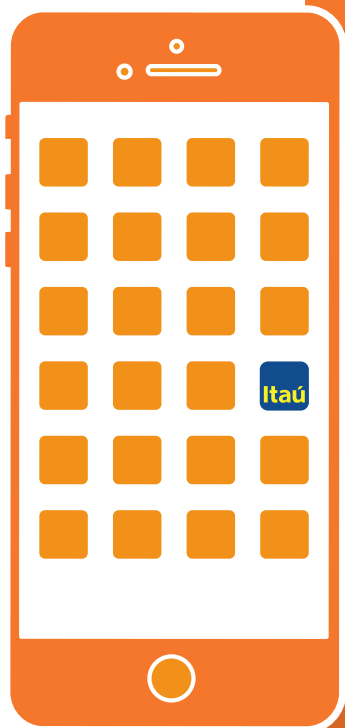




Integrated Report 2016

Itaú Unibanco Holding S.A.



Welcome

Building an increasingly
more digital bank

We have always believed in the potential of technology to make people's lives easier and continue to develop better relationships with our clients. Based on this and other ideals, we built this bank over a century and are here now.

Our history started with five people with big dreams. Visionaries who had a commitment to business, to Brazil and, mostly, to people.

We have always sought to think ahead to encourage positive changes in people's lives and, for this reason, we placed our structure, our capitals, our capability and, most of all, our pride to serve them.

Currently, we are the largest private bank in Latin America – in total assets. We have 92 years of history, we are present in 19 countries, and we are increasingly more international, and digital – it is not by chance that more than...

73%

...of our transactions take place
through digital channels...

50%

...of which on
mobile phones.



We know that, regardless of the amount of technology available, true progress is only possible if we are connected to people and, for this reason, placing our clients at the center of everything we do is more important than ever.

We understand that this is one of our main challenges for the coming years: to build a digital bank that continues to be, in all aspects, personal.

Itaú Unibanco Holding S.A.



About this **report**

The purpose of the integrated report is to explain to our financial capital providers how our organization creates value over time, meeting the expectations of our stakeholders with respect to transparency, conciseness and connectivity of the information presented.

This report is the summary of our strategies, businesses, products and services and, primarily, of how we create and share value with our clients, stockholders, employees and society, ensuring the longevity of our business.

This report contains data and information on the period from January 1 to December 31, 2016 ("2016") and from January 1 to December 31, 2015 ("2015"). We also present information on the main entities that are subject to the influence and significant control of Itaú Unibanco Holding S.A.

The financial information contained in this report was presented in accordance with the International Financial Accounting Standards (IFRS) applicable to our operations and businesses. Meanwhile, sector information, economic forecasts and performance indicators are information from managers and their main sources are highlighted along this report. The financial information was standardized in the scale of "R\$ billions" to facilitate reading by users.

This report was approved by those charged with Governance and its audit process was carried out by Pricewaterhouse Coopers Auditores Independentes (PwC).

For further information on Itaú Unibanco, click on the links indicated throughout this report.

Enjoy your reading!



	Message from the Chairman of the Board and CEO	3		Natural capital	38
	Context	4		Governance	39
	About Itaú Unibanco	7		Risk and Capital Management	43
	Business model	12		Sustainability	52
	Financial capital	13		Material Themes	55
	Social and relationship capital	23		Business Strategy	58
	Human capital	32		Products and Services	60
	Intellectual capital	35		Results, Highlights and Challenges	63
	Manufactured capital	37		Independent Auditor's limited assurance report	72

Message from the **Chairman of the Board and CEO**

Dear reader,

Over the past few years, we have been able to generate consistent results that are in line with our strategies. To us, to create value means to carry out business in a way that is sustainable and relevant for the society in which we are inserted.

Our achievements are the result of more than 90 years of dedication, highly-qualified employees, well defined strategies and, particularly, an ethical and transparent culture.

In 2016, we saw great challenges in the Brazilian economic and political scenario, which generated uncertainties and adversely affected our GDP for the second consecutive year. Our strategy is focused on the management of risks, maintenance of a high level of capital, efficiency of operations and quality of service. It is the result of a business model that balances loan operations with insurance and services, thus making our results less volatile and vulnerable to economic cycles.

In 2016, we generated profit of R\$23.6 billion, the equity of our controlling stockholders amounted to R\$122.6 billion and our ROE reached 20.1%. Additionally, the soundness of our capital, represented by the BIS ratio, reached 19.1%, higher than the rate of 10.5% required by the Central Bank of Brazil (BACEN).

The value added⁽¹⁾ to the economy reached R\$61.6 billion, mainly distributed among the following capitals: Social and Relationship (35%) – primarily social investments, taxes, fees and contributions; Financial (32%) – reinvestment of profit and distribution of amounts to our stockholders; and Human (29%) – investments in personnel, including profit sharing and benefits.

2016 was an important year for the expansion of our business, with a special note to the consolidation of Itaú CorpBanca in Chile, which added R\$71 billion in loans to our loan portfolio. We also highlight the acquisition of the retail businesses of Citibank in Brazil and the acquisition of the totality of the capital of Itaú BMG Consignado.

We also made progress in the operations of the Digital Bank, recognizing that the needs of our clients are changing increasingly faster, as well as the technologies with potential to transform our relationship with clients. Currently, 73% of our transactions are already carried out in digital channels, representing 10.9 billion transactions.

2016 was also characterized by a number of changes in our Management structure. After 22 years as CEO, the Executive Committee announced that Roberto Egydio Setubal will work together with Pedro Moreira Salles as co-chairman of the Board of Directors. In this new structure, the former General Retail Manager, Candido Bracher, with more than 36 years of experience in the financial market, will become the new CEO of the Group.

We are optimistic with respect to the new structure adopted and the new members of the Executive Committee, which has all the ingredients necessary to continue overcoming barriers and adding value to our employees, clients, stockholders and society.

We expect a challenging scenario for 2017, with some growth of the Brazilian economy. In this context, we will work to maintain a differentiated performance, focused on the challenges and opportunities that are ahead of us.

Enjoy your reading!



Pedro Moreira Salles
Chairman of the Board
of Directors

Academic Background: Bachelor's degree, magna cum laude, in Economics and History from the University of California, Los Angeles. He also took a Master's Degree in International Relations at the University of Yale and the Owner/President Management (OPM) program at Harvard University, both in the United States.

Professional Background: Mr. Salles has worked in many positions in the Group, including Vice Chairman of the Board of Directors and CEO of Unibanco Holdings S.A. between 2007 and 2008; and Vice Chairman of the Board of Directors and CEO of Unibanco – União de Bancos Brasileiros S.A. between 2004 and 2008. He has also been a member of the Board of Directors of Totvs S.A. since 2010; Chairman of the Board of Directors of E. Johnston de Participações since 2008; and President of the FEBRABAN Board of Directors since march 2017.



Roberto Egydio Setubal
CEO

Academic Background: Bachelor's degree in Production Engineering from the Polytechnic School of the University of São Paulo (USP) and Master's degree in Science Engineering from Stanford University, in the United States.

Professional background: Since 1984, he has been supervising the commercial operations of Banco Itaú and, in 1994, he was appointed as CEO of Banco Itaú S.A. Mr. Setubal is a member of the International Monetary Conference Council and Chairman of IMC. He was Chairman of the Brazilian Federation of Banks (FEBRABAN) from 1997 to 2000. He was also Vice Chairman of the Institute of International Finance (IIF) and of its Steering Committee on Regulatory Capital (SCRC). He became a member of the International Advisory Committee of the Federal Reserve Bank of New York in 2012 and, in 2003, he was appointed as member of the Economic and Social Development Council of the Presidency of Brazil (CDES). In 2010, he became a member of the Development Forum of China.

(1) Includes recurring net income and the reclassification of tax effects of hedging foreign investments for the financial margin, in BRGAAP. In IFRS the amount was R\$70.0 billion.

Economic Context

In the World

In 2016, the world economy showed signs of progress, but it continues to grow at a moderate pace. The uncertainty surrounding economic policies remains.

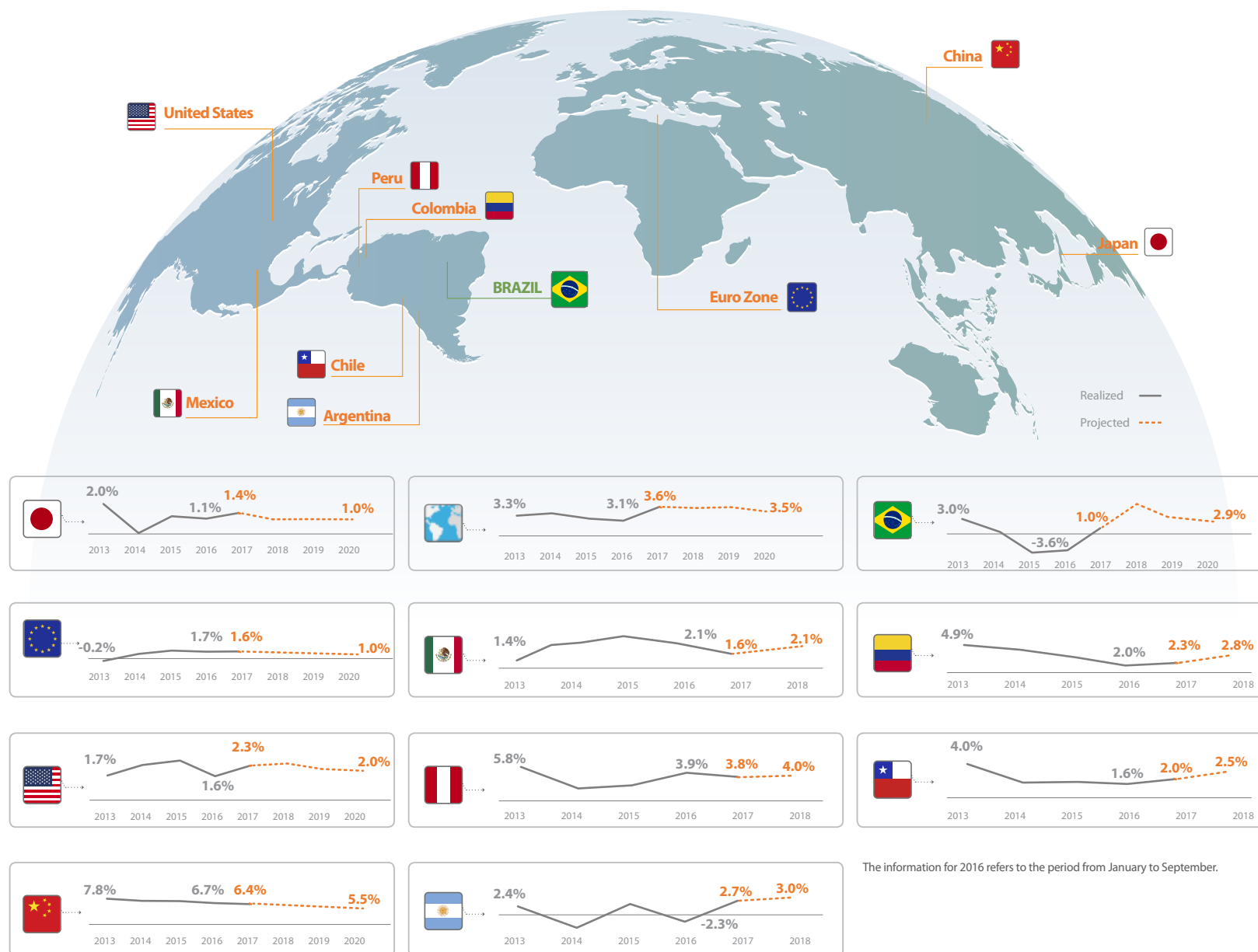
The U.S. economy grew more slowly than in 2015, although the labor market continues to strengthen, with falling unemployment rates. The new U.S. administration indicates major changes in U.S. economic policy, including the adoption of protectionist trade policies that may adversely affect global economic growth.

In China, growth was stable. Chinese politicians are trying to balance short-term growth with reforms aimed at improving medium-term growth. Japan, on the other hand, continues to show modest rates of economic growth. The stabilization of growth in Asia may generate a favorable environment for emerging economies that export commodities.

The economy in the Euro Zone has been recovering at a modest pace, even after the expansionist fiscal and monetary reforms. However, the recovery shows signs of uncertainty due to local political issues.

Real GDP growth | % a year

We present the economic growth indicators of the countries that are relevant to our operations.



The information for 2016 refers to the period from January to September.

LEARN MORE

Click here to know more about Economic Analyses – Forecast disclosed on the Itáú BBA

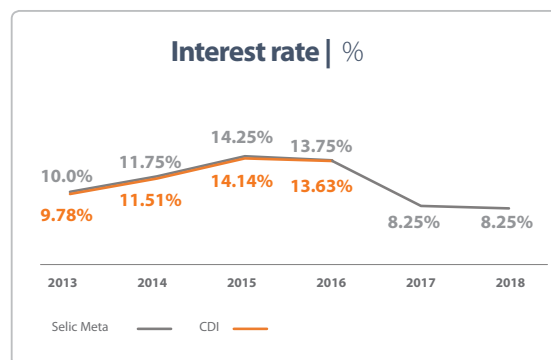
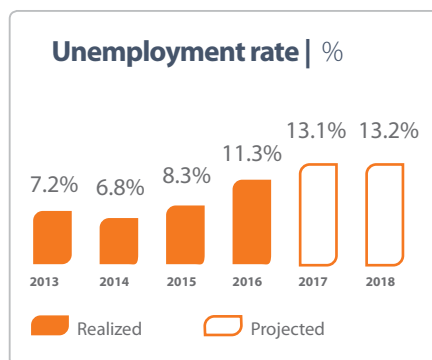
Throughout 2016, emerging markets, which faced large investment outflows over the past few years, showed signs that financial inflows will be resumed since commodity prices stabilized and economic fundamentals strengthened in some of them. However, the global economic outlook remains uncertain, with significant risks that can still result in periods of greater volatility in the prices of assets and affect the results of our operations.

In Latin America, real GDP growth was below market expectations for most countries and tax revenues remained weak. The decline in the economic activity and in tax revenues due to the low price of commodities have been causing governments in the region to cut spending and seek mechanisms that increase revenues, focused on the maintenance of sovereign indexes. The increase in the price of fuel in Mexico and the recent tax reform in Colombia are examples of measures to reduce the fiscal deficit. Meanwhile, Argentina, Colombia, Chile, Uruguay and Paraguay all showed stronger foreign exchange rates and falling inflation rates, which could prompt their central banks to reduce interest rates, contributing to an economic recovery in 2017.

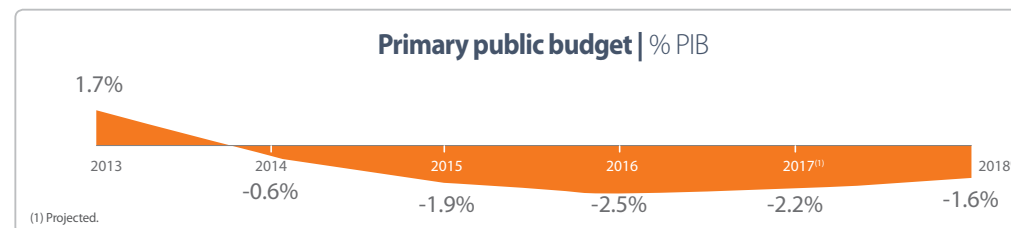
In Brazil

From 2004 to 2011, we benefited from the stable economic climate in Brazil, with an average GDP growth of approximately 4.4% a year, which led to an increase in loans and bank deposits. Between 2012 and 2016, the average GDP growth was negative by approximately 0.4% a year, in part reflecting a slowdown in potential output. In 2016, the unemployment rate reached 11.3%, and it is likely to keep rising in the coming years.

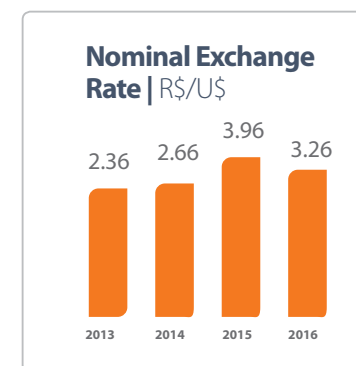
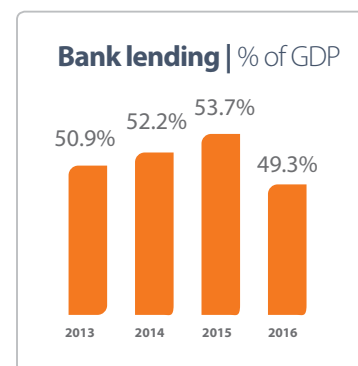
In October 2016, the Central Bank of Brazil initiated a cycle of monetary easing with cuts in the Selic interest rate, which reached 11.25% in April 2017. This opportunity is basically due to the generalized drop in inflation rates resulting from the high idle capacity level of the Brazilian economy and anchored inflation expectations.



The Brazilian primary public budget deficit has been in upward trend since 2014. Cuts in discretionary spending and tax increases have proven to be insufficient to offset the drop in tax revenues and the increase in mandatory spending. In order to face the tax imbalance, the Brazilian Congress approved a maximum limit for the growth of public spending for the next 20 years. The next step is the reform of the social security system, which is being discussed in the Brazilian Congress in 2017 and is essential to ensure that the spending cap remains achievable for the coming years. These structural reforms are an important step for the stabilization of the public debt.



Loans granted by financial institutions in Brazil maintained their downward trend in the fourth quarter of 2016, adjusted by inflation.



The Brazilian *real* appreciated in relation to the U.S. dollar, which is a reaction to the adjustments and reforms that are in progress in Brazil, focused on a lower risk premium.

Brazil's current account deficit (net balance of sales of goods and services and international transfers) decreased in 2016, from 3.3% to 1.3% of GDP. Brazil maintained its international solvency, with approximately US\$372 billion in international reserves and US\$324 billion in foreign debt in 2016.

In 2016, Brazil's sovereign credit rating was downgraded to speculative grade by the rating agencies Moody's, Fitch and Standard & Poor's (S&P). At the beginning of 2017, the rating agency Moody's issued a new rating, changing the outlook on Brazil's credit rating from negative to stable.

Competition and banking industry

The World Economic Forum assesses, on an annual basis, the productivity level and the conditions offered by the countries for the development of markets. The 2016-2017 edition of the Global Competitiveness Report assessed 138 countries. We present the ranking of the countries that are the most relevant for our operations.



According to the report, the slowdown in the opening of trade is threatening growth and prosperity. Additionally, the updated business practices and the investment in innovation are now as important as infrastructure and efficient markets. Latin America has been showing a decreasing average in the ranking in the past 20 years, evidencing the problems faced, such as the depreciation of currencies and the decline in the value of commodity exports. Chile continued to post the best performance in the region, moving up two positions in relation to the last ranking, with a highlight to its economic resilience, efficient financial market and solid institutions. Colombia remained in 61st position. Argentina moved up two positions, driven by innovation and business sophistication factors.

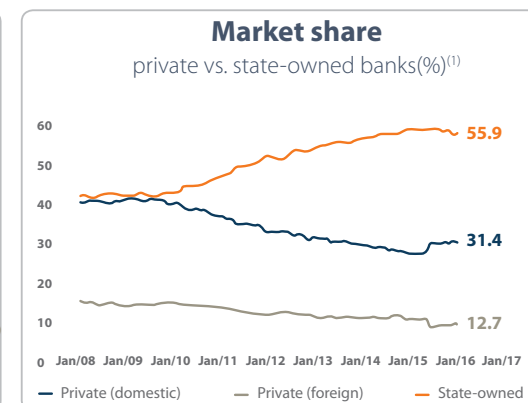
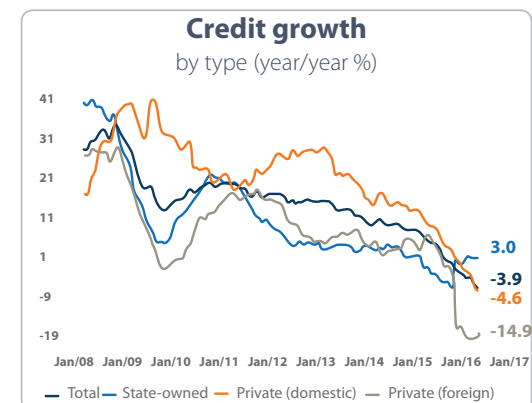
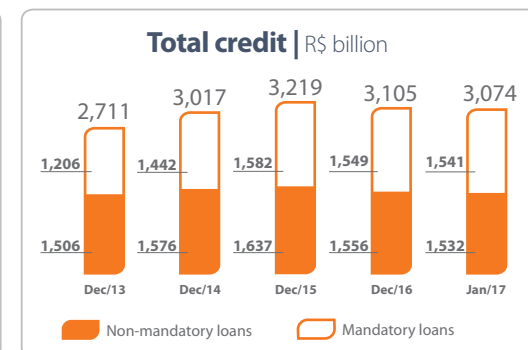
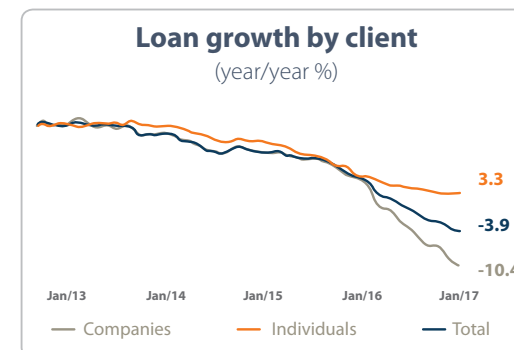
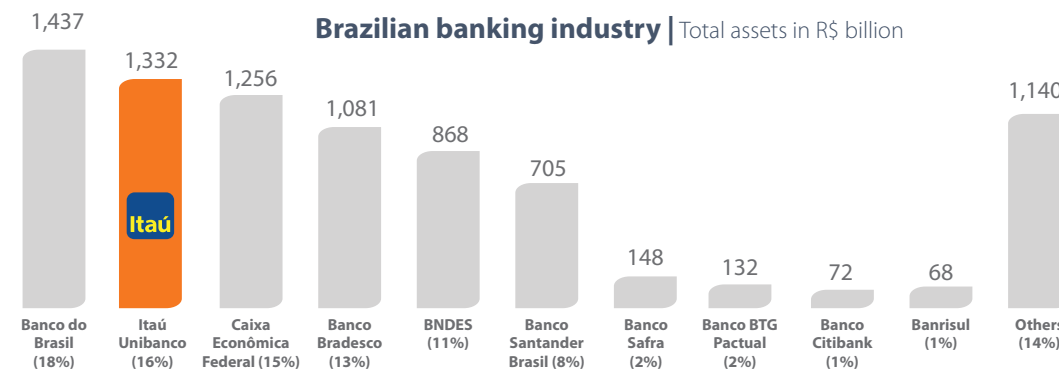
Brazil lost six positions, driven mainly by the deterioration of the labor market, income and financial market, not to mention the quality of the public administration. According to the report, there was an improvement in the protection of property rights and in the resumption of economic growth, after a sharp drop last year.

Brazilian financial system

The financial system in Brazil has been increasingly characterized by stronger competition and further consolidation. On September 30, 2016, there were in Brazil 137 financial conglomerates, commercial banks, development banks and one savings and loan bank Caixa Econômica Federal, totaling 1,474 institutions authorized to operate.

Together with two other banks, we are the leaders in banking activities and multiple-service banking in the private sector, accounting for 37% of total assets in the Brazilian banking industry (except for insurance services and pension funds). In the public sector, the three largest banks account for 44% of total assets.

We highlight below other indicators related to competition in the Brazilian banking industry:



(1) In 2016, the retail operations of HSBC Brasil started to be consolidated with the operations of Bradesco, thus changing the composition of credit between national and foreign private banks.

About Itaú Unibanco



Strategic focus points

- Implement a customer satisfaction-oriented culture that is commercially-focused and seeks operational simplicity
- Maximize the return to stockholders, aiming at the organization's growth
- Be the bank of choice for the best talents, at all levels
- Have an environment that stimulates creativity, entrepreneurship and brainstorming
- Seek the technological vanguard to better serve the client and add value to the business
- Be an example in ethical conduct with clients, employees, authorities, the market and society

Itaú Unibanco

Who we are

We are a publicly-listed financial holding company that, together with associates and subsidiaries, operates in the banking industry and in all authorized types of activities, in Brazil and abroad. Our vision is to be a leading bank in sustainable performance and customer satisfaction. The purpose of our brand is to promote positive changes in the lives of people and society. And, guided by our causes, we offer products and services that meet the needs of our clients, reflecting our continuous effort to provide the best experience to everyone who interacts with us every day.

Our causes

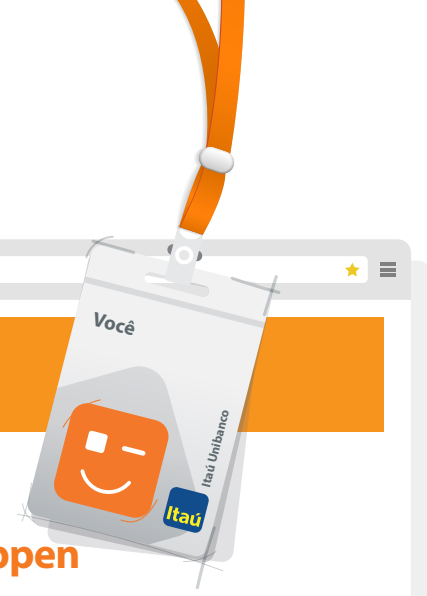
- **Work to make the world a better place** We believe in the power of transformation of society and, for this reason, we work on many projects related to education, culture, sports, leisure and urban mobility.
- **Help people make better financial choices** For the purpose of expanding the debate on personal finances and encourage a more well balanced relationship with money, we carry out a number of initiatives aimed at financial education.
- **To be an increasingly digital bank** The world is changing and the way people relate with the bank is too. This is our guideline and we follow these changes to always offer the best services, with comfort and ease, to all of our clients.

Nosso Jeito (Our Way)

This is how #wedoitandmakeithappen

Every company has its culture and its way of being and doing things. We have ours, a group of seven unmistakable attitudes that define us. These attitudes will continue to guide us so we can be the bank of our dreams.

- 1_It is only good for us if it is good for the client_** We are people serving people, with passion and excellence. We work with the client and for the client because they are the greatest reason of everything we do.
- 2_Performance fanatics_** The generation of sustainable results is in our DNA. The constant challenge of seeking leadership in performance brought us here and will continue to guide our company towards our goals.
- 3_People are everything to us_** Everything we accomplish is by means of people. Talented people, who enjoy working in an environment of cooperation, meritocracy and high performance.
- 4_The best argument is what counts_** We cultivate a challenging environment, opened to questioning and constructive debate. To us, the hierarchy that counts is that of the best idea.
- 5_Simple. always_** We believe that simplicity is the best route to efficiency. For this reason, we struggle so that depth is not taken for complexity and so that simplicity is not taken for oversimplification.
- 6_We think and act as owners_** We always think as owners of the company, leading by example and placing collective goals above personal ambition.
- 7_Ethics are non-negotiable_** We do what is right, not seeking ways around things, no shortcuts. We exercise our leadership in a transparent and responsible manner, fully committed to society and the best governance and management practices.



LEARN MORE_
Click here and access our website

Engagement | Voluntary commitments

Related
material themes



Corporate
citizenship

We establish frequent dialogues with people and institutions that are a benchmark in our topics of interest, as a way of listening, sharing practices and capturing trends. The selection of these topics takes into consideration social, environmental and economic impacts that may affect the organization and the stakeholders involved.

We highlight below some engagement initiatives and voluntary commitments of which we are part:

Sustainable Development



Climate Change



Responsible Bank



Report and Transparency



Women's Empowerment



Ethics and Integrity



Global Operation | Leading position

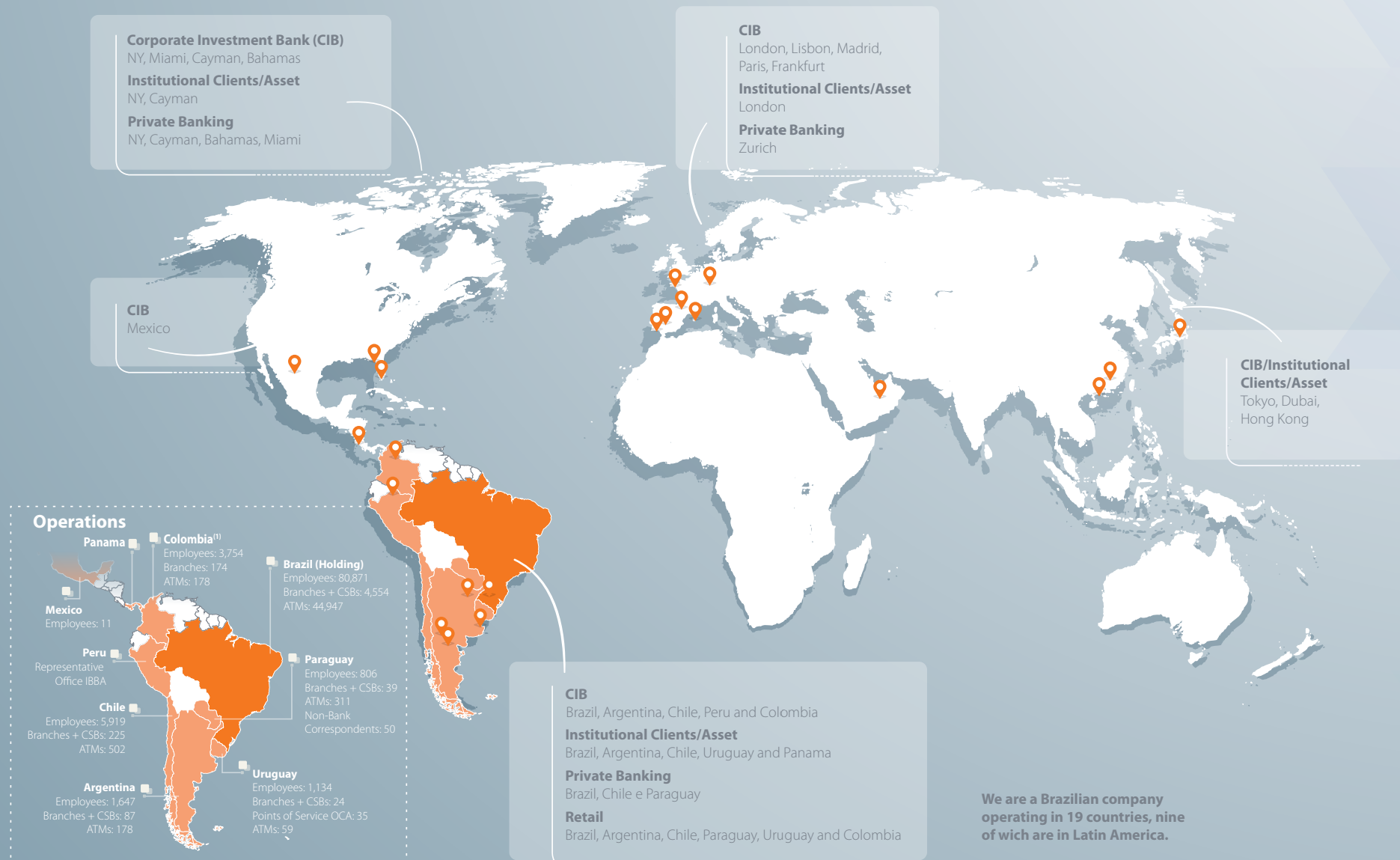
Related
material themes



International
operations

We carry out many operations outside Brazil, with units strategically located in the Americas, Europe and Asia. Our international presence creates important synergies, particularly in the financing of foreign trade, in the placement of Eurobonds and in the offer of more sophisticated financial transactions to all of our clients.

Latin America is a priority in our international expansion strategy due to the geographical and cultural proximity of its countries with Brazil. Our objective is to be recognized as the "Latin American Bank", becoming a benchmark in the region for all the financial services provided.



(1) Includes employees and branches from Panama.

We are a Brazilian company
operating in 19 countries, nine
of wich are in Latin America.

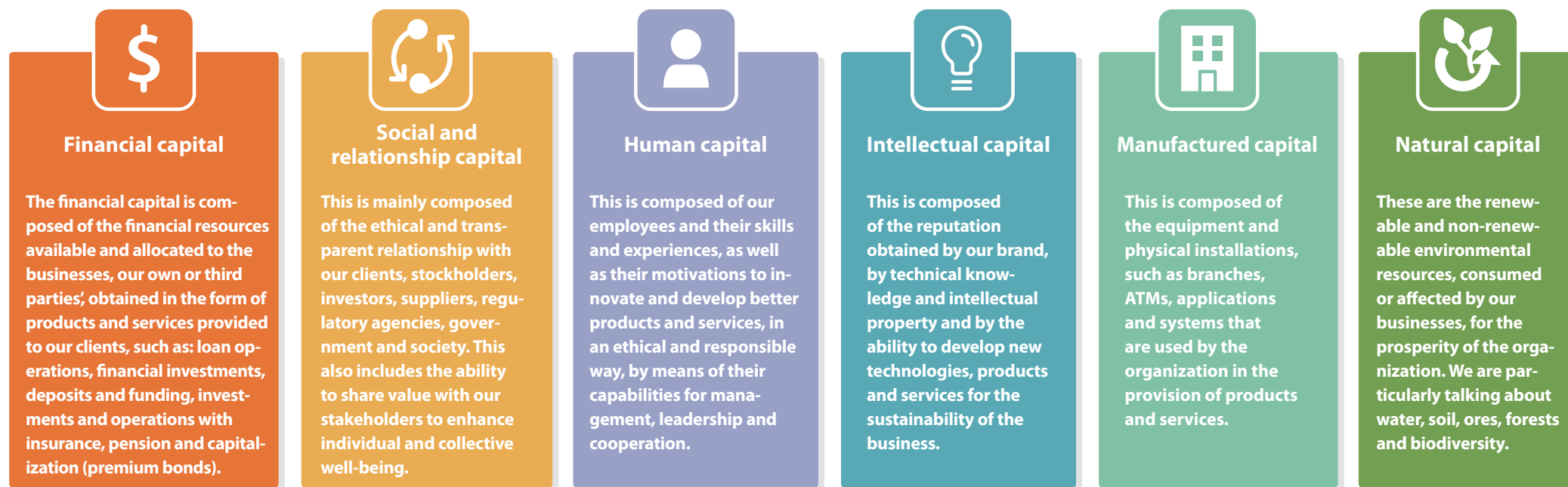
How we **create shared** value

Our vision is to be a leading bank in sustainable performance and customer satisfaction and our commitment leads us to serve as an agent of transformation of society. We work for great causes, such as culture, education, sports, leisure and urban mobility, we continuously seek the common good, contributing to the development of our country.



Capitals

All organizations depend on inputs (or capitals) for their success. We use a wide range of inputs that are related to raise, finance and manage our clients' funds. By allocating capital to our businesses, we provide differentiation, create value and share it with our stakeholders while also increasing our own capitals. We present below a brief description of the capitals that are most relevant to our business model:




According to the World Economic Forum, the role of a financial institution in society can be classified into nine items:

- Promote financial and economic resilience
- Safeguard savings and the integrity of financial contracts
- Facilitate efficient allocation of capital to support economic growth
- Provide broad access to financial services products and services
- Enable smoothing of cash flows
- Enable payments
- Provide financial protection, risk transfer and diversification
- Better distribute information for optimum economic decision-making
- Provide effective markets

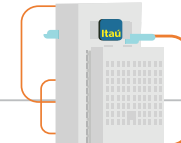
2 Business management

Management is responsible for the efficient allocation of the capitals to our activities and operations, focused on the creation of shared value over time. Our Governance has tools and internal policies that help us in the control of risks, identification of opportunities, definition of strategies and assessment of the performance of the businesses: Efficient management allows us to offer products and services that are more suited to the needs of our clients.


Our business is divided into three large operating segments: Retail Bank, Wholesale Bank, and Activities with the Market and Corporation.



The **Retail Bank** offers services to a diversified base of clients who are current account holders and non-current account holders, individuals and corporations, and it is segmented in accordance with the profile of our clients, including retail clients, high-income clients (Itaú Uniclass and Itaú Personnalité) and very small and small companies. Additionally, the Retail Bank represents an important source of funding to our operations and generates significant finance income and service revenue for the business.



The **Wholesale Bank** is the segment responsible for our clients' private banking, the middle-market banking activities, investments and corporate banking, and for the operations in Latin America's units. It offers a wide range of products and services to the largest economic groups in Brazil and Latin America. The management of the Wholesale Bank is guided by the construction of closer relationships with the clients and by the improvement of the efficiency of our operations.



The Segment of **Activities with the Market and Corporation** manages the financial result of the business, associated with the resources that exceed capital, subordinated debt and tax credits and debts. Additionally, it also manages our investment in Porto Seguro.

3 Products and services

By means of portfolios and commercial agreements, we offer a wide range of financial products and services to a diversified base of clients, in Brazil and abroad, which are sold via our physical and digital channels. We highlight below the main financial products and services offered to our clients:



Cards



Financing



Investment



Consortia



Brokerage



Current Account



Wealth Management Services



Insurance



Pension



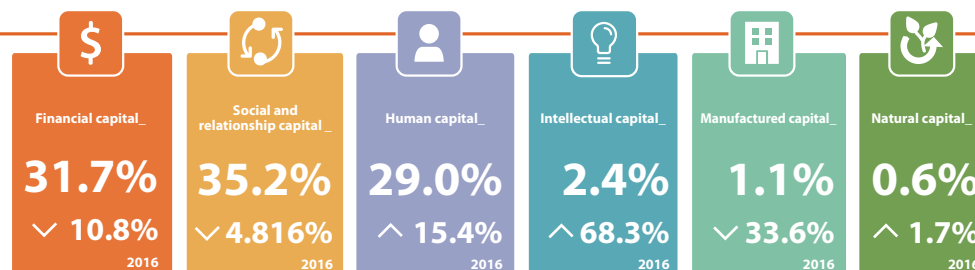
Capitalization (Premium Bonds)

4 Results and challenges

For us, to create value is to obtain sustainable results, in an ethical and responsible way, and that meet the needs of our stakeholders. This is how we seek to create shared value, achieve the established targets and encourage the development of people, society and the countries in which we operate.

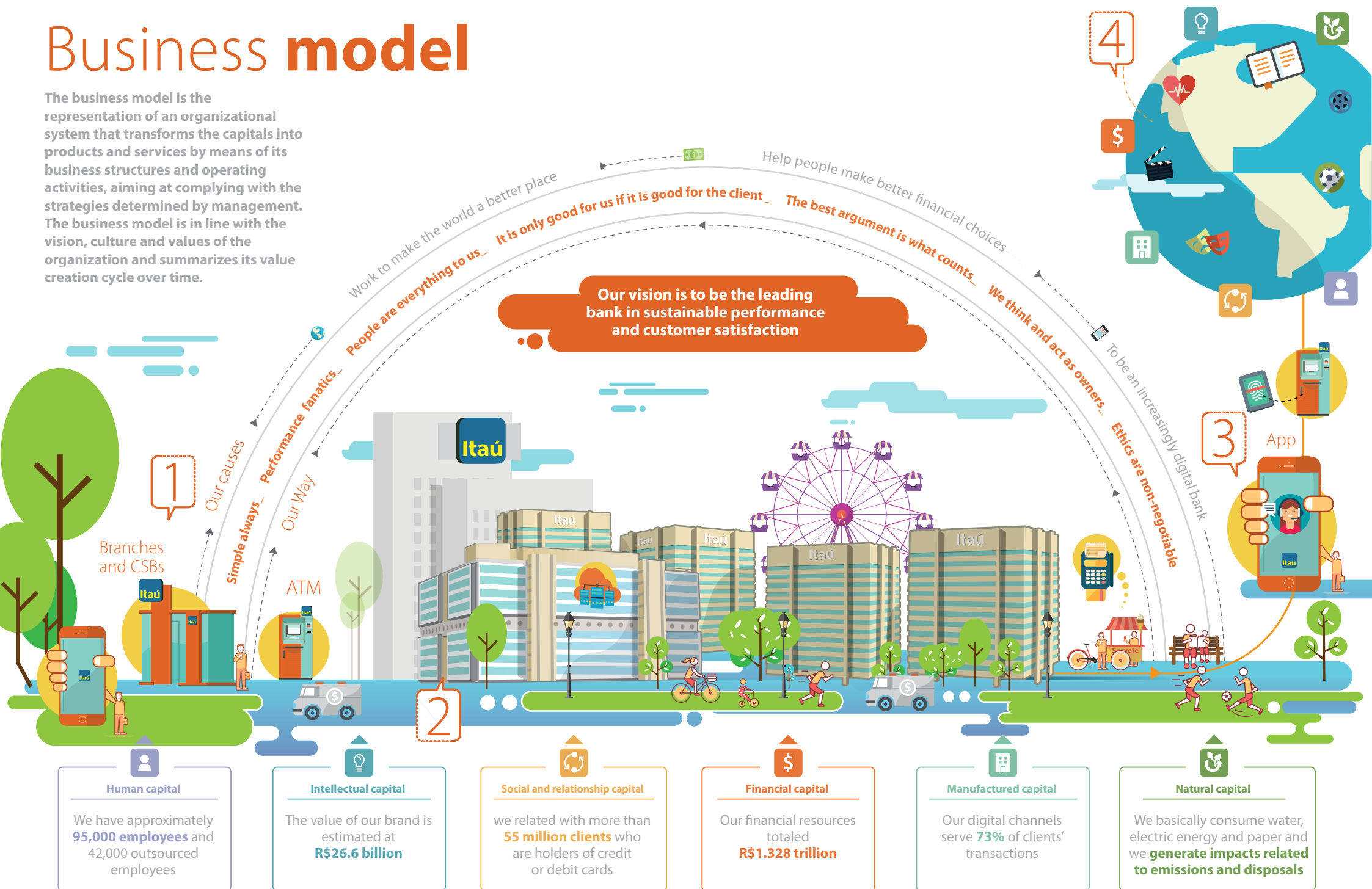
We use the Statement of Value Added concept to measure the wealth generated and distributed among our capitals.

In 2016, the value added to our capitals reached R\$70.0 billion and was distributed as follows:



Business model

The business model is the representation of an organizational system that transforms the capitals into products and services by means of its business structures and operating activities, aiming at complying with the strategies determined by management. The business model is in line with the vision, culture and values of the organization and summarizes its value creation cycle over time.





Financial capital

Related material themes



Efficiency



Credit and insolvency



Diversification of revenue



Risk and capital management

The financial capital is undoubtedly one of the most significant capitals in the banking sector. By way of the financial capital, banks are able to perform financial intermediation, by raising funds in the market and granting loans to clients, earning interest to the business and its capital providers.

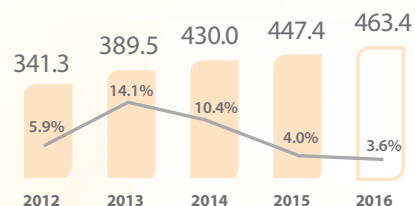
Our financial capital is composed of the financial resources available and allocated to the business, our own or third parties', obtained as financial products and services.

Our financial capital is basically composed of four operations:



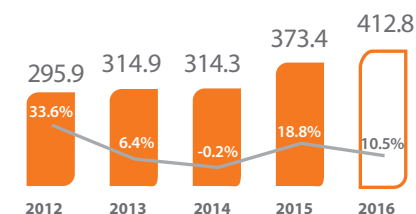
Loan operations, net

in R\$ billion



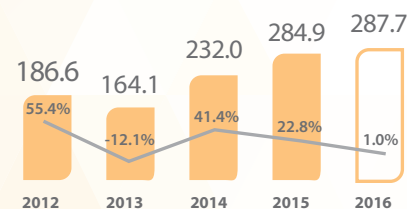
Financial assets

in R\$ billion



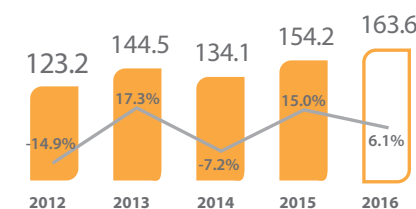
Financial investments

in R\$ billion



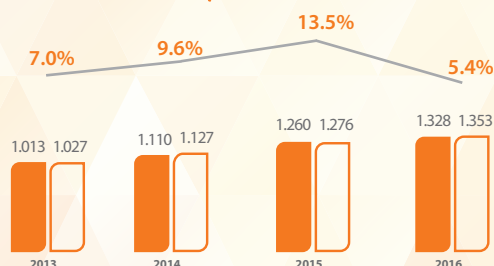
Other assets

in R\$ billion



In 2016, our financial capital totaled

in R\$ trillion



Financial capital
Total assets
Change in financial capital (year/year %)

35%

31%

R\$ 1.328 trillion

22%

12%



Loan operations, net

Our loan portfolio reflects the diversification of our business and internationalization strategy, focused on products of lower risk and more guarantees. In 2016, our loan operations, net of losses, increased 3.6% from the previous year.

Composition of our loan operations by segment | in R\$ billion

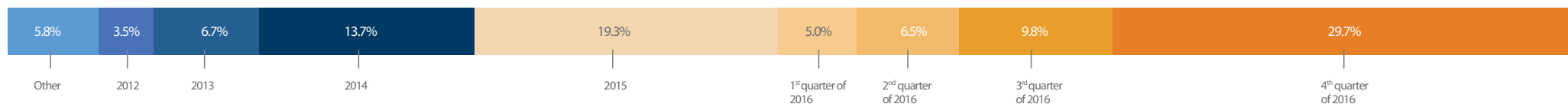
	Loan portfolio	Allowance for loan and lease losses	Ratio of Allowance for loan and lease losses and loan portfolio (%)	Loan operations, net
Individuals	183.1	-14.3	7.8%	168.9
Credit cards	59.0	-3.7	6.3%	55.3
Payroll loans	44.6	-2.1	4.7%	42.5
Real estate loans	38.2	-0.1	0.3%	38.2
Consumer credit	25.8	-7.8	30.2%	18.1
Vehicles	15.5	-0.6	3.9%	14.8
Latin America	126.5	-2.1	1.7%	124.4
Small and medium businesses⁽¹⁾	58.9	-4.7	8.0%	54.2
Corporate⁽¹⁾	121.8	-5.9	4.8%	115.9
Total – 2016	490.4	-27.0	5.5%	463.4
Total – 2015	474.2	-26.8	5.7%	447.4

(1) As from 2016, small and medium businesses also comprise clients with annual revenues of up to R\$200 million (previously up to R\$300 million). With this change, some clients of this segment were reclassified as Corporate. For purposes of information comparability, we also reclassified the previous year.

We periodically check out any objective evidence that a loan or a group of loans are impaired and the need to recognize impairment for this credit. The provision level is determined based on a number of considerations and assumptions, such as current economic situation, loan portfolio composition, prior experience with loan and lease losses, and assessment of risk associated with loans to individuals. Our allowance for loan and lease losses is properly calculated through a process that includes Management's judgment and the use of estimates. The provision adequacy is periodically analyzed by Management.

Loan operations by contract period | % of loan portfolio by contract period

Approximately 50% of our loans were raised in 2016.

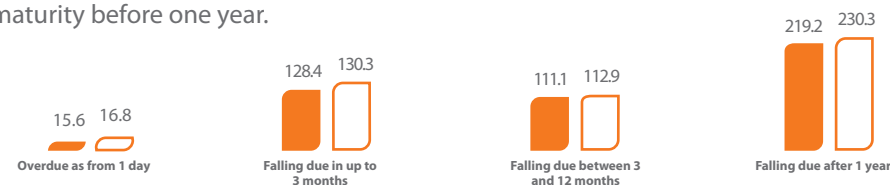


Allocation of allowance for loan and lease losses | by types of risk

Allowances for loan losses (expected)		2016	2015	Variation (year/year %)
Potential	Allowances for loan losses (expected) for Retail operations and allowances for loan losses (potential) for Wholesale operations.	45%	47%	-5%
Aggravated	Provisions due to worsening of risk above the minimum required by the Central Bank of Brazil for overdue operations and also for provisions for renegotiated loan operations.	23%	21%	10%
Overdue	As required by the Central Bank of Brazil, it refers to the minimum provision required for loan operations	32%	32%	-

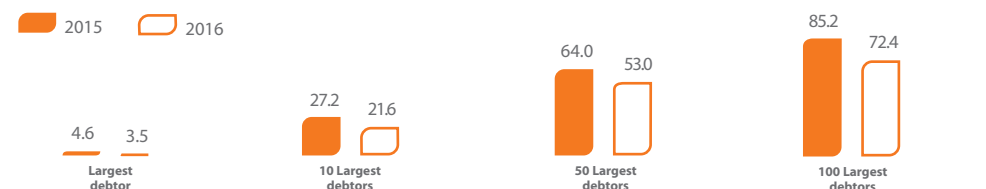
Composition of our loan operations by maturity | in R\$ billion

In 2016, approximately 53% of our loan operations were short-term, with maturity before one year.



Loan operations by concentration | in R\$ billion

In 2016, the sum-up of the 100 largest debtors dropped 15.0% from the previous year, and accounted for 14.7% of total loan portfolio.



2015 2016

Composition of our loan operations according to internal rating | in R\$ billion

Based on credit quality and probability of non-performance:

	Loans not overdue	Loans overdue not impaired	Loans overdue and impaired	2016	2015
Lower risk	364.0	5.5	-	369.5	344.2
Satisfactory	62.9	6.9	-	69.8	83.4
Higher risk	13.8	7.0	-	20.8	19.5
Impairment (loss)	-	-	30.3	30.3	27.2
Total – 2016	440.7	19.4	30.3	490.4	474.2
Representation (%)	90%	4%	6%	100%	100%
Total – 2015	429.9	17.2	27.2	474.2	

Loan operations by clients' economic activity | in R\$ billion

	Loan portfolio	Allowance for loan and lease losses	Ratio of allowance for loan and lease losses and loan portfolio (%)	Loan operations, net	Representation (%)
Individuals	229.9	-15.6	7%	214.3	46%
Industry and Commerce	112.1	-5.3	5%	106.8	23%
Services	118.1	-5.2	4%	112.9	24%
Setor público, primário e outros	30.3	-0.9	3%	29.4	6%
Total – 2016	490.4	-27.0	6%	463.4	100%
Total – 2015	474.2	-26.8	6%	447.4	

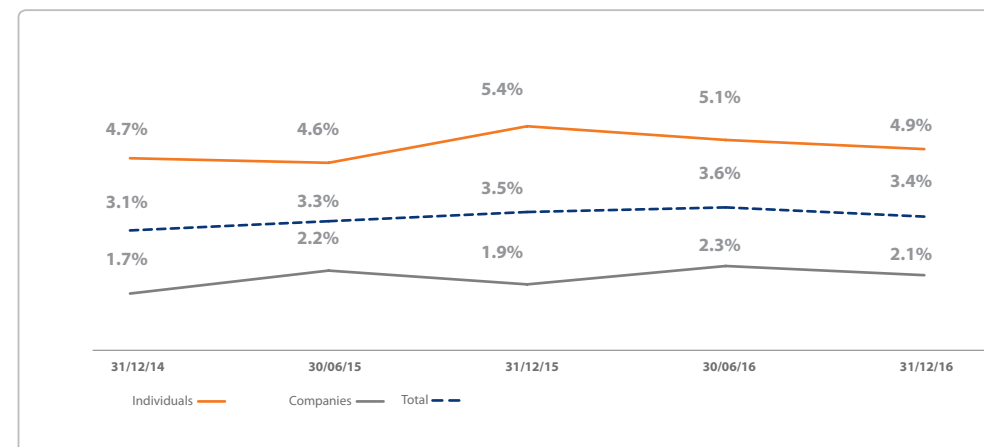
Loan portfolio quality by clients' economic activity | in R\$ billion

In 2016, 75.0% of the loan portfolio was internally assessed as lower risk (72.5% in 2015).

	Lower	Satisfactory	Higher	Impairment	Total
Individuals	122.1	38.9	11.4	10.8	183.2
Latin America	104.7	15.3	4.7	1.8	126.5
Small and medium businesses	40.5	10.1	4.7	3.6	58.9
Corporate	102.2	5.5	-	14.1	121.8
Total – 2016	369.5	69.8	20.8	30.3	490.4
Representation (%)	75%	14%	4%	6%	100%
Total – 2015	344.2	83.4	19.5	27.2	474.2

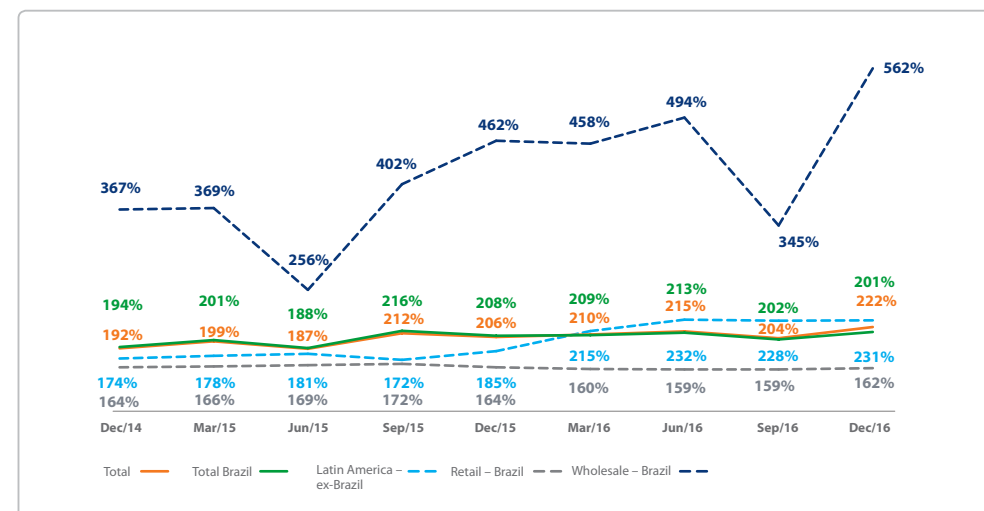
Default Ratio

In 2016, the NPL ratio calculated based on 90-day non-performing loans reached 3.4%, down 20 basis points from 2015. In Latin America, this ratio remained at 1.2%, while in Brazil it reached 4.2%



Coverage ratio | 90 days

The coverage ratio is calculated by dividing the balance of the allowance for loan and lease losses by the balance of operations overdue for over 90 days. In 2016, this ratio reached 222%.



Recovery, write-off and renegotiation | in R\$ billion

In a subsequent period, if the loss is reduced and this reduction is objectively related to an event occurring after the recognition of this loss (such as the debtor's improved creditor rating), the loss recognized previously will be reversed to Income.

We present below the amounts related to amounts recovered, renegotiated loan operations, and write-offs.

	2016	2015	Variation (year/year %)
Recovery of loans written off as losses	3.7	4.8	-22%
Reposessed assets	0.6	0.4	39%
Total renegotiated loans	24.3	23.0	6%
Allowance for loan and lease losses/ Total renegotiated loans	41%	34%	20%
Write-off	23.9	13.9	49%

Information under the local accounting standards (Brazilian GAAP).

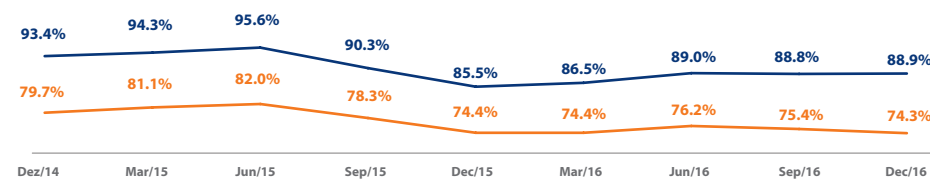
In 2016, the ratio of write-off and the average balance of the loan portfolio reached 1.5%, up 60 basis points from the previous year. Income from recovery of loans written off as losses decreased 22% from the same period of the previous year, mainly driven by the challenging economic scenario.

Fair value of assets pledged as collateral | in R\$ billion

	Fair value of collateral – Book value of asset			
	2016	2015	2016	2015
	Over-collateralized assets	Under-collateralized assets	Over-collateralized assets	Under-collateralized assets
Individuals	77.0	-	80.6	-0.1
Latin America	58.6	-4.62	31.9	-1.7
Small and medium businesses, and Corporate	246.6	-5.60	312.4	-5.0
Total	382.2	-10.2	424.9	-6.8

The difference between the total loan portfolio and the total collateralized loan portfolio is due to non-collateralized loans R\$196.5 million (R\$176.0 million in 2015).

Ratio of loan portfolio and funding



Management of credit risks

Our credit risk is submitted to independent credit rating reviews by top credit rating agencies. These agencies assess our credit quality based on reviews of a broad range of business and financial attributes, including risk management processes and procedures, capital strength, earnings, funding, liquidity, and governance, in addition to government and/or group support.

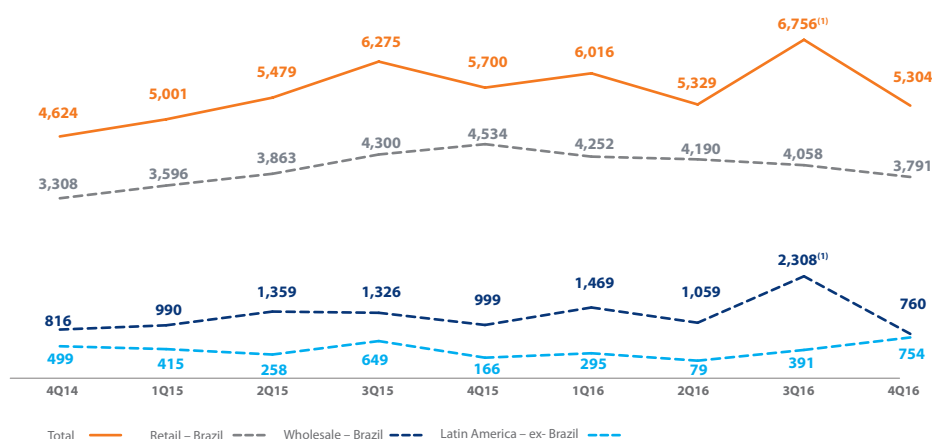
Credit ratings⁽¹⁾ | in 2016

	Fitch Ratings	Standard&Poor's	Moody's
Itaú Unibanco Holding S.A.			
Short term	B	B	NP
Long term	BB+	BB	(P) Ba3(2)
Outlook	Negative	Negative	Negative
Itaú Unibanco S.A.			
Short term	B	B	NP
Long term	BB+	BB	(P) Ba2(3)
Outlook	Negative	Negative	Negative
Itaú BBA International plc			
Short term	-	-	P-2
Long term	-	-	A3
Outlook	-	-	Negative

(1) International Scale Foreign Currency Ratings

NPL Creation | in R\$ million

It consists of the balance of loan operations after 90 days that became overdue.



(1) Excluding the effect of the specific economic group, the NPL Creation – Total would be R\$5.2 billion, and the NPL Creation Wholesale – Brazil would be R\$0.7 billion in the 3Q16. Information under the local accounting standards (Brazilian GAAP).

Our loan operations are basically exposed to credit and interest rate risks. As part of our risk-mitigating control, we have internal policies establishing guidelines and duties in connection with collateral requirements to increase our recovery capacity in operations exposed to credit risk, among others. Use also use operations with credit derivatives to mitigate the credit risk in our securities portfolios. Our strategy takes into account return rates, underlying risk level and liquidity requirements.

Maximum exposure of our loan operations to credit risk excluding any collateral received or other additional credit improvements | in R\$ billion

	2016			2015		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Loan portfolio exposed to risk	305.4	158.0	463.4	326.2	121.2	447.4
Risk exposure / Total portfolio (%)	100%	100%	100%	100%	100%	100%
Off-Balance	259.9	40.0	299.9	272.3	30.2	302.5
Endorsements and sureties	62.2	8.6	70.8	68.9	5.3	74.2
Letters of credit to be released	6.7	-	6.7	6.9	-	6.9
Real estate loans to be released	4.4	-	4.4	6.8	-	6.8
Overdrafts	87.2	-	87.2	81.2	-	81.2
Credit cards	96.5	1.3	97.8	102.7	1.2	103.9
Other pre-approved limits	2.9	30.1	33.0	5.8	23.7	29.5
Total	565.3	198.0	763.3	598.5	151.4	749.9

Loan operations subject to interest rate risk, by maturity | in R\$ billion

	0-30 days	31-180 days	181-365 days	1-5 years	After 5 years	Total
Total – 2016	72.2	120.7	67.0	162.9	67.5	490.4
Representation (%)	14.7%	24.6%	13.7%	33.2%	13.8%	100.0%
Total – 2015	70.8	118.5	65.6	161.2	58.1	474.2

Loan operations subject to currency risk | in R\$ billion

	2016		2015		Variation (year/year)	
	R\$ billion	%	R\$ billion	%	R\$ billion	%
U.S. dollar	43.6	27.6%	63.5	52.4%	-19.8	-31%
Chilean peso	73.3	46.4%	36.8	30.4%	36.5	99%
Other currencies	41.1	26.0%	20.9	17.2%	20.1	96%
Total (Abroad)	158.0	100.0%	121.2	100.0%	36.8	30%
Representation (%)	32.2%		25.5%			

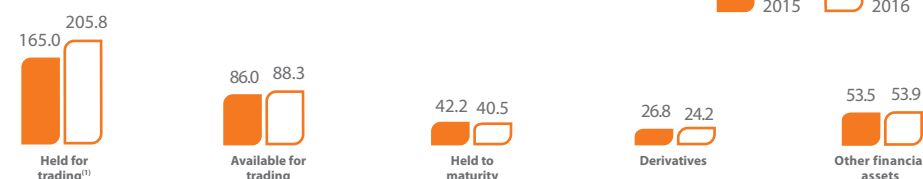


Financial assets

Our portfolio of Financial Assets reflects our conservative management of assets, liabilities, and 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 on BM&FBovespa.

In 2016, our portfolio of financial assets increased 10.5% from the previous year. This is basically due to the purchase of securities and held-for-trading financial assets, which increased approximately 24.7% in the year.

in R\$ billion



(1) Also includes financial assets designated at fair value through Profit or Loss

Held-for-trading financial assets

These are assets recognized at fair value, acquired and accrued for the purpose of selling in the short term. In 2016, Financial Assets pledged as collateral in these operations totaled R\$13.0 billion (R\$11.0 billion in 2015), and accounted for 6.3% (6.7% in 2015) of total held-for-trading financial assets.

By type of asset	Fair value in R\$ billion	%
Investment funds	1.2	0.6%
Brazilian government securities	160.0	77.7%
Brazilian external debt bonds	6.5	3.2%
Government securities – abroad	3.7	1.8%
Corporate securities	34.4	16.7%
Total held-for-trading financial assets	205.8	100.0%

● Current: 17%

● Non-Current: 83%

Available for sale financial assets

These are assets that, according to management's understanding, may be sold in response to market conditions and are classified as financial assets at fair value. In 2016, financial assets pledged as collateral in these operations totaled R\$17.4 billion (R\$16.7 billion in 2015) and accounted for 19.8% (19.4% in 2015) of total available-for-sale financial assets.

By type of asset	Fair value in R\$ billion	%
Brazilian government securities	14.1	16.0%
Brazilian external debt bonds	17.9	20.3%
Government securities – abroad	14.5	16.4%
Corporate securities	41.8	47.3%
Total Available-for-sale financial assets	88.3	100.0%

● Current: 27%

● Non-Current: 73%

Held-to-maturity financial assets

These are non-derivative assets stated at amortized cost, with respect to which we have the intention and financial ability to hold to maturity. In 2016, financial assets pledged as collateral in these operations totaled R\$11.8 billion (R\$9.5 billion in 2015) and accounted for 29.1% (22.4%) of total held-to-maturity financial assets.

By type of asset	Amortized cost in R\$ billion	%
Brazilian government securities	12.9	31.9%
Brazilian external debt bonds	12.0	29.7%
Government securities – abroad	0.5	1.3%
Corporate securities	15.0	36.9%
Total held-to-maturity financial assets	40.4	100.0%

● Current: 6%

● Non-Current: 94%

Derivatives

These are contracts in which future payments are established, whose amount is calculated based on the amount assumed by a variable, such as an index, asset price, foreign exchange rate, interest rate or commodity price. These are classified on the acquisition date in accordance with management's intention to use them as a hedging instrument, as determined by Brazilian regulations.

By type of contract	Assets in R\$ billion	Liabilities in R\$ billion	Fair value (Assets – Liabilities)
Futures	0.3	-0.2	0.1
Swaps	10.5	-13.2	-2.7
Options	4.8	-4.6	0.2
Forwards (onshore)	5.0	-3.5	1.5
Credit derivatives	0.2	-0.1	0.1
Forwards	3.5	-2.8	0.7
Other derivative instruments	-	-0.3	-0.3
Derivative operations	24.3	-24.7	-0.4

Other financial assets

These are initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method. They refer basically to loans and receivables.

By type of operation	Amount in R\$ billion	%
Receivables from credit card issuers	26.1	48.5%
Insurance and reinsurance operations	1.3	2.4%
Escrow deposits	14.2	26.3%
Negotiation and intermediation of securities	6.7	12.4%
Receivables from services provided	2.5	4.7%
Other	3.1	5.8%
Other financial assets	53.9	100.0%

● Current: 77%

● Non-Current: 23%

Maximum exposure of our financial asset operations to credit risk | in R\$ billion

Excluding any collateral received or other additional credit improvements. In 2016, 98% of our financial assets, other than other financial assets, were assessed under the internal rating of lower risk.

	2016			2015		
	Brazil	Abroad	TOTAL	Brazil	Abroad	TOTAL
Financial assets exposed to credit risk	336.2	76.3	412.4	300.4	73.0	373.4
Held to trading ⁽¹⁾	193.9	11.9	205.8	157.2	7.7	164.9
Derivatives	13.5	10.6	24.1	15.9	10.9	26.8
Available for sale	53.5	34.7	88.2	52.2	33.8	86.0
Held to maturity	27.4	13.1	40.5	27.4	14.8	42.2
Other financial assets	47.9	6.0	53.9	47.7	5.8	53.5
Representation (%)	81%	19%	100%	80%	20%	100%

(1) Not including the balance of the Other financial assets portfolio.

Financial assets subject to interest rate risk by maturity | in R\$ billion

	0-30 days	31-180 days	181-365 days	1-5 years	After 5 years	Total ⁽¹⁾
Total – 2016	20.2	30.7	24.8	183.3	99.9	358.9
Representation (%)	5.6%	8.6%	6.9%	51.1%	27.8%	100.0%
Total – 2015	23.2	23.7	28.5	116.1	128.5	319.9

(1) Not including the balance of the Other financial assets portfolio

Financial Assets subject to currency risk | in R\$ billion

	2016		2015		Variation (year/year)	
	R\$ billion	%	R\$ billion	%	R\$ billion	%
U.S. dollar	48.4	69%	60.0	89%	-11.6	-19%
Chilean peso	13.5	19%	4.4	7%	9.1	206%
Other currencies	8.5	12%	2.9	4%	5.6	193%
Total (abroad)	70.4	100%	67.3	100%	3.1	5%
Representation (%)		17%		18%		



Financial investments

The portfolio of financial investments is initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method to estimate the cash flows discounted from investments.

	2016		2015		Variation (year/year)	
	R\$ billion	%	R\$ billion	%	R\$ billion	%
Interbank deposits	22.6	8%	30.5	11%	-7.8	-26%
Securities purchased under agreements to resell	265.1	92%	254.4	89%	10.6	4%
Financial investments	287.7	100%	284.9	100%	2.8	1%

In 2016, financial investments pledged as collateral for operations on BM&FBovespa and BACEN totaled R\$4.3 billion (R\$9.5 billion in 2015), and accounted for 1.5% (3.3% in 2015) of total financial investments.

Securities purchased under agreements to resell and Interbank deposits |

In 2016, 100% of our financial investments were internally assessed as lower risk. Regarding maturity, our financial investments are mostly short term.

Financial investments by maturity

Securities purchased under agreements to resell
100% current

Interbank Deposits
95% current

Maximum exposure of our financial investments to credit risk | in R\$ billion

Excluding any collateral received or other additional credit improvements.

	2016			2015		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Financial investments	270.1	17.6	287.7	259.8	25.1	284.9
Interbank deposits	6.0	16.6	22.6	7.5	23.0	30.5
Securities purchased under agreements to resell	264.1	1.0	265.1	252.3	2.1	254.4
Representation (%)	93.9%	6.1%	100.0%	91.2%	8.8%	100.0%

Financial investments subject to interest rate risk

	0-30 days	31-180 days	181-365 days	1-5 years	After 5 years	Total
Total - 2016	214.8	67.9	3.5	1.5	-	287.7
Representation (%)	74.7%	23.6%	1.2%	0.5%	-	100.0%
Total - 2015	219.9	61.4	2.9	0.8	-	284.9

Financial investments subject to currency risk

	2016		2015		Variation (year/year)	
	R\$ billion	%	R\$ billion	%	R\$ billion	%
U.S. dollar	9.1	51%	18.2	73%	-9.1	-50%
Chilean peso	1.1	6%	2.1	8%	-1.0	-47%
Other currencies	7.4	42%	4.7	19%	2.7	60%
Total (abroad)	17.6	100%	25.0	100%	-7.4	-30%
Representation (%)	6.5%		8.7%			



Other assets

For presentation purposes, we recognize under Other Assets any other financial funds recorded in our balance sheet, which book values are less relevant and do not fall into the aforementioned categories.

In 2016, Other Assets were basically composed of the operations as follows:

	2016		2015		Variation (year/year)	
	R\$ billion	%	R\$ billion	%	R\$ billion	%
Central Bank deposits	85.7	52.4%	66.6	43.4%	19.1	29%
Tax assets	44.3	27.1%	52.1	34.0%	-7.8	-15%
Cash and cash equivalents (cash and current accounts)	18.5	11.3%	18.5	12.1%	-	-
Other assets	10.0	6.1%	11.7	7.6%	-1.7	-15%
Investments in associates and joint ventures	5.1	3.1%	4.4	2.9%	0.7	15%
Other assets	163.6	100%	153.3	100%	10.3	7%

Central Bank deposits | The central banks of the countries in which we operate impose a number of compulsory deposit requirements to financial institutions. These requirements are applicable to a wide range of banking operations and activities, such as demand, savings, and time deposits. In 2016, of the total funds deposited in the Central Bank, only R\$3.0 billion (or 4%) were not interest deposits. In 2015, non-interest deposits totaled R\$3.8 billion (or 6% of funds deposits in the Central Bank).

Tax assets | Deferred tax assets are recognized only in relation to temporary differences and tax losses for offset, to the extent it is deemed probable that it will generate future taxable profit for its use. The expected realization of deferred tax assets is based on projected future taxable profits and other technical studies.

Book value in R\$ billion	2015	Realization	Recognition of tax liabilities	Allowance for loan and lease losses	2016
Recorded in Income	48.9	-16.5	16.1	-13.5	35.0
Recorded in Stockholders' equity	4.3	-2.0	0.7	-0.6	2.4
Total	53.2	-18.5	16.8	-14.1	37.4

Deferred taxes, net – R\$ billion		%
2017	20.6	56%
2018	9.9	27%

2019	4.4	12%
2020	2.2	6%
2021	2.0	5%
After 2021	-2.3	-6%
Total⁽¹⁾	36.8	100%
Present Value ⁽²⁾	35.0	

(1) The total recorded does not include deferred tax liabilities, which totaled R\$0.64 billion in 2016.

(2) The present value is calculated based on the average funding rate, net of tax effects.

Investments in associates and joint ventures | These represent investments in companies in which the investor has a significant influence but does not hold control of business. These investments are initially recognized at cost of acquisition and subsequently accounted for using the equity method. Investments in associates and joint ventures include goodwill calculated upon acquisition, net of any cumulative impairment loss.

We present below our main investments and a summary of the financial information of investees, on a cumulative basis, accounted for using the equity method:

		31/12/2016
	Ownership %	Investment amount in R\$ billion
Associates		
Porto Seguro Itaú Unibanco Participações S.A	42.93%	2.6
BSF Holding S.A.	49.00%	1.7
IRB – Brasil Resseguros S.A	15.01%	0.5
Other	-	0.1
Joint ventures – Other		0.2
Total		5.1
Assets	20.8	
Liabilities	-11.3	
Result	1.5	

Other assets | in R\$ billion

These refer to other assets or other financial operations carried out with clients, in Brazil and abroad.

	2016	2015	Variation (year/year %)
Prepaid expenses	2.8	3.2	-13%
Retirement plan assets	1.1	2.2	-49%
Sundry domestic	1.6	0.6	166%
Premiums from loan operations	0.9	1.7	-49%
Sundry Abroad	1.8	2.1	-12%
Other	1.8	1.9	-4%
Total	10.0	11.6	-14%

● Current: 78%

● Non-Current: 22%

Main sources of funding

Our financing strategy is to continue to use all our sources of funding, considering their costs and availability and our general strategy for the management of assets and liabilities.

To fund our operations, we have intensified the use of the liquidity generated by savings and interbank deposits, debt in the interbank market and debt in the institutional market in recent years. We also use Brazilian debentures subject to repurchase as a source of funding, reported as deposits received under securities repurchase agreements and offered not only to institutional clients, but also to private banking, corporate banking and retail clients. We also act as a financial agent in borrowing funds from BNDES and FINAME, and onlending such funds at a spread determined by the government to targeted sectors of the economy. We obtain U.S. dollar-denominated lines of credit from our affiliates, including Itaú Unibanco Holding S.A., to provide trade finance funding for Brazilian companies.

Our ability to obtain funding depends on several factors, including credit ratings, general economic conditions and the investors' perception of emerging markets in general and of Brazil (particularly, current conditions in Brazil and government regulations for foreign currency funding). Our funding strategy was designed to provide increased profitability through higher spreads in our savings deposits and higher fees earned on market funds.

Working capital, raised and managed assets | in R\$ billion

	2016	2015	Variation (year/year %)
Demand deposits	61.1	61.1	-
Savings deposits	108.2	111.3	-3%
Time deposits	156.3	105.3	48%
Debentures	132.1	152.2	-13%
Funds from bills from third parties	59.5	50.8	17%
Total 1 – Funding from Account Holders and Institutional Clients	517.2	480.7	8%
Onlending	29.8	38.8	-23%
Total 2 – Funding from clients	547.0	519.5	5%
Assets under administration	903.7	765.1	18%

Technical provisions for insurance, pension plan and capitalization (premium bonds)	156.7	132.1	19%
Total 3 – Clients	1,607.4	1,416.7	13%
Interbank deposits	3.7	14.9	-75%
Funds from acceptance and issuance of securities abroad	34.3	24.8	38%
Total Funds from Clients + Interbank Deposits	1,645.4	1,456.4	13%
Repurchase Agreements	233.9	198.7	18%
Borrowings	45.8	65.8	-30%
Foreign exchange portfolio	52.3	68.5	-24%
Subordinated debt	57.4	65.8	-13%
Collection and Payment of Taxes and Contributions	0.3	0.2	16%
Working capital	100.2	89.5	12%
Working capital and other	489.9	488.5	-
Total funds (working capital, raised and managed assets)	2,135.3	1,944.9	10%

Information under the local accounting standards (Brazilian GAAP).

The table below shows the interest rates adopted in the main funding operations:

	Brazil	Abroad
Securities sold under repurchase agreements	8.5% of CDI at 17.36%	0.63% to 1.85%
Mortgage notes	-	2.5% to 8%
Real Estate Credit Bills	83% to 100% of CDI	-
Financial Bills	IGPM at 113%	-
Agribusiness Credit Bills	83% to 98% of CDI	-
Import and Export Financing	1.1% to 6.0%	0.4% to 9.5%
Onlending – domestic	2.5% to 14.5%	-
Liabilities from Transactions Related To Credit Assignments	6.38% to 13.17%	-

Hedge Accounting Strategies

Main mechanisms to hedge financial capital

Cash Flows | The purpose of this hedge is to hedge cash flows of interest receipt and payment and exposures to future exchange rate related to its variable interest rate risk. In 2016, among the main cash flow hedging strategies, we highlight the hedge of deposits and securities purchased under agreements to resell, which accounted for 64% of hedge items (84% in 2015).

Book value

Hedge items

Information under the local accounting standards (Brazilian GAAP).



Market risk | in R\$ billion

The market risk hedging strategies consist of hedge of exposure to variation in market risk, in interest receipts, which are attributable to changes in interest rates related to recognized assets and liabilities.

	2016	2015	Variation (year/year %)
Hedge of loan operations	2.7	4.3	-38%
Hedge of funding	8.7	0.8	1010%
Hedge – Other	0.4	-	-
Total	11.8	5.1	131%

Information under the local accounting standards (Brazilian GAAP).

We use interest rate swap contracts to hedge market risk variation upon receipt and payment of interest. Hedge items refer to fixed assets and liabilities denominated in units of account, at a fixed rate and denominated in Euros and U.S. dollars, issued by subsidiaries in Chile, London, and Colombia, respectively, maturing between 2017 and 2030.

Net investment in foreign operations | This hedge strategy consists of a hedge of the exposure in foreign currency arising from the functional currency of foreign operations in relation to the head office's functional currency. In 2016, the hedge of net investment in foreign operations totaled R\$12.3 billion (R\$12.8 billion in 2015).

Hedging strategies by maturity | We present below the maturity term of the hedging strategies of cash flows, market risk, and net investment of foreign operations.

	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	After 10 years	Total
Total – 2016	78.5	53.0	23.2	9.4	9.6	3.6	1.8	179.1
Representation %	44%	30%	13%	5%	5%	2%	1%	100%
Total – 2015	39.9	43.2	28.5	6.9	1.4	3.1	1.8	124.9
Variation (year/year %)	97%	23%	-19%	36%	595%	18%	-2%	43%

Information under the local accounting standards (Brazilian GAAP).

Itaú Unibanco Holding S.A.



**Financial
Statements**



**The relationship
has become increasingly
digital**

The diagram consists of four square boxes arranged in a 2x2 grid. Each box contains an icon and a label below it. The top-left box has an icon of a person and is labeled 'Clients'. The top-right box has an icon of a bar chart with three bars of increasing height and is labeled 'Stockholders'. The bottom-left box has an icon of a shopping cart and is labeled 'Suppliers'. The bottom-right box has an icon of a group of five stylized people and is labeled 'Society'.





Client's relationship

In 2016, total current and non-current account holders, holders of credit and/or debit cards, reached 55.0 million, approximately 8% lower than the previous period.

New experience of client relationship in the digital world

1. Ubiquity

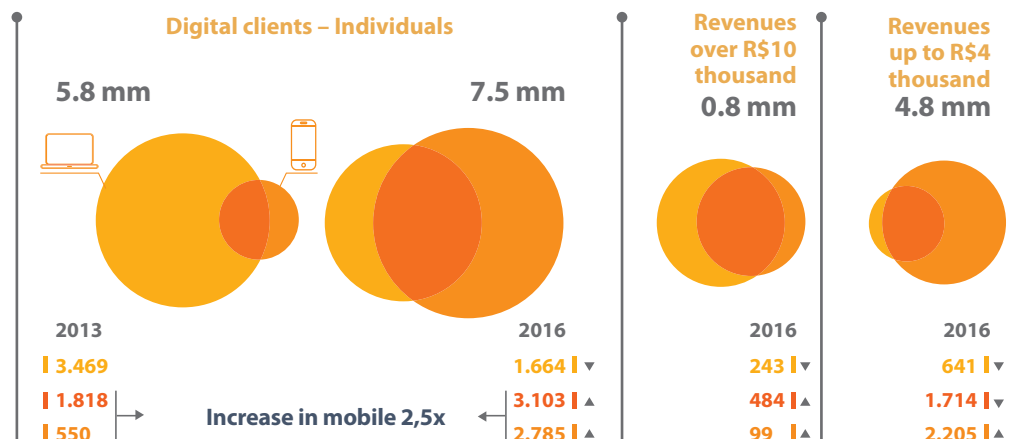
At the client's, at the client's time, and respecting the client's profile

2. Impeccable experiences

Simple, easy, quick. With no points of disagreements and in constant evolution

3. Hi-touch Digital

Whenever the client needs it, understanding their moment and supporting them in complex operations



Complaint management in your communication channels

The Ombudsman's Office is part of our service system and acts when the customer is not satisfied with the solution offered by our regular channels, namely Service Centers, Customer Services and Internet. In addition to searching for the best solution for the request submitted, our goal is to identify the main causes of dissatisfaction among customers and to develop action plans to improve them.

98.5% of the customers that used the Ombudsman's Office services did not pursue the matter in external bodies, such as the Central Bank, Procon (consumer protection body) or the court system.

Over **98%** of the incidents reported were solved within 10 business days.

Approximately **73%** of complaints reported to the Ombudsman's Office were solved in up to five business days.

Another channel in which clients may have their complaints solved is the website consumidor.gov.br, a platform designed in 2014 by the federal government as an alternate litigation settlement channel, monitored by consumer protection bodies and the National Consumer Protection Secretariat (SENACON).

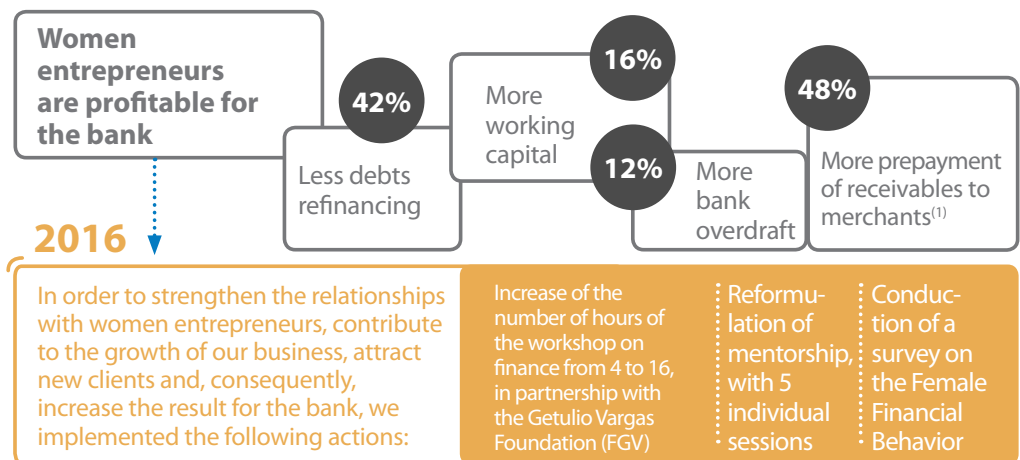
- In 2016, **80%** of complaints registered in this platform by our clients were resolved, according to the clients' own assessment.
- The average satisfaction level was **3.1** (from 1 to 5) and demands were settled in within 6 business days, below the official deadline.

Performing expected banking services with efficiency and excel our clients' expectations are challenges that push our teams forward. We escalated our efforts to promptly serve these clients: our average response time in social networks is **2 minutes**, and our service client is 24 hours..

Itaú Women Entrepreneurs Program

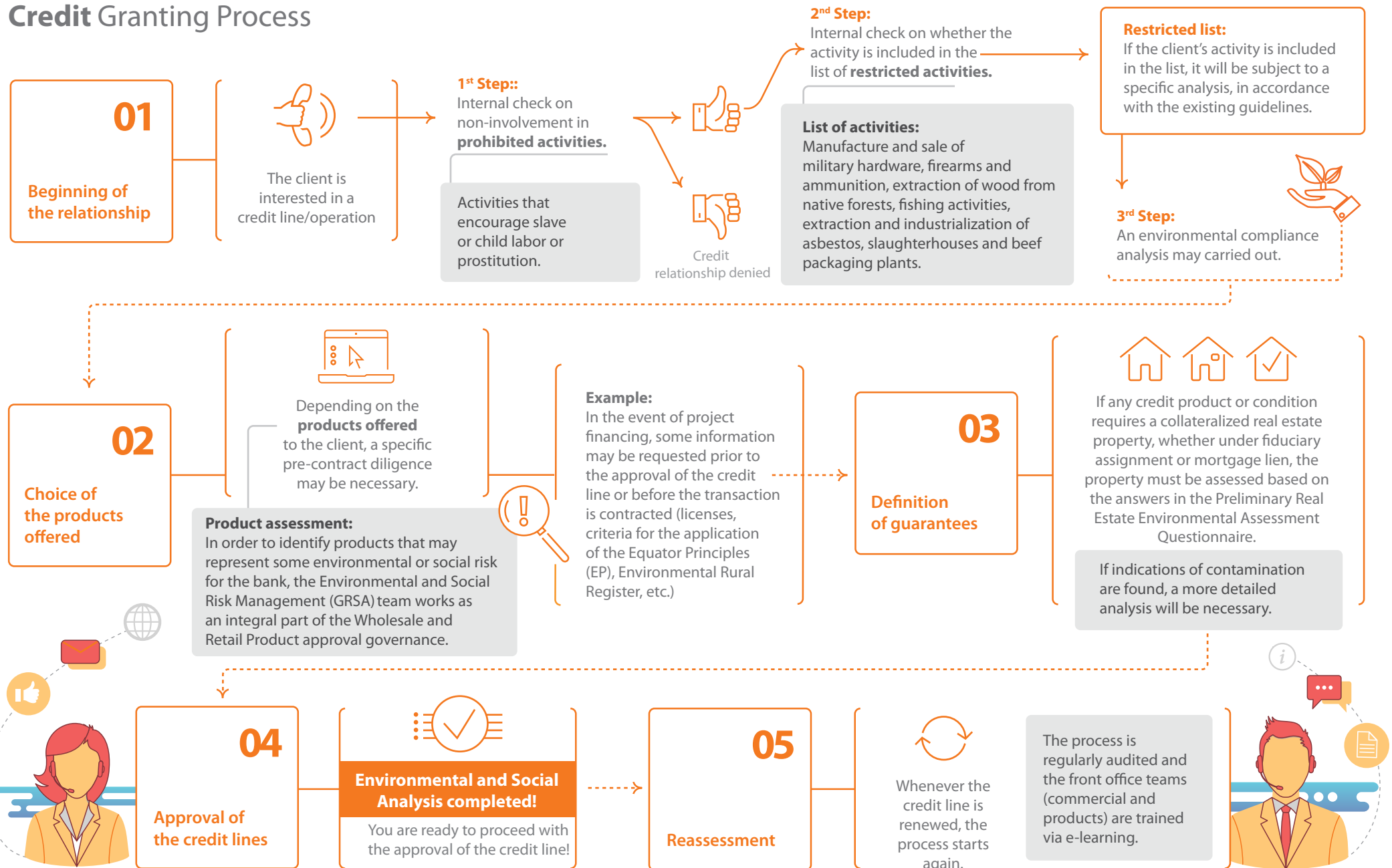
Created in 2013 as the result of a partnership with the IFC – World Bank and the Inter-American Development Bank (IDB), the main purpose of this program is to empower the women entrepreneurs in Brazil, who are increasing both in figures and in their participation in the economy. This program is also aimed at testing hypotheses on the relationship women have with financial institutions and offer the most adequate products to meet their needs, by adopting a distinguished approach.

In 2016, women accounted for 39% of our corporate client base in the SME IV segment (companies with annual revenues of up to R\$1.2 million), 34% of the PME III segment (companies with annual revenues of up to R\$8 million), and 30% of the PME II segment (companies with annual revenues of up to R\$30 million).



(1) Resulting from sales made with credit cards.



Credit Granting Process





Stockholder's relationship

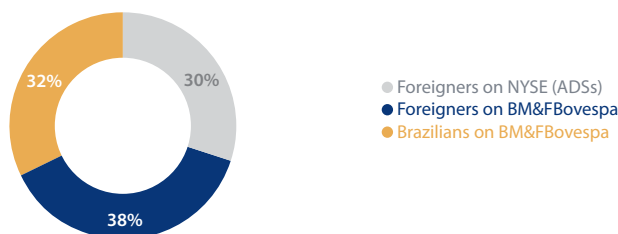
Our capital stock is comprised of common shares (ITUB3) and preferred shares (ITUB4), both traded on the BM&FBOVESPA. Our preferred shares are also traded on the New York Stock Exchange (NYSE) as receipts (ADS).

Stock Exchange	Symbol		Corporate Governance Level
	Common Share	Preferred Share	
 Securities, Commodities and Futures Exchange (BM&FBovespa)	ITUB3	ITUB4	Level 1
 New York Stock Exchange (NYSE)	-	ITUB ⁽¹⁾	Level 2

(1) American Depositary Shares (ADSs)

At December 31, 2016, our ownership structure was basically composed of 3,351,744,217 common shares and 3,230,563,326 preferred shares, totaling 6,582,307,543 shares. Common shares entitle the holder to one vote at our general meetings. Preferred shares are nonvoting, but entitle the holder to receive mandatory dividends and tag-along rights in the event of sale of controlling stake.

Outstanding preferred shares (free float) at 12/31/2016



Method of engagement	Frequency	Description
Public meetings (APIMEC)	Annual	In 2016, we held 16 public meetings with the Association of Capital Market Analysts and Professionals (APIMEC) in Brazil, with the attendance of approximately 2,200 participants.
Videoconferences	Quarterly	We held four quarterly meetings during the year. Each is done in real time in Portuguese and English and can be accessed by phone or the internet.
Investor Relations website	Ongoing	Our corporate information is placed on our Investor Relations website. We have sections devoted to disclosures to the market and relevant information, in addition to corporate governance and other information.

Ações Itaú em Foco	Quarterly	"Ações Itaú em Foco" is a quarterly newsletter to our stockholders.
Social media	Ongoing	We were the first company in Brazil to have an Investor Relations profile on Twitter (@itauunibanco_ri) and a Facebook page. (facebook.com/itauunibanco_ri).
Reporting	Periodic	Management Report, Consolidated Annual Report, Integrated Report, Reference Form, Prospectus Debt Medium Term Note Programme (MTN Program) and 20F.
Capital market indexes	Annual	We make up the world's top sustainability indexes, such as the Dow Jones Sustainability Index (DJSI), the Corporate Sustainability Index (ISE) of BM&FBovespa, the Carbon Efficient Index (IC02), and Euronext index Vigeo Emerging Markets 70.



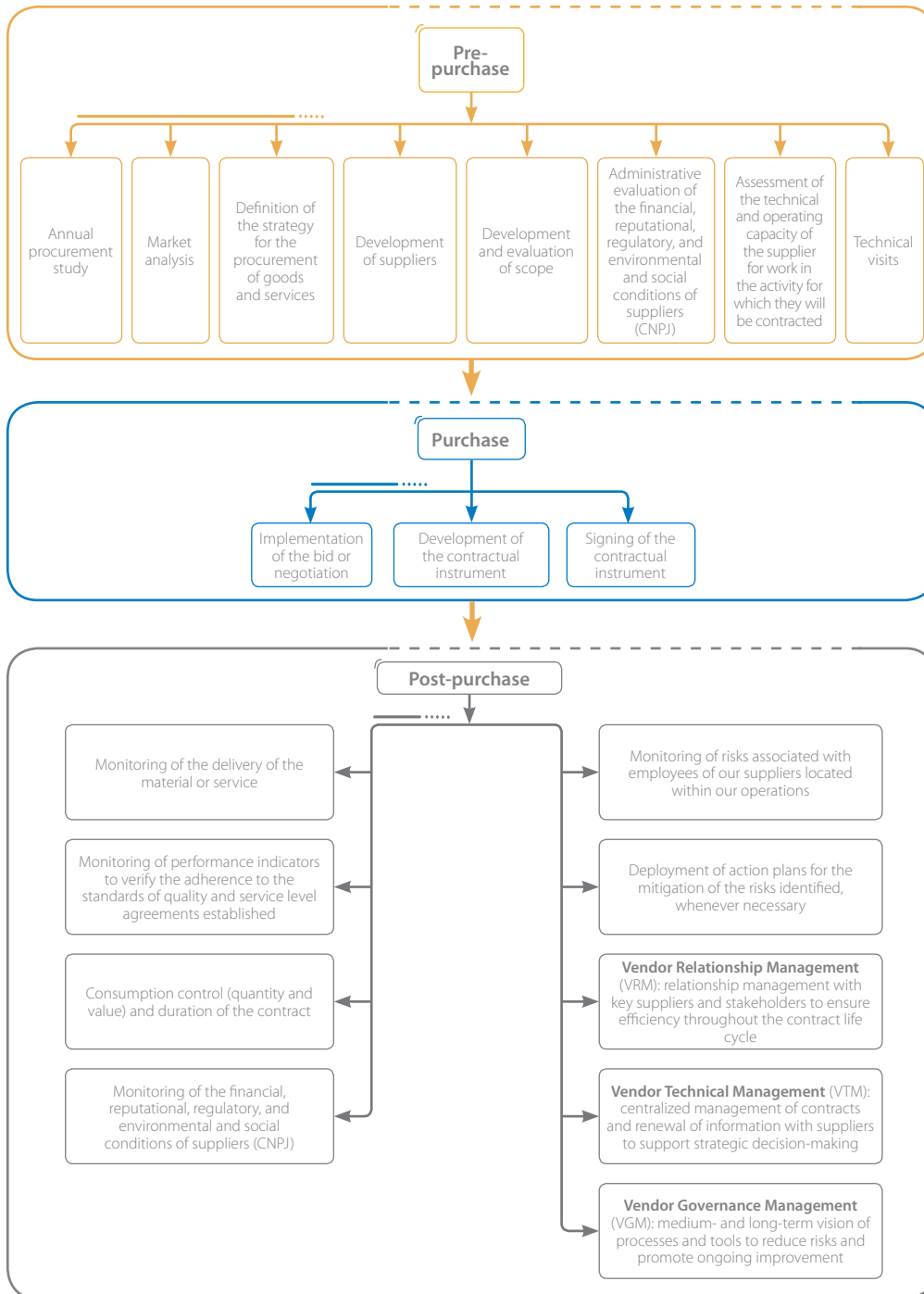
Supplier's relationship

Our supply chain covers a wide range of segments – such as telecommunications, call centers, cash and valuables deliveries, market research, furnishings, electricity, and training programs – in which our relationships are based on transparency, sustainability and adding shared value.

We have had approximately 9,000 partners that provide goods or services to our business. This partnership is made through a formal contract process whose objective is to minimize possible financial, reputational, operational and legal impacts during the provision of the service or upon the termination of the contract. We also endeavor efforts to improve sustainable practices, as well as the conformity with the legislation and the ethical principles that must govern business relationships.

Procurement of goods and services

Our supply chain is centrally managed by the Procurement area with the involvement of the Contracting and Legal areas, among other supporting areas. The Procurement area operation model allows the understanding of each market in order to identify the most appropriate procurement strategy for each type of business and ensure consistent supplier relationships. Negotiations conducted by the Procurement area follow a three-stage process, as follows:



Our suppliers are distributed through all the regions of Brazil, because we encourage the hiring of local suppliers, envisaging the development of the regions in which we operate.

Suppliers by region:

- North: 48
- Northeast: 271
- Central-west: 200
- Southeast: 6.060
- South: 527



97%
of purchases in
Brazil were made with
local suppliers

Suppliers by activity sector

	2016
Maintenance (works and equity)	39%
IT	13%
Administrative	10%
Marketing and telecommunications	8%
Operational	8%
Legal	6%
Training and benefits	6%
Security	3%
Other	7%
Total	100%

List of suppliers monitored

In 2016, we started a new process to audit our suppliers:

35% of suppliers were approved without restriction.

65% of suppliers were provided with action plans to address any identified gaps. The compliance with these plans went under another audit process, which is expected to be completed in the first half of 2017.

Method of engagement/ attracting engagement	Frequency	Description
Dialogue	Annual	We provide training to suppliers to strengthen their commitment to our culture, disseminate good risk mitigation practices and discuss opportunities to improve the efficiency of our operations.
Communication channels	Ongoing	We provide our communication channels to suppliers such as: website (www.itau.com.br/fornecedores/) email (www.itau.com.br/atendimento/envie-mensagem/)
Recommendations	Semiannual	We send recommendations on good social and environmental practices through a formal statement by email to all bank's suppliers.
Monitoring and auditing	Monthly	We monitor approved suppliers on a monthly basis, to verify that the original conditions are maintained.
	Annual	We conduct independent audits of our critical suppliers (tier 1) and their respective suppliers (tier 2) in order to assess the risks throughout our supply chain.



Society

Our strategy relates to social development initiatives, such as financial education, culture and urban mobility, which are delivered to all communities in which we have operations. These initiatives are extended to the media, opinion leaders, 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.

Social private investment

Our investments in the social area – particularly those focused on the improvement of education, health, culture, sports and urban mobility – are aligned with our purpose of transforming people's worlds for the better.

Sponsorships	Amount (R\$ million)	Number of projects
Non-incentivized		
Education	140.3	180
Sports	8.5	4
Culture	74.1	4
Urban Mobility	63.8	15
Institutional Support and Other	33.5	206
Non-incentivized – Total	320.2	409
Incentivized		
Education	11.7	39
Health	38.4	24
Culture	83.6	97
Sports	14.5	15
Other	6.5	21
Incentivized – Total	154.7	211
Total	473.2	620

Education



Fundação Itaú Social

Fundação Itaú Social (Itaú Social Foundation) was created to organize and deploy our social investments nationwide. Our purpose is to develop, implement and disseminate social methodologies for the advancement of public education, boosting the engagement of our employees – and society in general – through volunteering culture and a systematic impact evaluation of social projects and policies.

Instituto Unibanco

Instituto Unibanco (Unibanco Institute) is one of the institutions responsible for managing the private social investment of our conglomerate, and it acts to raise the quality of Brazilian public education and secondary schools in particular. The institute designs, evaluates and disseminates solutions to call forth changes in the reality of the secondary school world and to provide more educational opportunities for young people, while pursuing a fairer and more inclusive society.

Culture

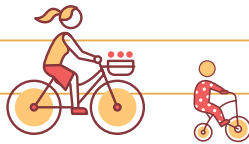


Instituto Itaú Cultural

We act to map, support, and disseminate the Brazilian arts and culture, and we promote an intensive free-of-charge cultural programming nationwide.

Espaço Itaú de Cinema

The movie theaters sponsored by Itaú Unibanco screen independent films in six Brazilian cities, thus reinforcing access to culture in Brazil.



Urban Mobility

Our focus is to promote the bicycle as an active transportation means to improve mobility, reduce traffic and emissions of greenhouse gases, and, as a result, improve the quality of life of society. We have three pillars of action on the theme: bike sharing, urban infrastructure and awareness rising for a more peaceful traffic.

The Bike Itaú initiative has the following figures in Brazil:

- Total stations: **728**
- Total bikes: **7,242**
- Number of people impacted: **approximately 2.5 million**
- Impact in tons of carbon credits: **5,337 tCO₂e**
- Users registered in 2016: **approximately 500 thousand new users**
- Number of trips: **approximately 14.5 million**

Human Rights

Since 2004, we have formalized and published our commitment to respect human rights in the relations with the most sensitive audiences, encompassing our business and relations with employees, clients and suppliers. This commitment is driven by the United Nations Guiding Principles on Business and Human Rights.

In 2016, we adopted, under our new code of ethics and policies, a series of operating principles relating to the main human rights issues of our key stakeholders, which include respecting and fostering diversity, combating child labor and work under slavery-like conditions, and any kind of discrimination. To enhance our diligence in Human Rights, we, in partnership with independent third parties, completed a work started in 2015, the purpose of which was to:

- Identify possible impacts on our stakeholders;
- Prepare improvement plans for our processes; and
- Monitor compliance with our Human Rights Commitment.

This process has enabled us to identify the need to improve the specific governance for human rights, increase the agility of the strategic decision-making, and promote transparency in taking actions and addressing human rights related issues.

Our objective for 2017 is to establish a structured Governance of Human Rights process, defining roles and the professionals in charge of the related activities so as to optimize and enhance the execution of initiatives and programs conducted by the departments related to this theme.

Fighting against Corruption

Based on the best global practices, we perceive corruption as illegal practices 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 fight corruption. This document is available to all employees on the Intranet and to stakeholders on our Investor Relations website.

In 2016, we received three complaints of possible acts of corruption among private agents, one of which proved unfounded. Regarding the other two cases, one involved employees and a client and the other an employee and a third party. For these two cases the employees involved had their jobs terminated and the other parties involved had their accounts closed.

Until 2016, employees from the departments that are more sensitive to the risk of corruption received training on corruption prevention. For 2017, we will maintain our in-person and online continuing education program, especially for the departments that have relations with governments and suppliers.

We achieved 83.5% of adherence from employees to the online training. In addition, we will continue to carry out institutional corporate integrity and ethics communication campaigns on our corporate policy of prevention of corruption. We believe that through the commitment of our Senior Management, a continued education and communication program, together with a strong system of internal controls and compliance, we have an effective process to mitigate the risk, diagnose, reprimand and combat misconduct.

Financial Education

One way of contributing to the development of society is to understand people's needs and to offer knowledge and suitable financial solutions that enable people to have a better relationship with their money. We know that important changes come from individual behavior, but we believe that it's our role to guide our employees, clients and society, and supply tools for them to make financial decisions that are more aligned with their needs and life stages. Our main initiatives are highlighted below:

Conscious use of money – This program has a funny approach and is aimed at sharing financial education with youth and adults. It has already impacted 6,000 people from NGOs and schools, involving approximately 1,000 volunteers. In 2016, we signed up to a partnership with the "Escola da Família" ("Family School"), program of the Education Secretary of the State of São Paulo, which opens state schools at weekends for activities guided by four pillars: culture, work, sports and health. By the end of 2016, we trained the vice-principals of 751 schools in São Paulo, who have trained volunteers and impacted more than 12 thousand people.

Financial education program for employees – Since 2009, the financial education program for employees gives advice and provides tools to help them make more conscious decisions with their money, in order to enable them to reach personal goals. In 2016, through our surveys, we noted a more planned use of credit and an increase in investments.

Financial education program for corporate clients – This program offers content, videos and talks to over 700 corporate clients, through our branch managers. In 2016, we set up pilot lectures about the Conscious Use of Money in digital format. Since 2014, the program has impacted over 23,000 clients and 463 talks were given throughout the country.

Financial education integrated with preventive action – This initiative focuses on credit customers, whom we analyze to identify those who might need financial guidance. We contact clients to understand their needs, so that we can provide instruction and offer the correct products to reorganize credit according to their income.

Government

We seek to cooperate with the local Government in the countries where we operate. Our work is guided by ethics and transparency to provide authorities with consistent information so as to allow the appropriate assessment of issues that may involve our business or the causes we support.

Political campaigns and donations

We have revised our Policy for Donations to Political Campaigns, by which any of the following is prohibited:

- I) "Donations made directly to public agents, agencies or entities represented by public authorities or donations to family members of public agents having either lineal or collateral consanguinity, or relatives by affinity, up to the second degree, that are intended to influence decisions that are in the interest of the Group;
- II) Electoral donations or donations to candidates and political parties".

In 2016, we made no donations of funds to political parties or candidates in connection with elections.

Regarding other donations, we act in accordance with our internal policy, whereby any transfer of funds, services and/or assets must be aligned with the strategy and moral and ethical values. Accordingly, in 2016, we made various donations to nonprofit institutions, public bodies and even to private organizations that pursue to strengthen initiatives that foster culture, education, sports, urban mobility, among other actions that generate value to society.

Tax and Fiscal Obligations

These are calculated at the rates below and include the respective bases for calculation purposes, in accordance with legislation in force for each charge, which, for Brazilian operations, are applicable to all periods presented:

Corporate income tax	15.00%
Additional income tax	10.00%
Social contribution ⁽¹⁾	20.00%
PIS (tax on income) ⁽²⁾	0.65%
COFINS ⁽²⁾	4.00%
ISS (service tax) up to	5.00%

(1) In October 2016, Law No. 13,169, as converted from Provisional Measure No. 675, which increased the Social Contribution tax rate from 15% to 20% until the end of 2018 for financial institutions, insurance companies and credit card management companies, was introduced. For other companies, the tax rate remains at 9%.

(2) For non-financial subsidiaries that fall into the non-cumulative calculation system, the PIS rate is 1.65% and COFINS rate is 7.60%.

Regarding income tax and social contribution, there are two components in the provision: current and deferred. The current component approximates to taxes to be paid or recovered in the applicable period. The deferred component is represented by deferred tax liabilities obtained from the differences between the book and tax bases of assets and liabilities at the end of each year.

In R\$ billion	2016	2015	Variation (year/year %)
Income tax and social contribution - Current	1.7	2.4	-26.4%
Income tax and social contribution - Deferred	0.6	0.4	73.8%
Other	3.5	2.2	54.3%
Total	5.8	5.0	17%

Contingent Liabilities and Legal Liabilities – Tax and Social Security

As a result of the ordinary course of our business, we may be a party to legal lawsuits of labor, civil and tax nature. 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 account the opinion of legal advisors, the nature of the lawsuits, the similarity with previous lawsuits, and prevailing previous court decisions. The contingencies related to civil and tax lawsuits are classified as follows:

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 determined based on the calculation of the amount claimed. The probability of loss is estimated based on the characteristics of the lawsuit. The amounts considered as probable losses are recorded as provisions.

We present below the changes in provisions and the balances of the respective escrow deposit amounts:

In R\$ billion	Civil liabilities	Other provisions	Total
Opening balance - 2015	5.2	0.1	5.4
Escrow deposits	1.7	-	1.7
Representation (%)	33.3%	-	32.5%
Off-Balance provisions	2.5	-	2.5
Ending balance - 2016	5.2	0.3	5.4
Escrow deposits	1.5	-	1.5
Representation (%)	29.8%	-	28.4%
Off-Balance provisions	3.4	-	3.4

Tax and social security lawsuits

We classify as legal liability those lawsuits filed to discuss the legality and unconstitutionality of legislation in force, which are subject to a provision, regardless of the probability of loss. Tax contingencies correspond to the principal amount of taxes involved in administrative or judicial tax 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 provisions and respective balances of escrow deposits for tax and social security lawsuits:

In R\$ billion	Legal liabilities	Contingencies	Total
Beginning provision - 2015	4.3	3.2	7.5
Escrow deposits	3.9	0.5	4.3
Representation (%)	91.1%	14.2%	57.9%
Ending provision - 2016	4.6	3.6	8.2
Escrow deposits	4.3	0.5	4.9
Representation (%)	93.5%	15.2%	59.5%

We adhered to the Government Installment Payment Incentive Programs, which promote the regularization of debts referred to these liabilities arising from tax and non-tax credits (either recognized or not), including those that are part of the Enforceable Debt, either filed or to be filed in court.



Human Capital

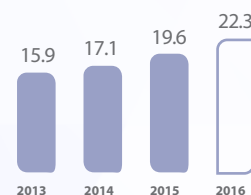
Composed of our employees and their competences and experiences, as well as their motivations to innovate, develop better products and services, on an ethical and responsible way, through capabilities for management, leadership and cooperation.



Total Employees



Personal Investment – in R\$ billion



Related material themes



Health, safety and well-being



Diversity, equity and inclusion



Compensation and incentives



Risk and capital management



Attraction, retention and development

People Area

The purpose of the People Area is to attract, retain and develop the organization's talents, to disseminate the organizational culture (Our Way) and work in partnership with business units in search for a sustainable performance and satisfaction of our clients. Our actions are based on the Personnel Committee's strategic guidelines and we work with a structure of 430 professionals, responsible for over 87,000 employees throughout the country and abroad.

We look for professionals who, in addition to showing the competences required for the development of their activities, are committed to improving client satisfaction and to becoming future leaders of the organization. Therefore, these professionals will contribute to the creation of value in the long term, bringing benefits to society as a whole and promoting business growth. For this reason, it is essential that values and principles of new employees are in line with our corporate culture and Code of Ethics.

Profile of our employees by hierarchy level and gender

	Men	Women	Total
Apprentices	818	1,925	2,743
Interns	1,752	2,461	4,213
Trainees	78	44	122
Production	13,610	27,318	40,928
Administrative	12,109	13,898	26,007
Management	6,653	6,938	13,591
Executive Board	94	13	107
Total⁽¹⁾	35,114	52,597	87,711

(1) Employees under management of the People Area – Human Resources of Itaú Unibanco.

Balance of hirings and dismissals by age group and gender

	Men	Women	Total
Below 30 years old	1,809	2,898	4,707
Between 30 and 50 years old	-1,441	-2,129	-3,570
Over 50 years old	-896	-922	-1,818
Total	-528	-153	-681

Our diversity profile

The Diversity theme is recognized and valued in our culture, based on three principles: fair competition in relation to differences, heterogeneity within the organization (gender, people with disabilities, sexual diversity, ethnicity or race) and implementation of policies and projects that value and promote diversity.

We seek to present the importance of valuing sexual diversity, gender, ethnicity or race, people with disabilities, different generations or beliefs, through seminars, training and other activities that involve in-house communication, such as lectures, materials made available and videos. Therefore, we promote a respectful dialogue and the elimination of judgments that lead to discrimination.

Black employees

20.6% of our employees are black and are basically concentrated on the “Production” hierarchical level, which accounts for 52% of total black employees.

	Men	Women	Total
Black employees	7,008	11,074	18,082
Representation (%)	39%	61%	100%

People with disabilities

4.5% of our employees have any special need and are basically concentrated on the “Production” hierarchical level, which accounts for 61% of our total employees with disabilities.

Third parties

We also relate to 42,115 third parties – people who provide some service to our business. In 2016, the total number of these third parties decreased approximately 8% from the previous year.

People Management

Meritocracy

Meritocracy is our way to carry out people management. For us, this means leading by recognizing and differentiating employees in accordance with their relative performance. To do so, honest and transparent feedback, the offer of development opportunities adequate for the needs of each employee and the role of continuously seeking the best opportunities are required.

Performance Management Program

Over the year, we use three tools to assess the performance of our employees. At the end of the process, our employees received feedback aiming at presenting strengths and opportunities for improvement. This process offers ideas to create an Individual Development Plan (IDP) for each employee.

• **Assessment of targets:** assesses the quality of “deliveries” of the employee, considering the previously agreed targets.

• **Assessment of behavior:** assesses “how” results were achieved by the employee, based on the analysis of Our Way.

• **People Strategic Planning (PEP):** consolidates previous assessments to analyze the relative performance of the employee against their peers, by a collective body. In this program, 43.68% of our employees were evaluated. The others take part in an individual assessment of targets and behavior or specific evaluation models. Therefore, we ensure that 100% of our employees are subject to some form of performance evaluation. The 2016 process is still underway.

Career Opportunity Program (POC)

It 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 with profiles adequate to fill any possible vacancies. In 2016, 1,187 employees were transferred under this program.

Available opportunities are announced internally to employees through the corporate portal. Opportunities can be consulted according to location, department and job position, among other filters. 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.

Ombudsman’s Office

We provide an internal ombudsman channel (the Ombudsman’s Office) as a tool for dialogue with our employees, aimed at promoting a healthy environment. In 2016, our Ombudsman’s Office received 853 complaints from employees, of which only 50% were deemed legitimate. We present below these complaints according to the nature of the issue:

- Disrespect: 44%
- Deviations from standards: 26%
- Bullying: 10%
- Lack of effective management: 8%
- Communication deficiency: 4%
- Harassment: 3%
- Other (treatment of equality, lack of feedback, etc.): 5%

With the purpose of minimizing the risks associated with complaints, 425 disciplinary measures were applied to those involved (54 terminations, 110 written warnings, 22 transfers to other areas, and 239 followed-up feedbacks). In addition, 528 monitoring actions and action plans were recommended.

Occupational health and safety

By way of known internal policies and procedures, we have established institutional guidelines for issues involving occupational health and safety, which provide support to the Occupational Health Management model, such as:

- Professional Rehabilitation
- Figue OK Program
- Occupational medical examinations
- CIPA and Safety Representative
- Complementary Clinical Evaluation

Health | Our actions and programs focused on health education are designed to prevent illnesses and provide advice on the adoption of a healthier and more balanced lifestyle. Our programs and services are intended for both employees and their family members, involving the communities surrounding our administrative hubs whenever possible. Among several programs and services, we highlight as follows:

- Nutritional care
- Fitness center
- Checkup
- Mothers and Pregnant Mothers Support Policy
- Women's Health Program
- Additional 60 days of maternity leave in accordance with the Citizen Company Program
- Influenza vaccination
- Program for professional rehabilitation and readaptation

Training and development

The teams and leaders are perceived as relevant to the continuation and sustainability of our business. The Itaú Unibanco School Business acts to build up learning solutions consistent with the organization's culture and strategies and offers specific development programs comprising technical and behavioral themes by adopting a range of methodologies and communication means. In 2016, we invested R\$192 million in training activities with the development of over 4,598 on-site training groups.

- Average adherence rate to training events was 92%;
 - 91,840 employees received on-site training (figures may reflect one employee participating in more than one program);
 - 947,712 participations in online training programs; and
 - 7,276 scholarships for academic education and 349 scholarships for language study.
- A total of 1.4 million in-person classroom hours.

Benefits

We offer several benefits under the collective bargaining agreements with labor unions. These benefits are offered only to currently active employees working in Brazil and who are on the payroll, including employees with reduced working hours or contracted 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	87,080 employees are currently covered by health plans and 65,251 by our dental care plan.
Private Pensions	We provide 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. In 2016, our contributions to pension plans totaled approximately R\$239 million. Approximately 70% of employees have voluntarily adhered to some of the plans offered by the Group.
Group Life Insurance	It provides for the payment of indemnity in the event of 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 consortium schemes, 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 by using a specific personal card.
Tuition	These are 5,500 tuition grants, of which 1,000 are primarily for employees with disabilities, 4,000 for bank employees and 500 for non-banking staff. These grants are aimed at subsidizing part of the costs of first and second under-graduation courses and also graduation 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	The Itaú Unibanco World program provides benefits, discounted prices and exclusive services from several partners in Brazil and Latin America.

Labor claims | in R\$ billion

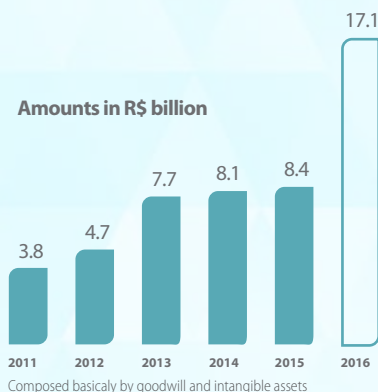
These are contingencies arising from lawsuits in which alleged labor rights set forth in labor legislation specific to the related professions are discussed, such as: overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement, among others. These lawsuits are classified as collective lawsuits and individual lawsuits.

Provisions for labor claims	
Opening balance - 2015	6.1
Escrow deposits	2.2
Representation (%)	36.2%
Off-Balance	0.1
Ending balance - 2016	7.2
Escrow deposits	2.3
Representation (%)	32.3%
Off-Balance	0.8



Intellectual capital

It is composed of the reputation achieved by our brand, technical knowledge, intellectual property, and the ability to develop new technologies, products and services for the sustainability of our business.



In 2016, our intellectual capital accounted in the Balance sheet totaled R\$ 17.1 billion, a 104% growth compared to 2015.

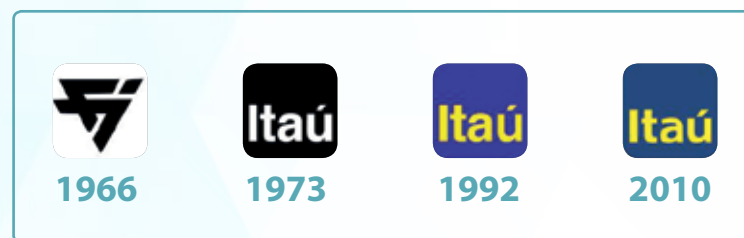
The significant increase in intellectual capital was mainly due to the consolidation of Itaú CorpBanca. This consideration resulted in goodwill for future expected profitability of R\$6.9 billion. Additionally in Brazil, goodwill of R\$0.7 billion was generated due to the difference between the equity value of Banco Itaú Chile and the equity value of Itaú CorpBanca resulting from the merger.

We believe that the following strengths provide us with competitive advantages and set us apart from our competitors.

Most valuable banking brand in Brazil

Our brand aims to promote positive changes in the lives of people and in society, and reflect our ongoing efforts to provide the best experience for all our audiences.

We believe that our brand is very strong and widely recognized in Brazil, and it is associated with the quality and reliability of our portfolio of products, which help us keep a low turnover of clients. In 2016, we reinforced our positioning as a digital bank by combining innovative technology with our vision of making people's daily lives easier through increasingly simpler financial transactions. This year we were once again ranked at the top of the Interbrand ranking of most valuable Brazilian brands with an estimated value of R\$ 26.6 billion. This is the 13th consecutive year in which we have been at the top of this ranking. The analysis is based on the capacity of our brand to generate financial results, influence the client selection process, and ensure the long-term demand.



Broad network of branches in geographical regions featuring intense economic activity

Our Brazilian branch network is strategically concentrated in the southeast region, the most developed and industrialized of Brazil. Our branch network in other Latin American countries (Argentina, Chile, Colombia, Paraguay, Panama, Peru and Uruguay) is also positioned in regions with high levels of economic activity. This positioning in key economic areas gives us a strong presence and competitive edge to offer our services, through our exclusive ATMs, branches banking service centers.

Related material themes



Risk and capital management



Innovation



Forecast of scenarios



Brand and reputation

Diversified line of products and services

We are a multi-service bank, offering a diversified line of products and services designed to serve our different types of clients, such as corporate, small and medium businesses, retail clients, high-income individuals, private banking clients, non-account holders and credit card users. We believe that our business model creates opportunities to improve our client relations and thereby increases our market share.

Technology and electronic distribution channels as drivers for sales

Our intensive use of technology in operations and electronic distribution channels contributed significantly to increase sales of products and services, and it is one of our most important competitive advantages. We believe that technology makes our employees' and clients' lives easier, bringing about convenience, safety and time saving.



In 2016, we completed the expansion of the digital lines of our client relations model, by offering customized services from 7:00 a.m. to midnight, from Mondays to Fridays.

We closed 2016 with 135 digital branches, an increase of approximately 43.6% from 2015.

We developed the "Itaú Abreconta", an app offering clients the possibility to open new bank accounts from their mobile phones.

Technology entrepreneurship

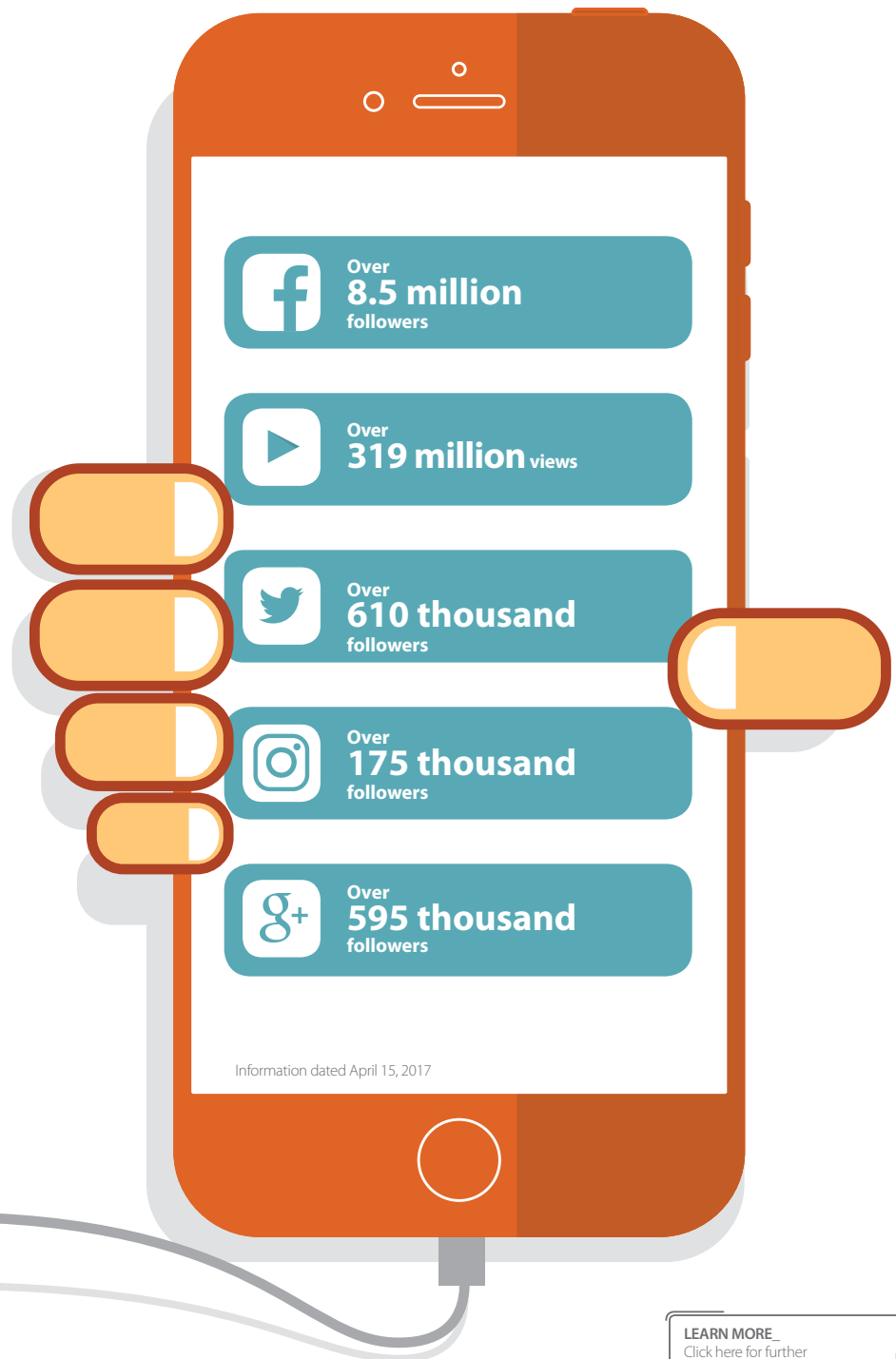
By improving and streamlining our clients' experiences, applying technology to new business models and working with agility, startups have challenged traditional industries to rethink their way of working. Technology companies have also started to offer financial services, therefore impacting the banking sector. To reinvent ourselves and lead this transformation, we have created, in partnership with Redpoint, the "Cubo", as a way to connect ourselves to the technology entrepreneurship world and, consequently, find opportunities to generate competitive advantages and evolve as a digital bank.

Cubo is a non-profit organization promoting a transformation to technology entrepreneurship through a series of initiatives. By the end of 2016, Cubo had 54 resident startups that generated over 650 jobs. Between 2015 and 2016, Cubo startups received approximately R\$104 million in investments from companies that believe in their business models.

Risk-based pricing model as a tool to manage risk while exploring opportunities

Our risk-based pricing model, as applied to our products, is an important competitive advantage as it gives us a more precise dimension of risk-return in various scenarios; therefore, it is an essential tool to explore commercial opportunities and simultaneously manage risks.

Our brand in social networks





Manufactured capital

It is composed of equipment and physical facilities, such as branches, ATMs, applications and operational systems that are made available by the organization for use and offer of products and services.

Our equipment and facilities provide, primarily, more comfort, convenience and security to our clients and employees. We invest constantly to improve our infrastructure, which is essential for the efficacy and efficiency of our business model.

Manufactured capital | in R\$ billion

	2011	2012	2013	2014	2015	2016
Book value	5.4	5.6	6.6	8.7	8.5	8.0
Variation (year/year %)	-	4%	18%	32%	-2%	-6%

Our distribution network is divided into physical channels that include branches, ATMs and banking service centers, and digital channels, such as internet banking and mobile banking. It is by means of this distribution network that we offer products and services to our clients.

Branches and CSBs



	Brazil	Abroad	2016	2015	Variation (year/year %)
Branches and banking service centers	4,546	557	5,103	4,985	2.4%
ATMs (including Banco 24 horas network)	44,947	1,228	46,175	45,559	1.3%

Digital



The bank is no longer a place where you go to, but rather something you do

The volume of banking transactions carried out through internet and mobile phone continued to grow significantly in 2016. We present below the evolution of transactions in our main digital channels, in millions:

Related material themes



Risk and capital management

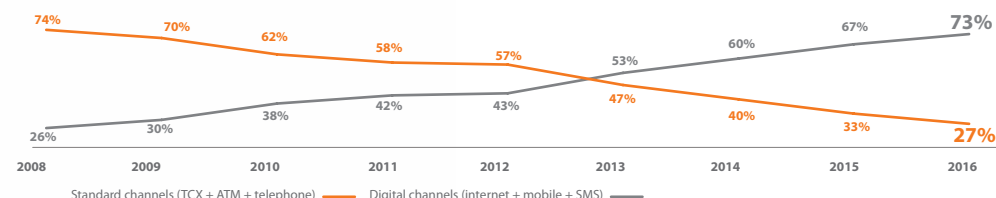


International operations

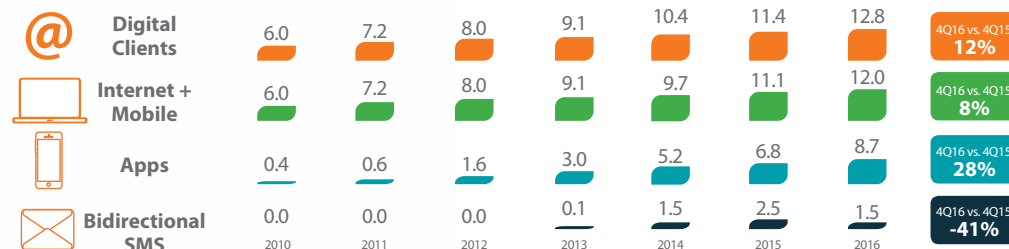


Information technology

Volume of transactions



Clients (million)



Administrative centers and offices | In 2016, we owned our main administrative offices, with a total area of 420,036 sq. meters, basically located in the city of São Paulo (Brazil). Commercial functions, supporting, retail, and investment activities are conducted in our administrative centers, and also our data processing center. We currently are the owners of 25% of our fixed assets in use.

Technology Center – CTMM | In 2012, we announced the construction of a new data center in the state of São Paulo. The land with approximately 815,000 sq. meters (larger than 120 soccer fields) is the largest green data center in Latin America with LEED certification. Between 2012 and 2015, we invested **R\$11.1 billion in technology**, innovation and services related to the Technology Center. Between 2015 and 2020 (1st Phase) we intend to meet the following challenges:

- 60,000 sq. meters of constructed area
- Power capacity: twice the current one
- Processing: 16 times the current one
- Storage: 25 times the current one for data allocation
- Online transactions: capacity to process 24,000 transactions per second

In addition, we made available an expansion plan for our Technology Center up to 2050 – related to Phases 2 and 3.

LEARN MORE

Click here for further information on our infrastructure



Natural capital

It consists of renewable and nonrenewable environmental resources, consumed or affected by our business for the prosperity of the organization. Here we are mainly talking about water, soil, ores, forests, and biodiversity.

We understand that, even though we are a service business, our activities impact the environment, both directly through the operation of our administrative units, branch networks and technology centers, and indirectly through our loan and financing operations. Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment. We continuously strive to improve our energy efficiency through the best market practices, ambitious goals and a management increasingly more attentive to the consumption of natural resources.

Our management is segregated by administrative units, branches and technology centers, and all areas work together with the sustainability team. All data concerning the water and energy consumption, waste generation, effluent treatment, CO₂ emissions, among others, are collected and consolidated by the sustainability team. Our reduction targets and improvement actions to achieve these goals are managed jointly, seeking the highest efficiency in the use of resources and a smaller environmental impact.

Water | In 2016, the water scarcity scenario improved from the previous year. We kept our emergency response plan, prepared in 2014, to ensure water supply and business continuity, simulating actions, defining strategies and monitoring water management in our operations. We also implemented a number of actions for a more efficient and conscious water consumption, seeking to act on a preventive way and carry out periodic equipment maintenance.

We proceed with our actions for water reuse, consumption reduction, and alternate sources of water supply (artesian wells and rainwater).

In 2016, our facilities consumed 1,410,592.40 cubic meters, basically at the administrative centers, technology centers and branch network), a reduction of approximately 4% from 2015. The reuse water consumption totaled 94,051.4 cubic meters, down 32% from 2015.

Energy | Our operations are highly dependent on the availability of electricity and, therefore, we seek to continually improve our energy efficiency through internal projects and consumption reduction targets. Over 2016 we developed a number of initiatives and projects that contributed to improve the energy management, which provided for our meeting the commitments assumed in 2015.

In 2016, our electricity consumption fell approximately 7,000MWh, corresponding to a reduction of 8% from 2015. It is worth mentioning that 89% of the electricity consumed in our administrative buildings come from renewable sources, such as SHP (small hydro power plants), wind and solar sources.

Related material
themes



Eco-efficiency
and environmental
management

Emissions | We are signatories to the Carbon Disclosure Project (CDP) and, for the third consecutive year, were recognized by the CDP Latin America among the Leaders in Transparency companies, according to a global scoring methodology applied to the 2016 edition of the "Climate Change", which also makes up the portfolios of the Corporate Sustainability Index (ISE), Carbon Efficiency Index (ICO₂), and the Dow Jones Sustainability Index, which we annually report our emissions. Therefore, we have implemented some measures to directly or indirectly reduce the emissions of GHG and other pollutants associated to our business.

In 2016, our **Scope 1** emissions (basically our generating system, which, during testing or in the event of power shortage, is turned on to ensure the 100% availability of our facilities and business continuity) increased 13%, totaling approximately 10,900 tCO₂e, as a result of increase in business trips and the volume of replacement of cooling gas used in the cooling systems. Our **Scope 2** emissions totaled approximately 54,340 tCO₂e, a significant reduction of 41.58% from the previous year, mainly driven by the reduction in electricity consumption and emissions of the national network. Our **Scope 3** emissions reached approximately 99,556 tCO₂e, a 13.64% reduction from 2015.

Waste | 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 our activities. In 2016, we conducted some projects intended to the identification of the main stages and actions for more adherence to the National Policy of Solid Waste. We highlight below the action plans arising from these projects, basically focused on actions to assess suppliers and better organize the selective waste collection processes.

- A 29% reduction in the generation of waste intended to landfill, including the recycling of waste generated, from 2015.
- Planning internal awareness campaigns, whose objective is to reduce waste generation.

Paper | Our strategy to increasingly become a more digital bank has strongly contributed for paper consumption reduction. A large part of our internal processes no longer use paper, which is replaced by electronic and digital means. It is worth mentioning that 100% of the paper printed by us is certified by the Forest Stewardship Council (FSC).

The volume of paper used in the communication sent to our clients reduced 6.95%, representing the largest volume of paper consumed in our activities.

LEARN MORE

[Click here for further information on Ecoefficiency](#)

Business Management



Governance

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity. We seek constant development of our management policies and mechanisms so as to ensure excellence in our practices and sustainable growth for our company.

Our main objectives for corporate governance

We have adopted corporate governance practices aligned with best practices adopted in the Brazilian and foreign markets. Our Governance aims at creating an effective set of mechanisms and incentives that ensure the alignment of the company with the interests of the stakeholders and the creation of value in the long term.

In order to reach these main objectives, the following is required:

- Defining bodies and decision authority levels for a proper checks and balances process.
- Institutionalizing several procedures to ensure the commitment of the executive group with value creation through meritocracy and focus on performance.

Ownership structure

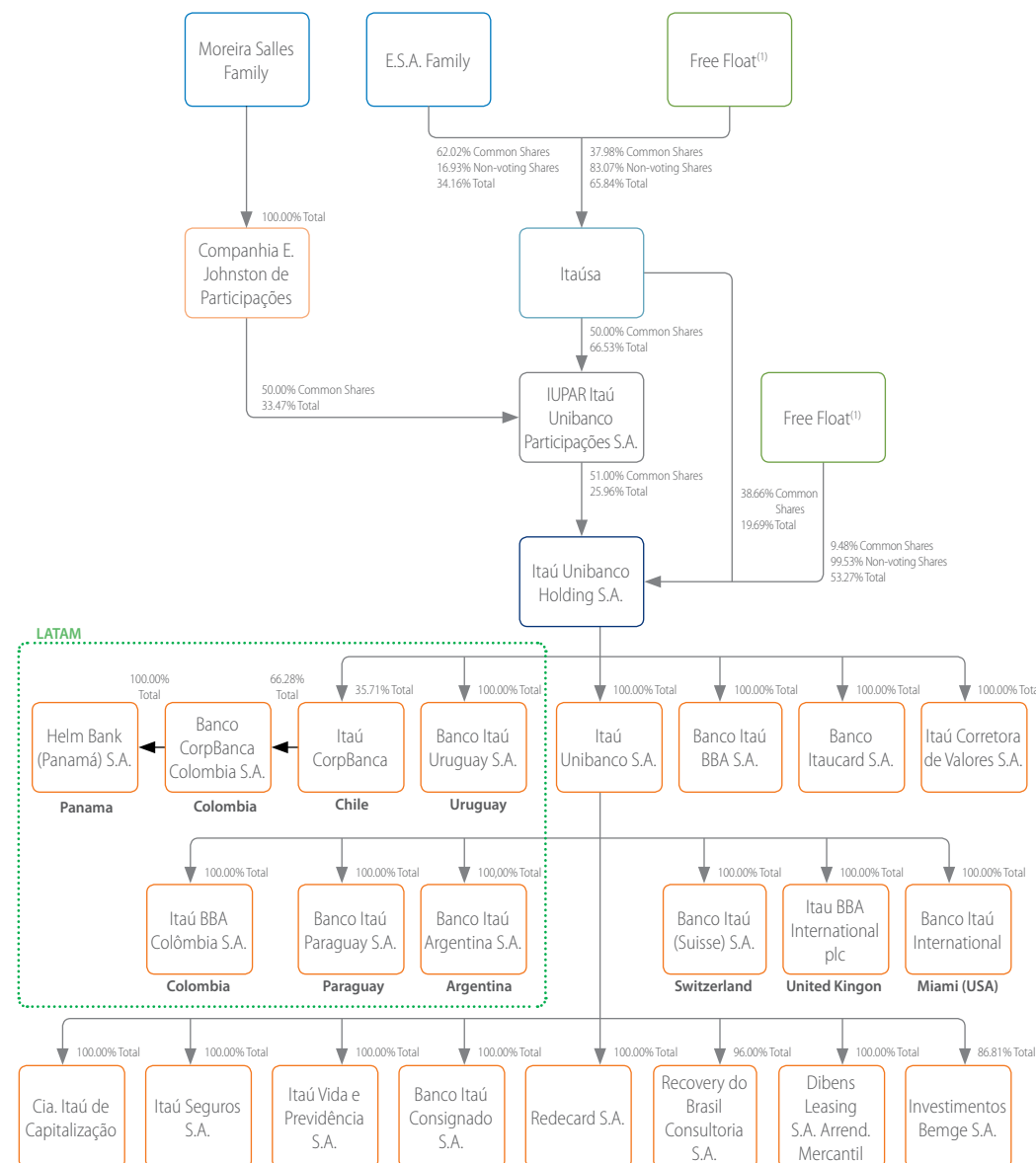
The following chart is an overview of our ownership structure as of March 31, 2017:

Our Stockholders' Meeting started to make the remote voting available to our stockholders anticipating one Brazilian Securities Commission (CVM) requirement.

Related material
themes



Corporate
governance

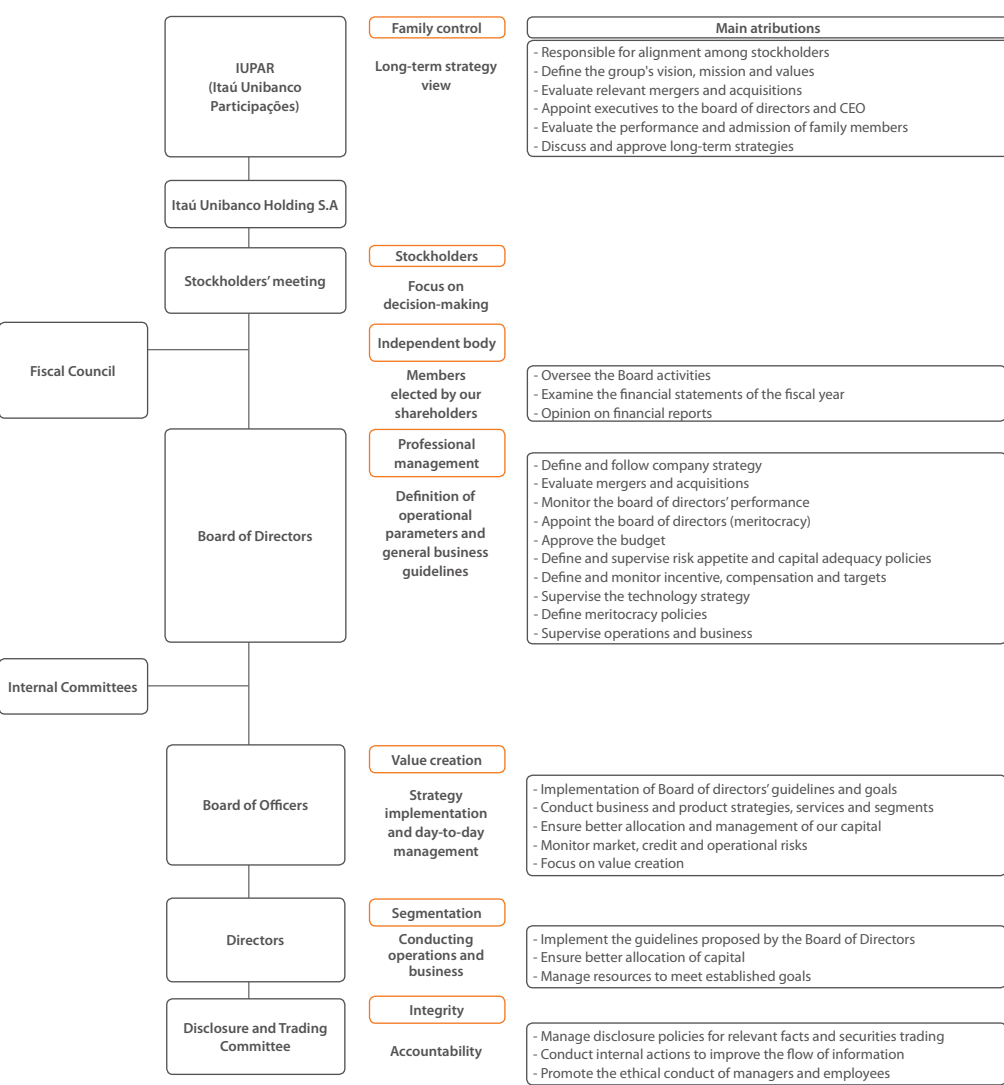


(1) Excludes shares held in treasury and by our controlling shareholders.

Management Structure

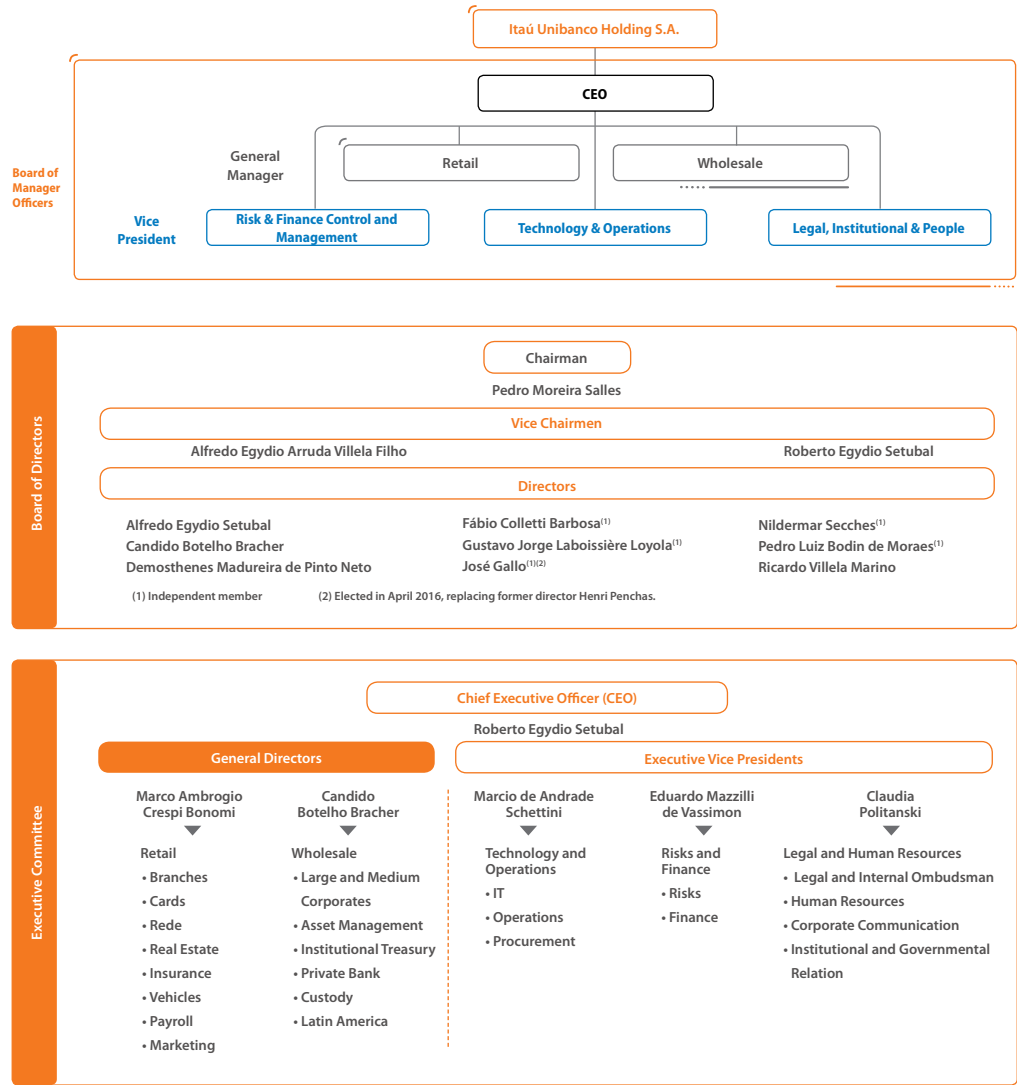
Our management is structured so as to ensure that matters are extensively discussed and decisions are made on a collective basis. We present below our main management bodies, their main functions and the corresponding management members that compose them.

Our Board of Directors, which is elected by the Stockholders' Meeting, is composed of twelve members, five of whom are independent and the term of office of all of them is one year.

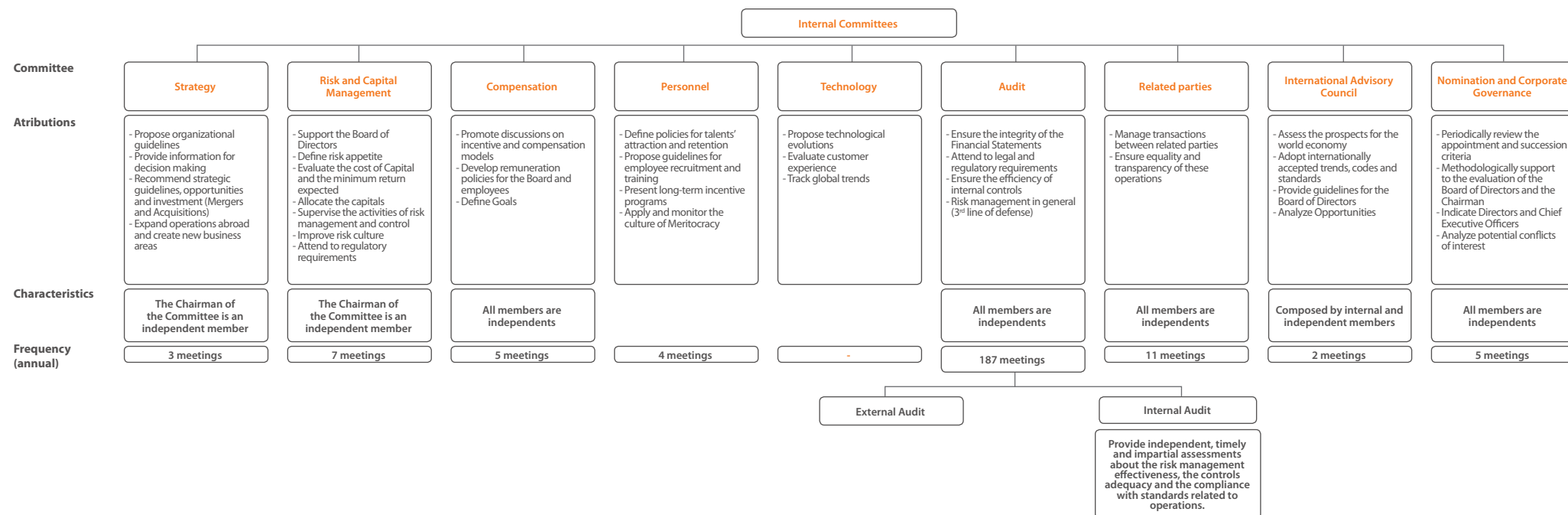


Executive Committee

In November 2016, we announced a series of changes to our Management, followed by the succession of our Chief Executive Officer, which was planned and announced to the market over two years ago. The following chart presents our current structure.



Internal Committees



Executive Board

At the Stockholders' Meeting held on April 19, 2017, the Board of Directors nominated Roberto Setubal and Pedro Moreira Salles for reelection and Marco Bonomi for election. Roberto Setubal will act, together with Pedro Moreira Salles, as co-chairman of the Board of Directors. The Board also approved the election of Candido Bracher as Chief Executive Officer of Itaú Unibanco Holding, replacing Roberto Setubal.

Our Executive Board is elected annually by the Board of Directors and its role is to implement the guidelines proposed by our Board. The structure of our Executive Board takes into account the segmentation of our business, which demands in-depth knowledge in different areas, skills and business sectors given our organization's complexity. In accordance with Brazilian law, the election of each member of the Executive Board must be approved by the Central Bank. Our officers are subject to a periodic assessment, in which performance criteria such as client satisfaction, personnel and financial management are considered.

Annual evaluation of the Board of Directors and Board Committees

The purpose of this evaluation is to assess the performance of our Board of Directors, its members and its Chairman, and the Board committees, in order to comply with best corporate governance practices. Decisions regarding the reelection of Board members and of members of the Board committees take into account their positive performance results and high attendance to meetings and the level of independence and industry experience. 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, and for interviewing each member individually. The independent person is also responsible for analyzing the answers and comparing them to the results from the previous years to identify and address any improvement relating to the Board or the Board committees that may be revealed by this process.

Other relevant matters related to governance

Prevention of money laundering and illicit acts

Financial institutions play a key role in preventing and fighting illicit acts, which include money laundering, terrorism financing and fraud. The great 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 established a corporate policy to prevent our involvement in illegal activities, protecting our reputation and image among employees, clients, 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 our company with the best practices to prevent and fight illicit acts, through investments and training our employees on ongoing basis.

In order to be compliant with the corporate policy guidelines, we 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);
- Evaluation of New Products and Services;
- Transaction Monitoring;
- Reporting Suspicious Transactions to Regulators and Authorities; and
- Training.

This program is applicable to the whole organization, including our subsidiaries and affiliates in Brazil and abroad. The governance of prevention and detection of illicit acts is carried out by the Board of Directors, the Anti-Money Laundering Committee and other committees.

Information security

The information security area is responsible for providing structured and consolidated information on the main information security risks at the different levels of the organization, aiming to reduce financial losses and image risk, through the definition of policies, processes and procedures that support the whole chain of information.

We monitor and address all types of attacks and security incidents in an expeditious and effective manner, managing all the security tools with a certified IT staff with knowledge of various technologies. We efficiently manage the access to our systems and resources, monitoring the changes required to keep our information safe.

We are certified on the public pages of the website www.itaub.com.br under the Brazilian standard NBR ISO/IEC 27001, for the purpose of ensuring protection and privacy of information provided by clients and other sources, exclusively to meet the objectives set for their products and interactive services.

Compensation of the key Management personnel

It refers to compensation paid to our management members:

Amounts in R\$ million	2016	2015	Changes % (year/year)
Compensation	359.8	458.4	-21.5
Board of Directors	31.6	26.6	18.8%
Management members	328.3	431.8	-24.0%
Profit sharing	250.5	239.3	4.7%
Board of Directors	1.9	1.0	97.9%
Management members	248.6	238.4	4.3%
Contributions to pension plans	12.1	9.5	26.5%
Board of Directors	0.2	0.1	135.0%
Management members	11.8	9.4	25.3%
Stock option plan – Management members	262.5	200.0	31.3%
Total	885.0	907.2	-2.5%

Risk and Capital Management

Related material
themes



Risk Management Principles

The essence of our activities is assuming and managing risks and, for this reason, we must have well defined objectives. In this context, the risk appetite determines the nature and the level of the risks acceptable to our organization, while the risk culture guides the attitudes required to efficiently manage the risks. The following principles set forth the bases for risk management, the risk appetite and the way our employees make decisions:

- 1. Sustainability and customer satisfaction:** We want to be the leading bank in sustainable performance and customer satisfaction. We are involved in creating shared value for employees, clients, stockholders and society, ensuring the longevity of our business. We will only do business that is good both for the client and the bank.
- 2. Risk culture:** Our risk culture is more than just policies, procedures and processes. It strengthens the individual and collective liability of all employees so that they can make the right thing, at the right time and on the right path, observing our ethical way of doing business.
- 3. Risk price:** We operate and assume risks of which we are aware and understand and avoid risks of which we are not aware or in which we have no competitive advantage, carefully assessing the risk-adjusted return.
- 4. Diversification:** Our appetite for volatility in our results is low so we work with a diversified client, product and business base, aiming at diversifying our revenues prioritizing low-risk business.
- 5. Operational excellence:** We want to be a dynamic bank, with a robust and stable infrastructure in order to provide high quality services.
- 6. Ethics and respect for regulation:** For us ethics are non-negotiable. We promote a fair institutional environment, guiding our employees to cultivate ethics in their relationships and business, and to comply with rules, preserving our image and reputation.

Risk appetite policy

In 2016, we reviewed our policy on risk appetite, which was established and approved by the Board of Directors, which guides our business strategies. The risk appetite is regularly monitored, analyzed and reported to the executive levels and to the Board of Directors. The risk appetite is based on the following statement of the Board of Directors:

- 1. Capitalization:** establishes the capital sufficient to protect us against a severe recession or a stress event without the need to adapt our capital structure in adverse circumstances. It is monitored using capital ratios and our ratings of debt issuers.
- 2. Liquidity:** establishes that liquidity must support long stress periods and is monitored based on liquidity ratios.
- 3. Composition of results:** it determines our business concentration, mainly in Latin America, where we have a diversified product and client base, with low appetite for volatility and for high risks. Through exposure concentration limits, such as industry sectors, quality of counterparties, countries and geographical regions, and risk factors, it aims to ensure the appropriate composition of our portfolios, seeking low-volatility results and sustainability of our business.
- 4. Operational risk:** focus on the control of operational risk events that may adversely impact our business strategy, and is monitored based on the main operational risk events and incurred losses.
- 5. Reputation:** addresses risks that may impact the value of our brand and our reputation among clients, and is monitored based on the customer satisfaction, exposure in the media and our conduct.

Risk and Capital Management

We regard risk and capital management as an essential instrument for optimizing our resources, assisting in selecting business opportunities and maximizing value creation to our stakeholders. Our risk management process includes:

Identification and Measurement

Identification and measurement of existing and potential risks in our operations;

Management

Management of our portfolio seeking optimal risk-return ratios.

Alignment

Alignment of risk management and control institutional policies, procedures and methodologies according to the guidelines of the Board of Directors and our corporate strategies;

Risk culture

For the purpose of strengthening our values and aligning the employees' behavior with the guidelines established by our management, we adopt a number of initiatives that aim to disseminate the risk culture.

Our risk culture is based on four basic principles, which aim to help employees to understand, identify, measure, manage and mitigate the risks on a conscious basis. The risk culture also strengthens the individual and collective responsibility of employees in managing risks inherent in the activities performed individually, respecting the ethical way of running the business.

The purpose of the risk identification process is to map internal and external threats that may affect the business strategies and supporting units, keeping them from achieving their goals, impacting our earnings, capital, liquidity and reputation.



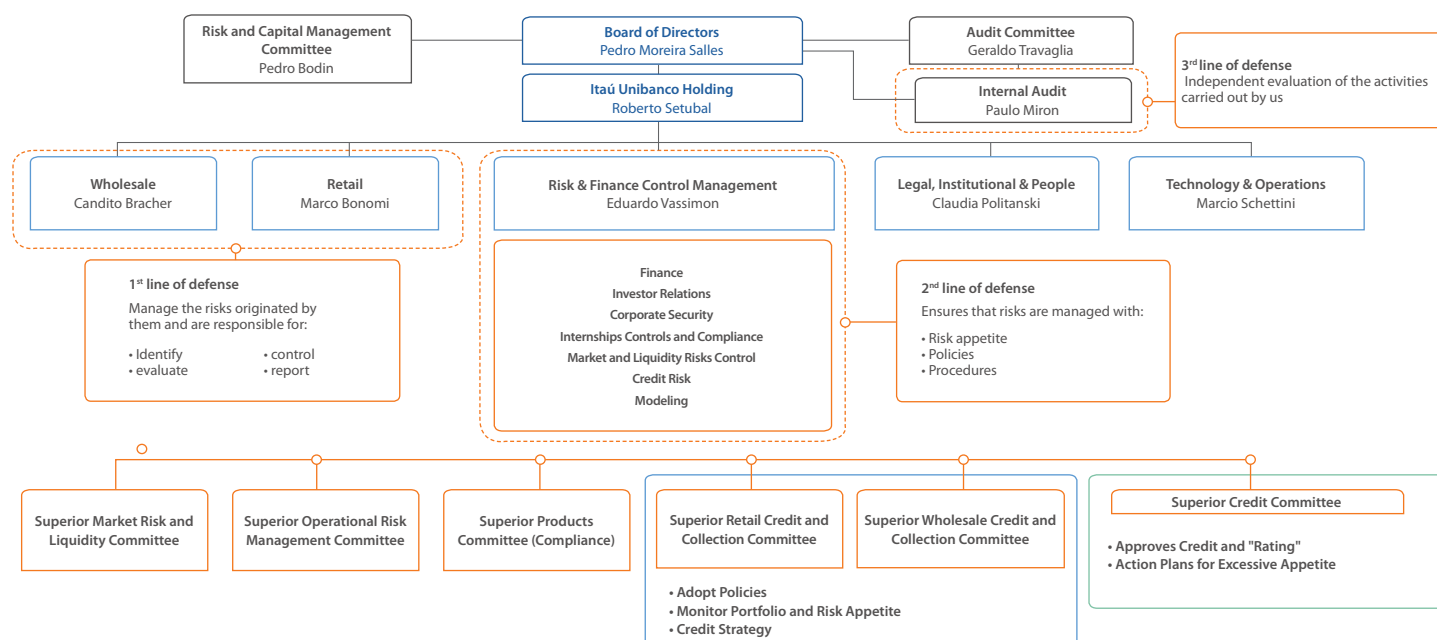
The Board of Directors is also responsible for capital management and the approval of the ICAAP report, a key component of our internal management, particularly the stress testing. This test enables the assessment of our capital under adverse scenarios and its purpose is to measure and confirm that, even in severe adverse conditions, we would have adequate levels of capital to ensure total freedom to our operations or income distribution.

The result of the last ICAAP for fiscal year 2015 showed that we have enough capital to face all material risks, with a significant cushion, thus ensuring the soundness of our equity position.

Risk and capital governance

Our management structure complies with Brazilian and international regulations in place and is aligned with the best market practices. We adopt a prospective capital management attitude, carrying out the following procedures to annually assess the sufficiency of our capital:

- 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 methodologies for quantifying additional capital;
- Quantification of capital and internal capital adequacy assessment; and
- Submission of report to the Central Bank of Brazil (BACEN).



Responsibilities for risk management are structured according to the concept of three lines of defense, namely:

1st Line of defense_ The business and support areas manage their related risks through identification, assessment, control and report processes;

2nd Line of defense_ An independent unit provides central control to ensure that our risk is managed according to the risk appetite and established policies and procedures. This centralized control provides the Board and executives with a global overview of our exposure, to optimize and speed up corporate decisions; and

3rd Line of defense_ The internal audit provides an independent assessment of the institution's activities to ensure that senior management is able to verify whether the risk controls are adequate, the risk management is effective and the internal controls and regulatory requirements are being complied with.

During the whole risk management process, we apply appropriate information technology (IT) systems, in accordance with the regulations and requirements of the Central Bank. We also monitor the adherence to the quantitative and qualitative requirements related to risk management and regulatory minimum capital. The main risks inherent in our business are presented below:

I – Market Risk

It is the possibility of incurring losses arising from the changes in the market value of positions held by a financial institution, including the risks of transactions subject to variations in foreign exchange and interest rates, share prices, price indexes and commodity prices, among other indices related to risk factors.

II – Credit Risk

It is the risk of losses due to the failure by the borrower, issuer or counterparty to perform their respective financial obligations under agreed upon terms, the devaluation of a credit agreement resulting from a deterioration of the risk rating of the borrower, issuer or counterparty, the reduction of earnings or remuneration, and the benefits granted upon subsequent renegotiation or the recovery costs.

III – Operational Risk

It 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 of contracts entered into by the institution, as well as penalties due to non-compliance with laws and punitive damages to third parties arising from the activities undertaken by the institution.

IV – Liquidity Risk

It is the likelihood that an institution will not be able to effectively honor its expected and unexpected current and future obligations, including those from guarantee commitments, without affecting its daily operations and not incurring significant losses.

V – Insurance, Pension Plan and Capitalization (Premium Bonds) Operations

Our insurance portfolios are comprised of products associated with life and elementary insurance, pension plans and capitalization (premium bonds) products. Therefore, all the risks presented above also impact insurance, pension plan and capitalization (premium bonds) operations.

- **Underwriting risk** – It is the possibility of losses arising from insurance, pension plan and capitalization (premium bonds) operations that go against the institution's expectations, directly or indirectly associated with the technical and actuarial bases for calculation of premiums, contributions and technical provisions.

Minimum capital requirements

Our minimum capital requirements comply with the set of BACEN resolutions and circulars, which implemented in Brazil the global capital requirement standards known as Basel III. These are expressed as indices obtained from the ratio between available capital, represented by the Referential Equity (PR), or Total Capital, composed by 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. We use standardized approaches to calculate assets and their corresponding operational risk-weighted amounts.

Capital composition

The Referential Equity (PR) used to monitor compliance with the operational limits imposed by the BACEN is the sum of three items, namely:

- **Common Equity Tier I:** It is the sum of capital, reserves and retained earnings, less deductions and prudential adjustments.
- **Additional Tier I Capital:** It consists of Common Equity Tier I together with instruments of a perpetual nature, which meet eligibility requirements.
- **Tier II:** It consists of Additional Tier I Capital together with subordinated debt instruments with defined maturity dates, which meet eligibility requirements.

In accordance with the applicable Brazilian regulation, we must maintain our Total Capital (PR), Tier I Capital and Common Equity Tier I Capital amounts above the minimum regulatory requirements. The RWA used for assessing these requirements can be determined as follows:

$$RWA = RWA_{CPAD} + RWA_{MINT} + RWA_{OPAD}$$

RWA_{CPAD} = portion related to exposures to credit risk calculated using standardized approach;

RWA_{MINT} = portion related to the market risk capital requirement, calculated using internal approach, according to Brazilian Central Bank rules, includes units that are not considered significant under the standardized approach;

RWA_{OPAD} = portion related to the operational risk capital requirement, calculated using standardized approach.

Capital Composition	Prudential Conglomerate		Financial Conglomerate	Variation (year/year %)	
	2016	2015	2014	2016-2015	2015-2014
Tier 1 Capital ⁽¹⁾	115.9	101.0	96.2	143.8	5.0
Common Equity Tier 1 Capital ⁽²⁾	115.4	101.0	96.2	14.3	4.9
Additional Tier 1 Capital ⁽³⁾	0.5	0.1	-	1,056.5	130.0
Tier 2 Capital ⁽⁴⁾	23.5	27.5	33.6	(14.3)	(18.2)
Referential Equity	139.5	128.5	129.8	8.6	(1.0)
Minimum Referential Equity Required	72.2	79.4	84.488	(9.1)	(5.9)
Surplus Capital in relation to the Minimum Referential Equity Required	67.3	50.0	45.3	37.3	8.1
Additional Common Equity Tier I requirement	4.6				
Referential equity calculated for covering the interest rate risk on operations not classified in the trading portfolio (RBAN)	2.3	1.3	1.8	77.6	(30.9)
Risk weighted assets (RWA)	731.2	722.5	768.1	1.2	(5.9)

(1) Comprised of the Common Equity Tier 1 Capital, as well as the Additional Tier 1 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.

Liquidity Coverage Ratio (LCR)

As from 2016, we started to report our average LCR, which is calculated based on the methodology determined by BACEN regulation, in line with international guidelines (BASEL III). The LCR requires banks to maintain sufficient high liquid assets to face potential stress scenarios over a thirty-day period. In 2016, our LCR reached 212.8% (the minimum required by BACEN is 70%).

Risk factors

We present below the risks we consider relevant to our business and our investments. We also highlight the capitals most exposed to our risk factors, according to our internal evaluation criteria. Should any of these events 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.

Macroeconomic Risks

Changes in economic conditions



Our operations are dependent upon the performance of the Brazilian economy and, to a lesser extent, the economies of other countries in which we do business. 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 Brazilian economy and, to a lesser extent, in the economies of other countries in which we do business may affect us.

Brazilian authorities exercise influence on the Brazilian economy. Changes in monetary, fiscal and foreign exchange policies and in the Brazilian government's structure



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 clients' ability to pay. Further, changes in the Brazilian government may result in changes in government policies, which may impact us. This uncertainty may contribute to increase the Brazilian capital markets volatility in the future, which, in its turn, may have a material adverse effect on us. Other political, diplomatic, social and economic developments in Brazil and abroad that impact Brazil may also affect us.

Inflation and fluctuations in interest rates



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 may reduce demand for credit, 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.

Instability of foreign exchange rates



Brazil has a floating foreign exchange rate system, in accordance 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.

Deterioration of Brazilian government public accounts



If the public accounts keep deteriorating, it could generate a loss of confidence of local and foreign investors. Regional governments are facing fiscal concerns likewise, due to their high debt burden, declining revenues and inflexible expenditures. In 2017, the spotlights will still fall on tax reforms. The Federal House of Representatives may approve by the end of the second quarter the proposals for reforming the social security system, which are critical to compliance with spending limits in the future. The decrease in confidence in the government's fiscal circumstances could lead to the downgrading of the Brazilian sovereign debt by credit rating agencies and negatively impact local economy, causing the depreciation of the Brazilian *real*, increased inflation and interest rates.

Crises and volatility in the financial markets of countries other than Brazil



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, to varying degrees. 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.

Banks that operate in countries considered as 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 aversion to global risk.

Ongoing high profile anti-corruption investigations in Brazil



Certain Brazilian companies in the energy and infrastructure sectors are facing investigations by the CVM, the 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 new downgrades from credit rating agencies, experience funding restrictions and have a reduction in revenues, among other negative effects. The companies involved in the Lava Jato investigations, a number of which are our clients, may also be 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 included in other legal proceedings yet to be filed.

We cannot predict how long these 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 ongoing in Brazil is the so called Zelotes operation. In March 2016, we were summoned by the Brazilian Federal Revenue Service to explain certain tax processes associated with BankBoston Brasil, which were under investigation by the Zelotes operation. We acquired the BankBoston Brasil operation from Bank of America in 2006. On December 1, 2016, the Brazilian Federal Police conducted searches in our facilities for documentation related to and payments made to lawyers and consultants involved in these processes. We clarify that the agreement with Bank of America to purchase BankBoston Brasil operations included a clause under which Bank of America would continue to be liable for conducting these tax processes, including the retention of lawyers and consultants. Therefore, any and all payments made by us to lawyers and consultants were solely on behalf of Bank of America. These investigations are still in progress. We remain at the disposal of and will cooperate with proper authorities if further clarification is required.

After reviewing our control procedures and our monitoring systems, we believe we are in compliance with the existing standards, especially those related to anti-money laundering and, therefore, we did not identify any criminal practices that might be attributed to us. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, leading to lower economic growth.

Legal and regulatory risks

Changes in applicable law or regulations



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. One example is the evaluation of the implementation of the Basel III framework and its effects, which may impact the revaluation of our funding strategy for regulatory capital should additional regulatory capital be required to support our operations under the new standards.

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



Compulsory deposits are reserves that financial institutions are required to maintain with the Brazilian Central Bank (BACEN). 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 are used to finance government programs, such as the federal housing program and rural sector subsidies. The Central Bank has periodically changed the minimum level of compulsory deposits. Increases in such level reduce our liquidity to grant loans and make other investments and, as a result, may have a material adverse effect on us.

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.

Notwithstanding, the calculation of net income in accordance 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, in the occurrence of such event, the holders of our shares and ADSs may not receive any dividends.

According to its regulatory powers provided under Brazilian law and banking regulations, the Brazilian Central Bank may at its sole discretion reduce 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.

Tax reforms



The Brazilian government regularly amends tax laws and regulations 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.

Decision on lawsuits due to government monetary stabilization plans



We are defendants in numerous standardized lawsuits filed by individuals in respect of the monetary stabilization plans (MSP), from 1986 to 1994, implemented by Brazilian federal government to combat hyper-inflation. We record provisions for such claims upon service of process for a claim.

In addition, we are defendants in class actions, similar to the lawsuits filed by individuals, filed by either (i) consumer protection associations or (ii) public attorneys' office (Ministério Público) on behalf of holders of savings accounts. Holders of savings accounts may collect any amount due based on such a decision. We record provisions when individual plaintiffs apply to enforce such decisions, using the same criteria used to determine provisions for individual lawsuits.

We are also subject to operational risks associated with the handling and conducting of a large number of lawsuits involving government monetary stabilization plans in case of loss.

Tax assessments



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.

Risks associated with our business

Market risk



The value of our securities and derivatives is subject to market fluctuations due to changes in Brazilian or international economic conditions and, as a result, may subject us to material losses. 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 estimate 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, 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.

Operational risk



Failures, deficiencies or inadequacy of our business systems and misconduct or human errors may adversely affect us. Although we have in place information security controls, policies and procedures designed to minimize human errors, and make continuous investments in infrastructure, management of crises and operations, the operational systems related to our business may stop working properly for a limited period of time or may be temporarily unavailable due to a number of factors. These factors include events that are totally or partially beyond our control 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 more comprehensive political or social issues, such as cyber-attacks or unauthorized disclosures of personal information in our possession. Operating failures, including those

that result from human errors 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 impact on our business, reputation and results of operations.

Competition risk



We face risks associated with the increasingly competitive environment and recent consolidations of the banking industry in Brazil. We face significant competition from other large Brazilian and international banks, which has increased as a result of the recent consolidations of Brazil's financial institutions and regulations that make it easy for clients to transfer its businesses from one financial institution to another. Such increased competition may adversely affect us if, among others, it decreases our ability to retain or increase our existing client base and expand our operations, or if it impacts the fees and rates we charge, which could reduce our profit margins on banking and other services and products we offer.

Credit risk



Changes in the profile of our businesses may adversely impact our loans and lease portfolio. Our historical experience may not be indicative of future loan losses. While the quality of our loan and lease portfolio is associated with the default risk in the sectors in which we operate, changes in our business profile may occur due to our organic growth, or mergers and acquisitions, changes in local economic conditions and, to a lesser extent, in the international economic environment, in addition to changes in the tax regimes applicable to the sectors in which we operate, among other factors.

We have significant financial exposure to the Brazilian federal government's debt. Like most of the Brazilian banks, we invest in debt securities issued by the Brazilian government. Any failure by the Brazilian government to pay these debt securities on time, or a significant depreciation in their market values, may adversely impact the results of our operations and our financial position.

Underwriting risk



Inappropriate methodologies and pricing of insurance, pension plan and capitalization products may adversely impact us. Our subsidiaries in insurance and pension plan define the prices and establish the calculations for their products based on actuarial estimates or statistics. The pricing of our insurance and pension plan products is based on models that include 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 persistency. We may incur losses arising from 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.

Management risks



Our risk control policies, procedures and models may prove to be ineffective and our results may be adversely impacted 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 are unable identify or anticipate. Some of our qualitative risk management tools and metric systems are based on our observation 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.

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 include these risks into our pricing policies.

We recognize an allowance for loan losses to cover expected losses on collection by using internal credit risk management models. This calculation also requires Management to make judgment which may prove to be incorrect or may change in the future, depending on information that is made available.

Strategy risks



Our controlling stockholder has the power to direct our business.

As at December 31, 2016, IUPAR, our controlling stockholder, directly held 51% of our common shares and 26.25% of our total share capital, which entitles it to appoint and remove our directors and officers and determine the outcome of any action that requires stockholders' approval, including related-party transactions, 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. Moreover, 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. The integration of acquired or merged businesses involves certain risks that may have a material adverse impact on us.

As part of our growth strategy in Brazil and Latin America financial services industry, we conducted mergers, acquisitions and partnerships with other companies and financial institutions in the past and we may conduct new transactions of this nature in the future. However, these businesses involve certain risks, such as, for example, the possibility to incur unexpected costs due to difficulties in integrating systems, finance, accounting and personnel platforms, or the occurrence of unanticipated contingencies. Also, we may not achieve the operating and financial synergies and other benefits that we expected from such transactions.

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 applying fines or sanctions due to authorities' interpretation of irregularities in a business merger, consolidation or acquisition, even if the institution has conducted such transaction in a legal, clear and transparent manner, according to their understanding and the opinion of corporate law specialists. If we are unable to benefit from business growth opportunities, cost savings and other benefits we expect to achieve from mergers and acquisitions, or if we incur integration costs higher than the estimated ones, we may be adversely impacted.

Environmental and social risk



We may incur financial losses and damages to our reputation from environmental and social risks.

Environmental and social issues and water shortage are the most significant environmental and social risk factors that might impact our internal operations and our business. Another risk that may impact us is associated with the financing of activities in sectors that are most exposed to environmental and social impacts, such as mining, construction of hydroelectric power plants, cattle breeding, among others, which require increased diligence for mitigating the related risks.

Environmental and social risks may affect our clients' payment capacity and, consequently, cause delays in payments or default, especially in case a significant environmental and social impact occurs.

Financial reporting risks



We make estimates and assumptions related to the preparation of our consolidated financial statements, and any changes in these estimates and assumptions could have a material adverse impact on our operating results.

In preparing our consolidated financial statements, we use estimates and assumptions based on our historical experience and other factors. Although 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. If any of these estimates and assumptions change or prove to be incorrect, our operating results may be adversely impacted.

As a result of limitations inherent in our reporting and accounting controls, misstatements due to error or fraud may occur and not be detected.

Other risks currently considered irrelevant or of which we are not knowledgeable may have effects similar to those mentioned above, if materialized.

Exit of United Kingdom from the European Union



On June 23, 2016, the British electorate voted in a referendum for leaving the European Union (so called "Brexit"). Brexit may adversely impact the economic and market conditions across the world, thus contributing for the instability in global financial markets and affecting operations of Itaú BBA International by increasing risk. Additionally, Brexit may lead to legal uncertainties and potentially differing national laws and regulations. Brexit effects, and other effects that we cannot predict, may have an adverse impact on our business, results of operations or financial condition.

Ecoefficiency and climate change

Climate change is one of the key challenges of the present and the future. As a financial institution, we have an important 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 affairs (credit, insurance and investments) by managing risks using the experience of our environmental and social risk analysis team and developing solutions that adequately respond to our GHG emissions reduction targets and adapt our operations to the best industry practices to mitigate the effects of climate changes on our activities.

Integrated in changes in rainfall patterns, occurrence of extreme events and shortage of natural resources, climate risks bring serious consequences to society and the economy. Therefore, we are increasingly expanding our ecoefficiency-related activities, by incorporating climate variables into our business, managing risks or seeking alternatives to increase our resilience, thus, ensuring the longevity of our business and contribution to society.

Even if we are in the services industry, and although to an extent lesser than that of industrial activities, our activities also impact environment through water and electric power consumption and waste. The environmental performance management is segregated by administrative units, network of branches and technological centers, and these areas work together through a working group (WG) created to integrate these actions.

In 2016, Edifício Faria Lima 3500 was awarded LEED – Operation and Maintenance's GOLD seal, one more important environmental certification added to LEED - New Construction obtained for the CTMM technological center. In addition, we renewed our ISO 14001 certification for Tatuapé Administrative Center. Therefore, we now have three administrative buildings that hold environmental certifications (LEED or ISO 14001).

Sustainability

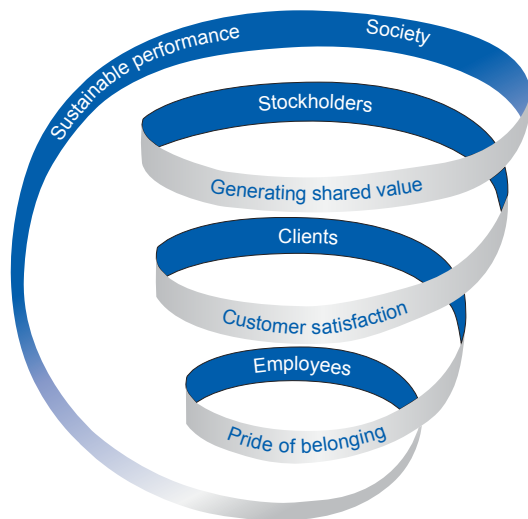
Sustainability is incorporated into our corporate strategy by means of a consolidated governance structure that is integrated into our business, which allows the incorporation of environmental and social issues into daily activities and processes in all areas of the Group. The long-term strategic sustainability decisions are discussed by our Board of Directors during the meeting of the Strategy Committee (composed of Board of Directors' members) and the Executive Committee.

Sustainable Performance

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 careers based on merits help to boost pride in belonging to our organization. Moreover, engaged employees deliver better services for their customers. The more customers are satisfied, the more they will remain loyal to the bank, developing lasting relationships that add value for stockholders and ensure results that enable society to develop.

This is how we can create shared value, achieve positive results and encourage development for people, society and countries where we operate as part of a virtuous cycle of sustainable performance.

The management of sustainability issues has contributed to our access to financing by means of development agencies and our presence in sustainability indices. We are the only Latin American bank that is incorporated in the Dow Jones Sustainability Index since it was launched, in 1999, and we are also incorporated in São Paulo Stock Exchange's Corporate Sustainability Index and Efficient Carbon Index. Also worthy of mention are our partnerships with the Inter-American Development Bank, the Inter-American Investment Corporation, and the Brazilian Social and Economic Development Bank.



Related material themes



Financial education and inclusion



Ethics and transparency

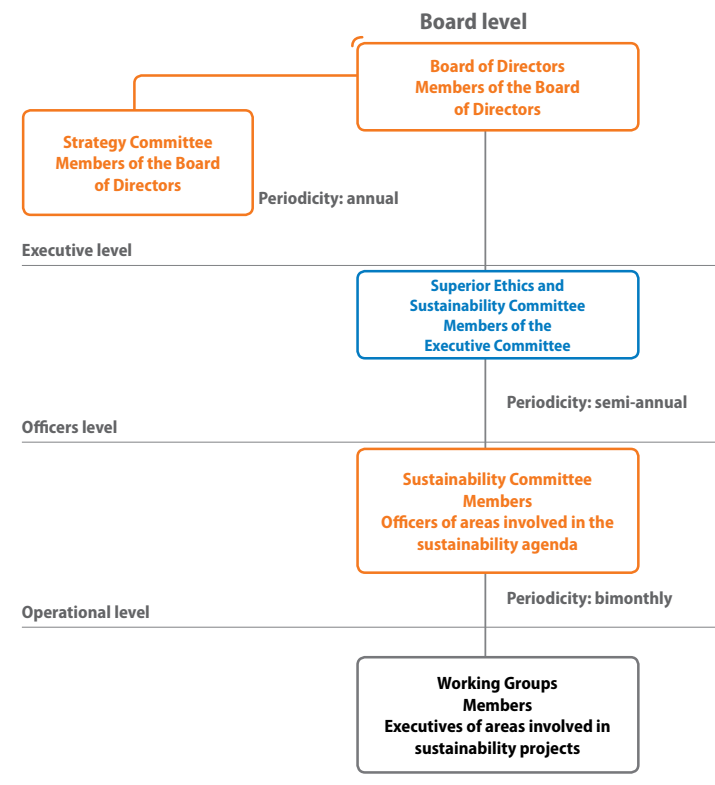


Eco-efficiency and environmental management

Sustainability Governance

Sustainability is also part of our global governance agenda by adding value and incorporating the theme to our business agenda. Our activities include discussions, meetings and committees to ensure that the theme is submitted to a decision-making process and effectively incorporated into our business.

The main sustainability management and governance roles include the integration and alignment of social, economic and environmental activities to obtain concrete results, according to our strategies, with a focus on shared value generation, strongly assuming the role of "responsible" for aligning the theme internally.



Evaluating and developing products and services

Based on our Corporate Product Evaluation policy, any project that changes or creates products and services is submitted to the Products Committee for a strict analysis, focused on risk management. The sustainability team is responsible for evaluating these products and services to ensure that they are aligned with our sustainability strategy.

Sustainability in Latin America units

In an effort to align strategies to initiatives in the Latin America countries where we operate, we developed a new model that will allow a structured execution of the theme. Dubbed "LATAM Sustainability Franchising", this methodology consists of a set of practices and procedures for step-by-step implementation designed to support foreign units in approaching and prioritizing topics at the local level. In 2015, we disclosed this material in the countries where we operate and, in 2016, we made the first diagnosis to evaluate adherence to such model with a view to improve communication and encourage knowledge sharing among countries.

Sustainability strategy

Our sustainability strategy is based on in-depth analysis of our vision, Our Way, our corporate policies, voluntary commitments and agreements, surveys and meetings with our key stakeholders. Our engagement processes are based on guidelines and criteria in AA1000 standard and an internal circular letter which defines the methodology for us to be able to engage our key stakeholders based on social, environmental and economic impacts. Sustainability Map establishes three strategic focus for our activities: Dialogue and Transparency, Financial Education, and Environmental and Social Risks and Opportunities, supported by four fronts: Governance and Management, Efficiency, Incentives and Culture. This Map guides our operational and business units as they incorporate sustainability values into their decision-making processes.

- **Financial education**_ A way to contribute to societal development is understanding people's needs, thus providing them with information and adequate financial solutions so that they can have a balanced relationship with their money.
- **Dialogue and transparency**_ An important part of our strategy is to promote initiatives that allow us to have a long-standing, transparent relationship with our stakeholders. We believe that, by sharing practices, results and knowledge and promoting dialogue with different audiences, we can inspire initiatives and drive transformations in society and our businesses. We also pursue dialogue with different sectors of society by anticipating trends and developing a positive agenda.

- **Environmental and social risks and opportunities**_ We maintain relationships with all economic sectors and have an enormous potential to influence positive changes in society. Therefore, we manage risks and search business opportunities, considering market trends, regulations, and clients' and stakeholders' requirements. The objective of our environmental and social management is to identify, measure, mitigate and monitor our risks. We promote engagement actions with our stakeholders for continuous improvement of our controls.

The Equator Principles

Since 2004, we are signatories of the Equator Principles, a set of guidelines and criteria signed by more than 80 financial institutions around the world which are a framework for identifying, assessing and managing environmental and social risks in projects financed under the Project Finance model, when the total amount of the invested capital is equal or higher than US\$10 million or through Project-Related Corporate Loans, provided that the following requirements are met: (1) the majority of the loan is related to a single project over which the client has effective operational control; (2) the aggregate loan amount is at least US\$100 million; (3) our individual commitment is at least US\$ 50 million; and (4) the loan tenor is at least two years. When we provide financial services under the Project Finance model or when we provide a bridge loan to be refinanced under one of the models above, we also apply the guidelines established in the Equator Principles.

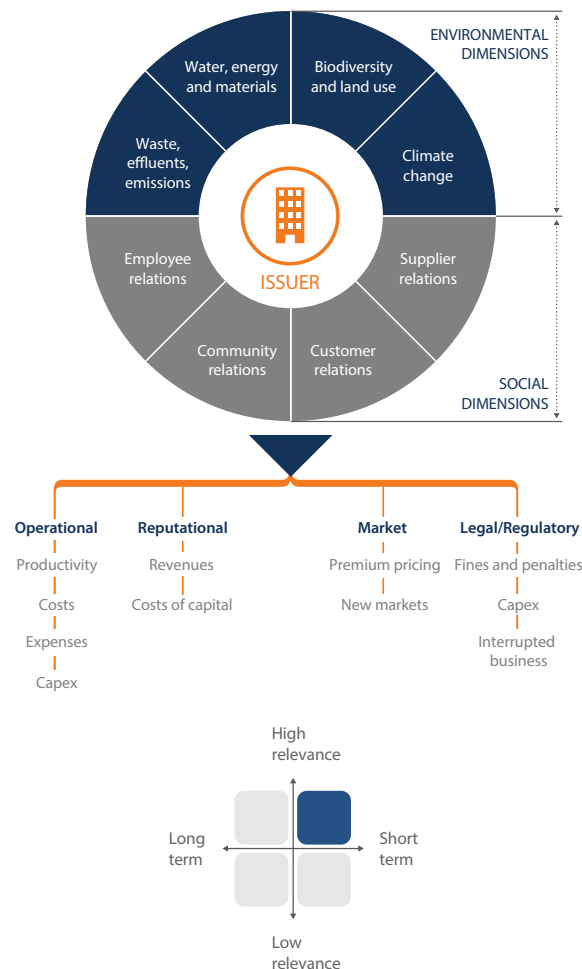
Projects subject to the application of the Equator Principles may require the engagement of an independent consulting firm to conduct an environmental and social assessment in the financing contracting, release and monitoring stages. An independent consulting firm is required for all high-impact projects and for the medium-risk ones selected by our technicians. For medium and high risk projects, the analysis may be performed by our own technical team in charge of environmental and social risk assessment.

To ensure due diligence in financing projects under the scope of the Equator Principles or that of our Environmental and Social Risk Policy, each monitoring cycle involves, according to the environmental risk category, field visits, documental analyses, meetings with clients and the support of external specialists in different environmental and social themes. In December 2016, a total of 153 projects, contracted in prior years, were in the monitoring stage.

Investments

Responsible for managing clients' assets, Itaú Asset Management signed the Principles for Responsible Investment (PRI) in 2008. It has also signed the Carbon Disclosure Project (CDP) and requested companies to provide information on risks and opportunities related to climate change. The adherence to such voluntary commitments guides us in the adoption of an approach that integrates environmental, social and corporate governance issues in investment practices in order to mitigate risks and identify opportunities for our clients.

The business assessment methodology developed by Itaú Asset Management consists of including environmental and social variables in traditional assessment approaches, analyzing their impact on cash flow and capital cost. The objective of this approach is to adjust the target price of the papers traded on stock exchanges and early identify events that may create or decrease value. Our methodology considers variables such as materiality, sectoral relevance, temporality, risks and opportunities, metrics and management, as depicted below:



In the process of evaluating the "climate change" variable, we use a carbon pricing tool, which is considered an innovation in the international market, and the practice has been discussed by governments and companies as a tool to conduct a cleaner economy. According to our methodology, the carbon price is determined by using a taxation model based on the international market (USA/Australia). Our analysts simulate the collection of a tax on CO₂ emissions in carbon-intensive industries and products. Under our model, the estimated fee is

used as an input variable to estimate the cost of greenhouse gas effect by companies listed on Brazil's Stock Exchange. Based on this, we calculate the financial impact of these emissions on the market value of the companies and, consequently, on the price of their shares. We believe that, in addition to encouraging the invested companies to adopt the best practices, this approach allows investors to analyze the risks involved in the companies more accurately.

We understand that environmental, social and governance (ESG) issues affect the value of the assets in which we invest. For this reason, these issues must be taken into account in our investment process. We incorporate the theme "Responsible Investment" into our process of generating value to our clients by identifying opportunities and reducing risks in equity and corporate debts portfolios under our management.

Environmental and social funds

In addition to risk mitigation processes, we provide our clients with resources with an environmental and social addition:

Fundos Itaú Excelência Social (FIES): The process used to select the companies that are part of FIES consists of excluding or including certain sectors / companies and applying the ESG integration method to assets eligible for investment. In addition, 50% of management fees of this family of funds are donated to educational projects developed in Brazil by NGOs and UNICEF. From 2004 to the end of 2016, more than R\$30 million were transferred to 165 NGOs, benefiting over 36,500 children and youngsters, in addition to 3,400 educators.

Fundos Itaú "Ecomudança": "Ecomudança" funds donate and lend 30% of their management fees to support greenhouse gas (GHG) reduction projects that develop initiatives related to urban mobility, energy efficiency, renewable energy, waste management, sustainable agriculture and forests. Since 2009, the "Ecomudança" program has invested approximately R\$5.3 million in 36 organizations. The program benefited around 984 families, of which 473 had an increase in income higher than 10%. Also, 141 temporary jobs were created and more than 1,900 hours in training on sustainable practices were provided.

Fundo Itaú Futura: Between 2010 and 2016, Fundo Social Itaú Futura donated more than R\$1.6 million to educational projects developed by Roberto Marinho Foundation's Futura TV channel, which accounts for 30% of its management fee.

Material Themes

We consider a material theme any matter that has the capacity to affect our shared value creation in the short, medium or long term, from the standpoint of the organization and its main stakeholders. Determining material themes is crucial to guide the decision-making, since it provides a broader vision of the risks and opportunities inherent in the business and connects strategies to the varying external interests.

In 2014, we conducted a comprehensive process of defining material themes, which comprised social, environmental, economic and governance aspects. This study was conducted by a diversified working group composed by the Corporate Communication, Finance, Investor Relations and Sustainability areas.

The methodology used to determine our material themes consists of four different stages:

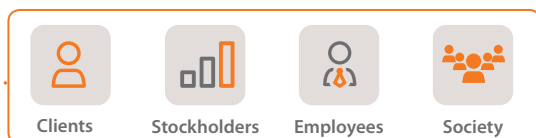


1. Identification

In this first stage, the main goal was to identify the most appropriate communication channels and stakeholders to start the process of determining materiality. The methodology consists of two stages: identify key business issues and define the stakeholders for this consultation.

Whereas, the methodology used to determine our material themes basically consists of an indirect consultation that takes into account the vision of the key stakeholders in their respective pre-established, impartial and legitimate communication channels. The determination of the key stakeholders is made according to our Sustainable Performance Spiral.

It is important to emphasize that this methodology is only used to identify key issues for our stakeholders, not to incorporate them into the business management. All issues raised are directly addressed by the relevant area and respective source channels.



Management and People

Organizational climate survey and union demands

Financial and Operational Performance

Presentations of results aimed at investors and accountability

Business Sustainability

Sector studies by GRI and Questionnaires from the DJSI and ISE

Analysis of Market Scenarios

Reports from the Ombudsman, meetings with investors, sectorial materiality analysis and our social media channels

2. Prioritization

In this stage, the key issues are consolidated into issues that are more comprehensive and similar in nature by applying a preliminary materiality analysis for management and stakeholders. The consolidated themes are then plotted in a prioritization matrix which is divided into two axes: (x) Which is the influence of these themes for our stakeholders? and (y) What is the materiality of these themes for the business management?

- 1 Which is the economic impact of this theme for the business continuity in a sustainable manner?
- 2 Which is the impact of this theme on our vision for the future?
- 3 Which is the impact of this theme on our image and reputation?
- 4 Which is the legal and regulatory impact of this theme?
- 5 Which is the impact of these themes on business strategies?

In the stakeholders axis (x), we assign to our stakeholders the same assessment weight (%). In the management axis (y), we use questions or drivers to assess the materiality of each theme, all having the same assessment weight, based on the bank's management approach.

3. Validation




























































































































































































In this stage, the themes defined as priorities are discussed and validated internally by the Reporting Committee – a sustainability governance forum dedicated to the implementation of the best practices in reporting and transparency. Subsequently, the materiality study is submitted to the Audit, Disclosure and Sustainability Committees. The process to determine the materiality of themes is also assured externally by PwC, based on the guidelines in AA1000 standard.

4. Evaluation

In 2015, we started the stage of evaluating our material themes, which seeks to identify possible adjustments that may be necessary and better adjust them to the business context. The Reporting Committee evaluated the material themes on an individual basis and identified the need to integrate the "Environmental and Social Risk" theme to the "Risk and Capital Management" theme, which most appropriately reflects our management and complies with BACEN Regulatory Instruction no. 4327. In 2017, we will revise the whole process performed to determine our material themes, in line with the process to revise sustainability strategies.

Below is our matrix of material themes, which contains the 22 most relevant themes for the business. The priority indicators presented for managing each theme, the capitals most exposed to these themes and the respective impacts on businesses and our stakeholders. Additionally, we linked our material topics to the 17 Sustainable Development Goals (SDGs), a sustainable development agenda presented by the United Nations (UN) and prepared with the participation of many sectors of society.



Material themes	Capital most exposed to the theme						Most affected stakeholders						Sustainable Development Goals (SDG)	
 Credit and insolvency							+					-	-	
 Risk and capital management							+					-	1, 8, 9, 10, 13, 15	
 Efficiency							+					-	9	
 Diversification of revenue							+					-	-	
 Attraction, retention and development							+					-	4, 5, 8	
 Forecast of scenarios							+					-	-	
 Client satisfaction							+					-	-	
 Ethics and transparency							+					-	16, 17	
 Information security							+					-	16	
 Corporate governance							+					-	-	
 Innovation							+					-	-	
 Corporate citizenship							+					-	1, 4, 8, 9, 10, 11, 16, 17	
 Financial education and inclusion							+					-	1, 8, 9, 10, 12, 17	
 Management of suppliers and supply chain							+					-	1, 5, 8, 9, 12, 16, 17	
 Compensation and incentives							+					-	5, 8	
 Information technology							+					-	-	
 Brand and reputation							+					-	16	
 International operations							+					-	-	
 Combat of corruption and illegal activities							+					-	16, 17	
 Diversity, equity and inclusion							+					-	5, 8, 10, 16, 17	
 Occupational health, safety and well-being							+					-	3, 8, 16	
 Eco-efficiency and environmental management							+					-	3, 6, 7, 8, 9, 11, 12, 13, 14, 15	

Business Strategy

The general guidelines of our business are established by the Board of Directors and supported by the Strategy Committee, which provides information on critical strategic matters. The Strategy Committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to issuing opinions and recommendations for the Board of Directors. The Strategy Committee is supported by the Economic Scenario Sub-committee, which provides macroeconomic information to support its decisions.

Expand our operations in Brazil and abroad



We continued to analyze business operations that have potential to create additional value to our shareholders in Brazil and abroad. In line with our strategy to expand in Latin America and our value creation and sustainable performance vision, in 2016, we completed the merger between Banco Itaú Chile and Banco CorpBanca and became the controlling shareholder of the resulting entity – Itaú CorpBanca.

Moreover, for the first time, Moody's rated Itaú BBA International (based in the United Kingdom) investment grade, including A3 long-term deposit and issuer ratings. In assigning these ratings, Moody's recognized the solidity of Itaú BBA International's balance sheet and business model.

Focus on non-interest income



We have continued to focus on the offer of new products and services which we believe add value to our clients while allowing us to increase our fee-based revenue. This increase is mainly due to an increased volume of checking account packages. In addition to new subscriptions to checking account service packages and the adjustment of services provided to our Uniclass clients and by our Itaú Empresas business unit also contributed to this revenue growth.

In September 2016, we entered into an agreement to sell our group life insurance operations with Prudential do Brasil. The transfer of shares and financial settlement of the transaction will occur after certain conditions set out in the underlying agreement are met, which includes obtaining the required regulatory authorizations. This transaction reinforces our already disclosed strategy of concentrating in massive insurance products typically related to the retail banking segment.

Also, we continue to focus on our insurance services, which include our 30% stake in Porto Seguro, by operating under the bancassurance model, with a focus on the sale of massive personal and property insurance services, largely provided by our retail banking segment. As part of this strategy, in 2014 we announced the sale of our large risks operations to the ACE group and the early termination of operating agreements between Via Varejo SA and our subsidiary Itaú Seguros S.A., for the offer of extended warranty insurance by "Ponto Frio" and "Casas Bahia" stores.

Continue to improve efficiency



In 2010, we established an Efficiency Program designed to identify, implement, and monitor costs and revenues, in addition to promoting a strong operational efficiency culture. In the following years, we focused on increasing cost savings by reducing unnecessary costs, streamlining and centralizing processes, promoting synergy gains and combining the management of certain business units.

In February 2015, we created the Technology and Operations Executive Area to optimize our structure in order to sustain growth. This executive structure allowed us to organize our operations in a simpler and more efficient manner. We constantly strive to improve processes, streamline operations and to be more efficient in everything we do.

Throughout 2015 and 2016, we increased the number of our digital branches in response to the profile of our clients, which shows an increasing demand for services through digital channels. This allows us to strengthen our relationship with clients and improve the efficiency and profitability of our operations. Moreover, we launched the app "Abre conta", through which approximately 60,000 new bank accounts were opened exclusively by mobile channels.

Maintain asset quality in our loan and lease portfolio



We are constantly seeking to improve our risk management models, economic forecasts and scenario modeling. Over the past four years, we focused on the improvement of our asset quality by increasing credit selectivity, by changing our loan and lease portfolio mix, and prioritizing the offer of less risky products, such as payroll and mortgage loans.

In 2016, the largest Brazilian banks entered into a memorandum to create a credit intelligence bureau (CIB). CIB will be structured as a corporation and the parties will share its control, each one holding a 20% interest. The creation of CIB reaffirms the bank's confidence in the future of Brazil and the credit market, making for a stronger and more sustainable market. The organization of CIB is subject to the execution of final agreements as well as to compliance with certain conditions precedent.

Maintain a solid capital base



We implemented a prospective approach to capital management. Our approach is comprised of the following phases:

- (i) Identification and analysis of material risks;
- (ii) Capital planning;
- (iii) Analysis of stress tests focused on the impact of serious events in our capitalization level;
- (iv) Maintenance of a contingency plan;
- (v) Internal assessment of capital adequacy; and
- (vi) Preparation of periodic management reports.

At the end of December 2016, our Basel Ratio was 19.1%, which shows our effective capacity to absorb losses. In addition, our average Liquidity Coverage Ratio was 212.8%. This ratio identifies highly liquid assets to cover (net) outflows we may be subject to in a standard stress scenario considering a period of 30 days.

We also acquired 31.4 million of our non-voting shares with a view to:

- (i) Maximize capital allocation by the efficient use of resources available;
- (ii) Organize the delivery of shares to employees and management under share-based compensation and long-term incentive plans; and
- (iii) Use the acquired shares in case business opportunities arise in the future.

Develop strong relationships with our clients



We will continue to work in the strategy of segmenting and identifying clients' needs and enhancing the relationship with our client base. Our objective is to meet the clients' financial requirements by means of a wide portfolio of products, which includes the cross-selling of banking and insurance products and making sales through a variety of channels. We are focused on delivering "best-in-class" client service, in order to maintain and increase client satisfaction and increase portfolio profitability. In 2015, we merged our Commercial Bank – Retail and Consumer Credit – Retail segments and created the Retail Banking segment. We also migrated our Private Banking, Asset Management and Latin America Activities to our Wholesale segment.

Transform the client's experience through technology



Digital trends evolve exponentially. Every day new ways to make business and use and explore content arise. At the same time, people are increasingly open to experiencing the world in other ways through technology. We recognize that the needs of our clients are changing in an ever-increasing pace and we are attentive to technologies that have great potential to transform the three levels of clients' relationship with us: experience (new channels, such as mobile banking), processing (Big Data and artificial intelligence) and infrastructure (new platforms, such as blockchain).

We are convinced that blockchain (technology underlying to digital and encrypted currencies) can provide more efficient solutions to our businesses and better experiences to our clients. In 2016, we were the first Latin America company to close a partnership with R3, an international innovation startup that counts more than 70 financial institutions all over the world, to contribute to the development and implementation of innovative solutions based on shared technologies.

The handling, management and analysis of large amounts of data (Big Data) has already been a reality for us for some time. We believe that the development of solutions that provide integrated views of clients allows us to identify what they are experiencing in their lives and, therefore, these solutions are critical for us to anticipate their needs and segment them in a more accurate manner.

Cubo Coworking Itaú is also a highlight, since it allows us to be closer and learn from the latest technologies and working models. In 2016, Cubo completed one year as an important technological entrepreneurship center in Brazil, promoting connections that were essential to leverage businesses, ideas and initiatives of a new generation of entrepreneurs and digital startups.

Products and Services

Retail Banking



Our Retail Banking segment offers services to a diversified base of account holders and non-account holders, individuals and companies. This segment represents an important funding source for our operations and generates significant financial income and banking fees. This segment is segregated according to client profiles, which allows us to be closer and understand our client's needs, enabling us to better offer the most suitable products to meet their demands.

Itaú Retail Banking, including Itaú Personnalité

Our core business is retail banking and through our retail operation we offer a dedicated service structure to consumer clients throughout Brazil. We classify our retail clients as individuals with a monthly income up to R\$4,000. We offer exclusive services to our Itaú Uniclass clients, clients who earn more than R\$4,000 and below R\$10,000 per month, including investment advisory services, exclusive cashiers, special telephone service and higher credit limits and a large team of dedicated relationship managers. Clients who earn more than R\$10,000 per month or have investments in excess of R\$100,000 also have at their disposal customized services, higher credit limits and a large team of dedicated relationship managers, at Itaú Personnalité.

In 2016, we reached a market share of 11.7% based on the total outstanding loan balance in Brazilian reais, positioning us as the third largest bank in this segment in Brazil.

Itaú Empresas (very small and small companies)

We offer customized solutions and provide detailed advice on all products and services to very small companies – clients with annual revenues up to R\$1.2 million –, and small companies – clients with annual revenues from R\$1.2 million to R\$30 million. Our strategy is to capture market opportunities by meeting the needs of these companies and their owners, particularly with respect to the management of cash flow, credit facilities, investment needs and services.

Public sector

We operate 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.

Wholesale Bank



Wholesale Bank is the segment responsible for banking operations of large – annual revenues over R\$300 million – and middle-market companies – annual revenues from R\$30 million to R\$300 million – and investment banking activities. The segment offers a wide range of products and services to the largest economic groups in Brazil and Latin America. One of the most important features of our Wholesale Bank is the set of initiatives linked to improving efficiency in our operations.

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.

In 2016, Itaú BBA ranked first in mergers and acquisitions, and ranked second in origination and in distribution in capital markets transactions.

Itaú Private Bank

With a full global wealth management platform, our clients have access to a complete portfolio of products and services, ranging from investment management to wealth planning, credit and banking solutions in our offices located in Brazil, Zurich, Miami, New York, Santiago, Asuncion and Nassau.

Itaú Asset Management

Itaú Asset Management is responsible for managing clients' assets. It has positioned itself as the largest private asset manager in Brazil, with 16% market share in assets under management, and one of the leading institutions of its kind in Latin America, by having over R\$527.0 billion. The asset management industry held assets totaling R\$3,480 billion, with competition concentrated among Banco do Brasil S.A. and Banco Bradesco S.A.

In 2016, our market share in terms of assets under management was 15.1%, positioning us as the third asset manager in Brazil.

Capital markets solutions

We provide local custody and fiduciary services, international custody services, and corporate solutions for Brazilian companies issuing equity, debentures, promissory and bank credit notes. We also work as guarantor in transactions for project finance, escrow accounts and loan and financing contracts. Pension funds, insurance companies, asset managers,

international institutional investors and equity and debt issuers are our primary clients in these businesses, representing approximately 3,000 clients in 19 countries and R\$2.6 trillion of assets under service.

It includes local custody and fiduciary services, international custody services, and corporate solutions that act as transfer agent and stockholder servicer for Brazilian companies issuing equity, debentures, promissory and bank credit notes. Additionally, we work as guarantor in transactions for project finance, escrow accounts and loan and financing contracts.

Itaú Corretora (brokerage)

Itaú Corretora has been providing brokerage services in BM&FBovespa since 1965. We provide Retail brokerage services in Brazil to over 130 thousand clients with positions in the equity and fixed income markets, accounting for approximately R\$40 billion in trading volume.

Main financial products and services offered to our clients

Credit cards and commercial agreements

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 million current and non-current account holders. Our main goals in the credit card business are to continually grow our portfolio, improve its profitability, manage the quality of our assets and pursue the Total satisfaction of our clients. The Brazilian credit card market is highly competitive, growing 13% over the last four years, according to the Brazilian Association of Credit Card Companies and Services (Associação Brasileira das Empresas de Cartões de Crédito e Serviços, or ABECS). 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.

We are the leading company in terms of card transaction volume in Brazil, with a 37.1% market share in 2016.

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. Our strategy is to expand our activities in businesses with historically lower risk, achieving a leading position in the offering, distribution and sale of payroll loans in Brazil.

In 2016, we obtained a market share of 15.5% in terms of payroll loans, positioning us as the third largest bank in this segment in Brazil.

Vehicle financing

Since 2012, we have reduced our risk exposure in this sector and focused on clients with better risk profiles, which allowed us to improve the credit quality of our vehicle loan portfolio. The relationship between the loan amount and the value of the goods purchased reached 68.1%, following a downward trend from the previous year, when it reached 70.8%.

In 2016, we reached a market share 10.3% in terms of loans to individuals among banks, positioning us fourth in Brazil in this segment.

Real estate financing and mortgages

We have been leaders in mortgage loans to individuals among Brazilian private banks since to 2008, which reflects our focus on this business aligned with our strategy of migrating to lower risk portfolios. We offer products through our network of branches, real estate developers and brokers, including business partnerships. Our main commitments focus on creating loyal relationships, contributing to the social and financial development of our clients and strategically aligning our investments with lower risk companies.

In 2016, we were leaders in new loans to individuals among Brazilian private banks, with a 41.9% market share, and ranked second in terms of new loans to individuals among all Brazilian banks, with a market share of 22.8%.

Consortia

A consortium is a self-financing system created in Brazil with a view to foster savings for the purchase of vehicles and other assets, such as real estate. Participants are pooled according to the specific asset they elect to purchase, which will be paid for in installments. 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.

In 2016, we had a market share of 8.4% in total consortia service fees. Considering only banks, we are the second largest provider of such services in terms of fees in Brazil.

Merchant acquirer

REDE (formerly Redecard) is one of the two largest multi-brand acquirers of credit, debit and benefit card transactions in Brazil. Our goal is to be the main partner for merchants that are seeking higher business potential with a focus on IT investments, infrastructure and POS modernization. In October 2015, we acquired 50% of the capital stock of ConectCar, a company which operates in the payment services business providing intermediation services for the automatic

payment of tolls, gas and parking fees. The acquisition is in line with our strategy of developing innovative electronic payment channels with high growth potential in the Brazilian market.

In 2016, we reached a 34.6% market share 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.

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.

Giving effect to our 30% ownership interest in Porto Seguro S.A., in 2016, we reached a 10.0% market share in Total insurance market based on earned premiums, positioning us as the fourth largest insurance company in Brazil. Considering only our insurance core activities, we reached a 12.6% share in this specific market in the same period.

Private pension plans

We offer private pension plans to our clients as an option for wealth and inheritance planning and income tax purposes. 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.

In 2016, our balance of provisions represented 22.8% of the market share for pension plans, positioning us as the third largest pension provider in Brazil.

Premium bonds

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 in premium bonds automatically qualifies a client to participate in periodic raffles, each time with the opportunity to win a significant cash prize.

In 2016, 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.

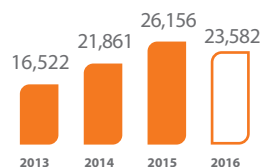


Results, highlights and challenges

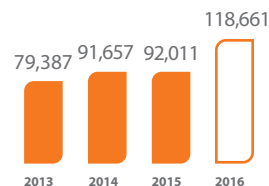
We present the main results, highlights and challenges related to our business



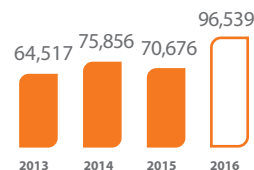
Net income |
in R\$ billion



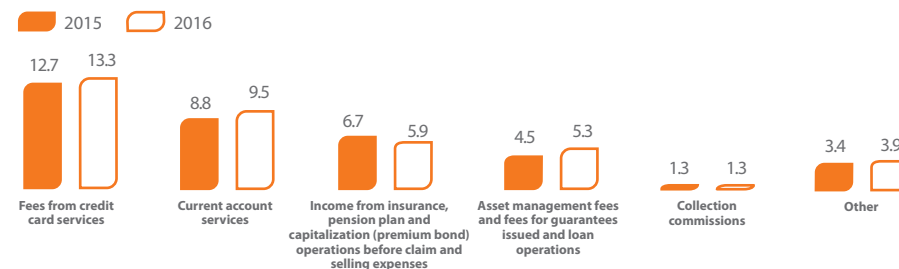
Banking product |
in R\$ billion



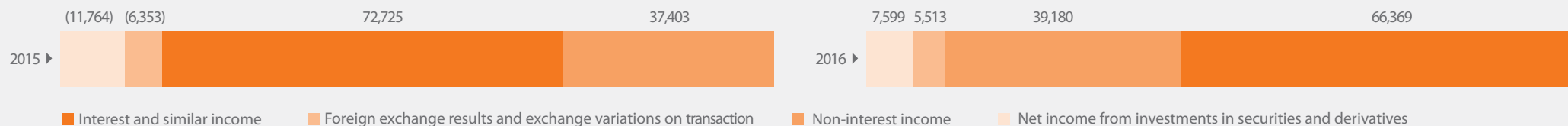
Banking product net of losses on loans and claims |
in R\$ billion



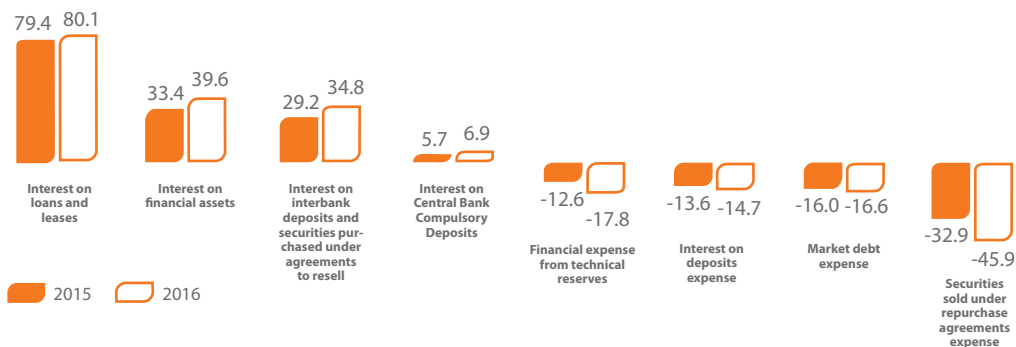
Non-interest income | in R\$ billion



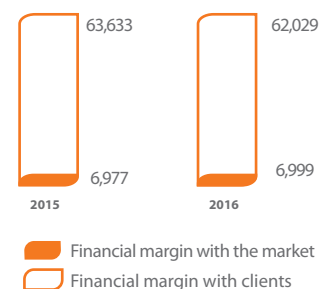
Banking product | in R\$ billion



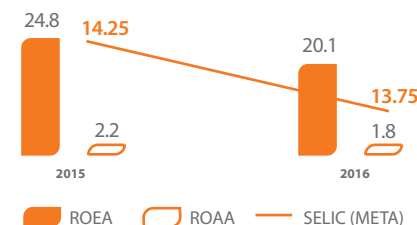
Interest and similar income | in R\$ billion



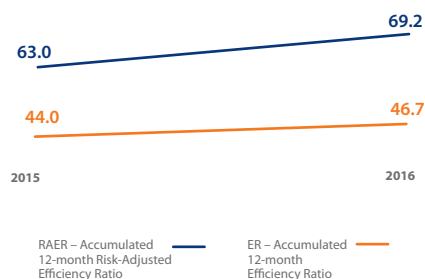
Financial margin |
in R\$ billion



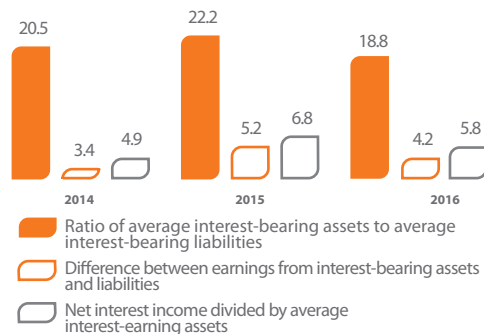
Return on Average Equity and Return on Average Assets | %



Efficiency Ratio | %



Net interest margin and spread | %



Main results related to the social capital



Customer satisfaction survey

We conduct competitiveness surveys jointly with leading research institutes in Brazil to measure customer satisfaction regarding banking services from specific business units and compare the results with those of our competitors. Accordingly, we monitor key market players and understand the market requirements on satisfaction of impartial market realities, allowing us to define action plans focusing on improvements to better serve and attract new clients.

The index results in an evaluation with a scale from 0 to 10, where 0 represents customers less satisfied and 10 the most satisfied customers.

Customer satisfaction index (0-10)



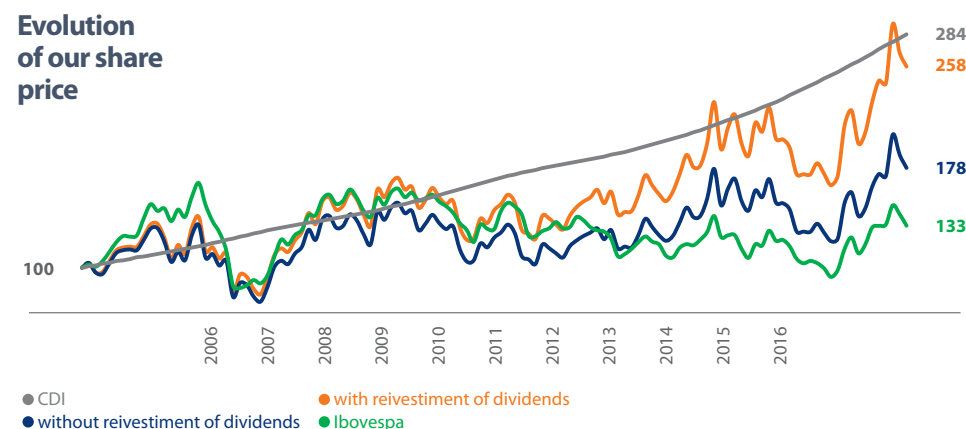
Statement of Cash Flows | in R\$ billion

	2016	2015
Adjusted net income	97,507	56,881
Net income	23,582	26,156
Adjustments to net income	73,925	30,725
Change in assets and liabilities	(67,196)	(91,340)
Net cash from (used in) operating activities	30,311	(34,459)
Net cash from (used in) investing activities	14,429	(361)
Net cash from (used in) financing activities	(22,329)	(8,529)
Change in cash and cash equivalents	22,411	(43,349)

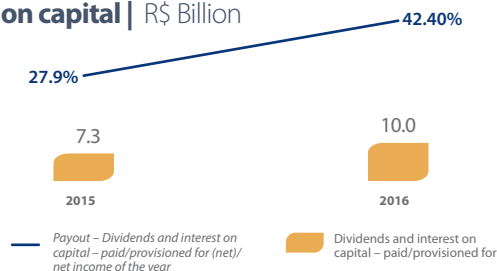
Challenges

Challenges	Forecast 2016	Actual	Forecast 2017
Expanding our loan portfolio with endorsements and sureties	-10.5% to -5.5%	-11.0%	0.0% to 4.0%
Expenses for allowance for loan and lease losses net of recovery	Between R\$23 billion and R\$26 billion	22.4	Between R\$14.5 billion and R\$17.0 billion
Managerial financial margin	With clients -2.5% to 0.5%	-2.5%	With clients -4.0% to -0.5%
Non-interest expenses	2.0% to 5.0%	4.90%	1.5% to 4.5%
Service fees and result from insurance operations	4.0% to 7.0%	4.90%	0.5% to 4.5%

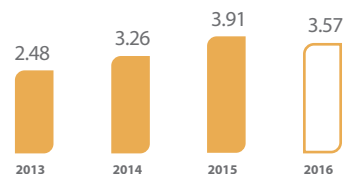
Evolution of our share price



Dividends and interest on capital | R\$ Billion



Basic earnings per share | R\$



Tax incentives by category (R\$ million)

	2015	2016	Changes % (year/year)
Donations of funds for child and adolescent rights	22.4	15.8	-29%
Rouanet Law for cultural support	87.0	74.4	-14%
Sports sponsorships	22.4	12.4	-45%
Audiovisual activities	0.8	0.3	-63%
Other ⁽¹⁾	65.3	31.9	-51%
Total	197.9	134.8	-32%

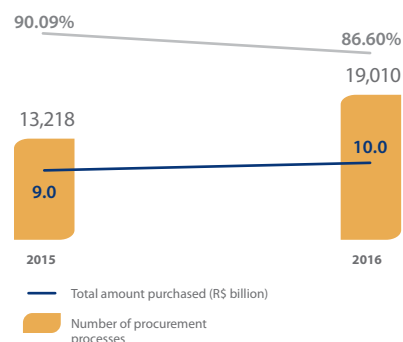
Financial education

	Enable real achievement	Provide assistance in the financial decision-making process	Enhance the topic across society
	<p>Provide transparent products, services and offers that help our clients make more conscious decisions with money, to enable them to reach personal goals.</p>	<p>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.</p>	<p>Contribute to the discussion of the topic across society, and inspire people to make better decisions with their money, promoting individual and collective prosperity.</p>
Targets 2018	<ul style="list-style-type: none"> Financial orientation aligned with products, services and solutions offered by the bank, with impact evaluation about the offer of the right product at the right moment. Improvement of customer satisfaction performance, by <i>Cultura de Atendimento</i> project and excellence in solutions and offers. Expansion of financial orientation to all training in the commercial area. 	<ul style="list-style-type: none"> Digital platform that integrates knowledge of financial education, embracing different moments of life and financial products and services, offering content and solutions to banking and non-banking clients. 	<ul style="list-style-type: none"> Communication campaigns related to financial decisions, reaching 50 million people. Reach more than 3,000 active volunteers for the <i>Uso Consciente do Dinheiro</i> (Conscious Use of Money) program in Brazil and Latin America.
Status 2016	<ul style="list-style-type: none"> 327 products and services evaluated in 2016 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. 35,405 employees and 15,760 people from third parties trained on Financial Education. 	<ul style="list-style-type: none"> Digital platforms with content for different purposes: investment, protection, conscious credit and conscious use of money. More than 21 million views since 2014. Content hub with people's questions and financial guidance. Financial Education Program to employees since 2009. Includes communication campaign, in-person and distance learning and financial advice. Financial Education Program offered without charge to more than 700 corporate clients in Brazil, with managers who multiply the topic. More than 23,000 clients already impacted. 	<ul style="list-style-type: none"> Campaigns for financial guidance in social networks. In 2016, we launched the <i>"Vida Real"</i> (Real Life) campaign, which impacted 42 million people. Financial guidance for purposes of merchandising at the <i>"Caldeirão do Huck"</i> TV program, on Globo channel. By the end of 2016, we reached 7 participations, impacting more than 55 million people. Volunteering Program <i>"Uso Consciente do Dinheiro"</i> (Conscious Use of Money). The new format, launched in 2015, already has around 1,000 active volunteers in Brazil and Latin America.

Supplier indicators



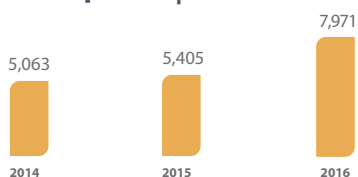
Approval rate – suppliers (% | Brazil)



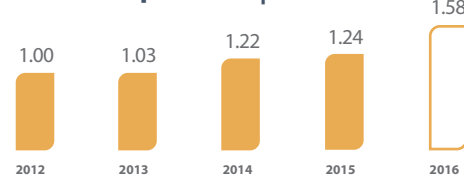
Income Tax and Social Contribution | R\$ billion



Tax expenses | R\$ billion



Dividends per share | R\$



Information under the local accounting standards (Brazilian GAAP).

Externalities

The banking system plays a key role in boosting economic growth and has become part of the everyday life of millions of people.

Through our Sustainability Governance, we have implemented a study, developed by a specialized consulting, which was able to measure the socio-economic contribution of Itaú Unibanco operations and impacts generated by ten different credit-related products offered to our clients, which are called “catalyzing impacts”.

For that, we applied the **Utopies’ LOCAL FOOTPRINT®** methodology⁽¹⁾, which simulates the socioeconomic impacts based on data collected within the company corresponding to the financial flows injected into the economy and local production. This tool enables us to measure the economic contribution expressed in terms of the jobs maintained – and the value added generated (translated into Gross Domestic Product, or GDP).

Credit 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. Employee data, individual and legal credit products and financial information used in the study refer to the accounting year 2015.

Based on the findings of this study, it would be possible to create indicators and have a basis to implement policies that are more appropriate to our value chain and from there position ourselves on the theme, thus reinforcing our commitment to sustainable performance, local development and our main stakeholders.

Information on the study

Impacts of operations

These are the “direct” social and economic impacts of the jobs created and maintained or income generated, which also take into account the effects of our relationship with suppliers, resulting in a continuous chain for the suppliers of our suppliers, and so on, until the economic flow reaches zero, which “indirectly” fuels the Brazilian economy.

Meanwhile, the compensations paid to our employees and the compensations paid to our suppliers support our “induced” impact of household consumption, in addition to financing public spending, thanks to the tax receipts.

Catalyzing impacts

These are the impacts of the operations of the ten products analyzed in this first study, five of which are related to individuals and five to corporations.

All products that were analyzed under this study are related to credit; therefore, the direct impacts are not taken into consideration in this analysis. However, we still have indirect and induced impacts since the introduction of these amounts into the economy results in relationships with suppliers until the economic flow reaches zero (indirect impacts) that lead to an increase in household consumption (induced impacts).

In both cases, we classified three types of impacts that were analyzed in the study:

- **Direct impacts** – financial margin, taxes, purchases and sectors of suppliers, production and even number of workers.
- **Indirect impacts** – how this disseminates to the different sectors, particularly in the supply chain, such as tier 1, 2, 3, etc. suppliers.
- **Induced impacts** – household consumption and operating expenses of public bodies.

(1) Utopies’ LOCAL FOOTPRINT®, is a tool that enables us to segregate results by country of operation. It is a model that simulates the economic impacts used to show, at a given time, the economic weight by region of a company/a portfolio of investments or loans and their inter-relationships with other sectors. This methodology is, therefore, designed to perform simulations of the economy to estimate the average economic impacts by sector and region.

Information on the study

PIB (in billions of reais, or R\$)

Direct impacts
(interest margin)

**Itaú
Operations**
71
billion

Products
-

Total
71
billion

Indirect impacts
(supply chain)

10
billion

90
billion

100
billion

Induced impacts (household consumption
of families and public spending)

38
billion

85
billion

123
billion

Total impact

119 billion

175 billion

294 billion



5% of
Brazilian
GDP in 2015

R\$1 = R\$4.16

Each R\$1 of GDP directly
generated by Itaú and
its analyzed products
contributes the equivalent
to R\$4.16 to total GDP
generated in Brazil.

Jobs (in numbers of Jobs)

Direct impacts
(number of employees)

83,481

-

83,481

Indirect impacts
(supply chain)

175,512

2,287,591

2,463,103

Induced impacts (household consumption
of families and public spending)

860,905

1,932,889

2,793,794

Total impact

1,119,898

4,220,480

5,340,378



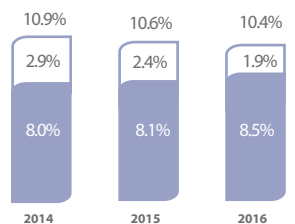
6% of the
population
employed in
Brazil in 2015

1 = 64

Each job directly maintained
by Itaú (by its operations and
the analyzed products)
contributes to the
maintenance of the equivalent
of 64 jobs in Brazil.

*Numerical data of 2015

Main results related to the human capital

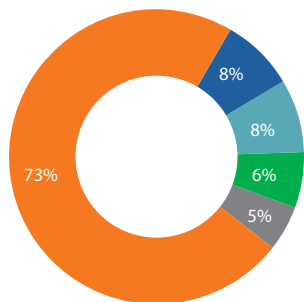


□ Voluntary ■ Involuntary

Speak Frankly Survey | Brazil and International Units

	2013	2014	2015	2016	Changes % (year/year)
% participating employees	89%	89%	88%	89%	1%
% satisfaction	76%	80%	82%	85%	4%

Average training hours per employee



Hierarchical level

● Administrative	24
● Interns	25
● Commercial and operational	18
● Managers	15
● Trainees	218

Awards and Recognition



In 2016, we received a series of awards and recognition helping to further strengthen our image and reputation.

14 international awards and the highlights are listed below:

- Latin American Excellence Awards (Communication Director magazine – January 2016) – We were awarded in the CSR Report category, with the Integrated Report 2014. The Latin American Excellence Awards recognizes the achievements related to Public Relations and Communications among Latin American companies that applied to the award. It is organized by Communication Director magazine, a European quarterly publication, headquartered in Germany, focused on corporate communications, public relations and public affairs. This international award covers the five continents.
- Efinance Award (Financial Executives – May 2016) – We were awarded in the FinTech category, with the “Cubo” case. Rede was recognized in the B2B channel category.
- Top 1000 World Banks 2016 (The Banker - July 2016) – We were the winners of the Top 25 ranking in Latin America and the Caribbean.
- Leading Companies in Transparency (CDP Latin America - December 2016) – For the third consecutive year, we were recognized as the one of the leading companies in terms of transparency.
- Bank of the Year (The Banker - December 2016) – We were elected “Bank of the year - Brazil” by The Banker magazine.

7 national awards and the highlights are listed below:

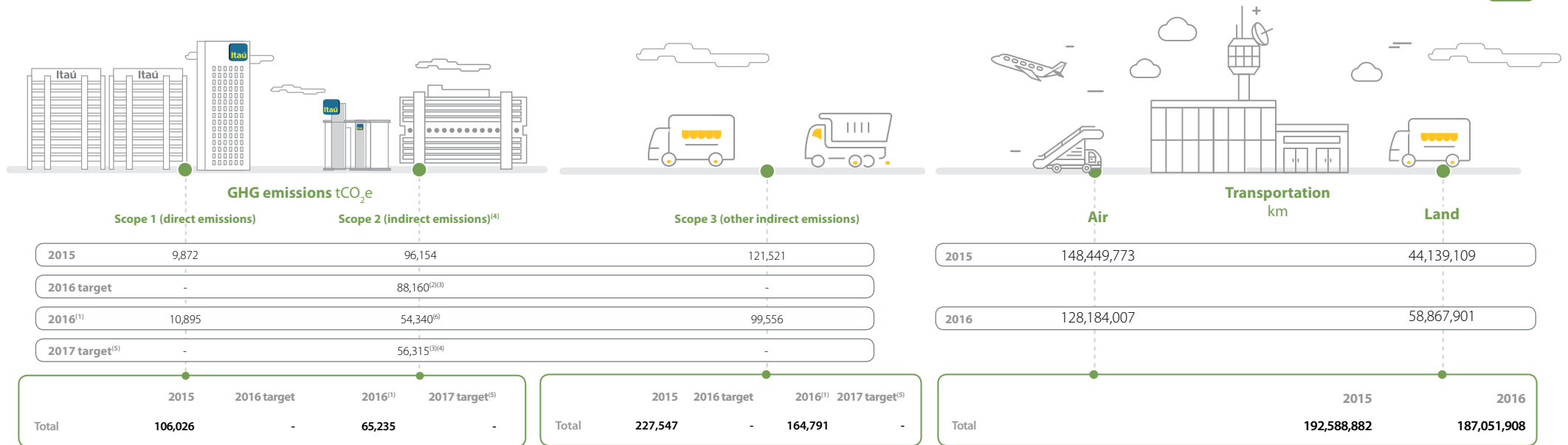
- Executivo de Valor 2016 (“Valuable Executive”) (Valor Econômico magazine – May 2016) – In the 16th edition of this award, Roberto Setúbal was the executive elected in the “Banks and Financial Services” sector.
- As Marcas Brasileiras Mais Valiosas (The Most Valuable Brands in Brazil) (Interbrands - December 2016) – For the 13th time, we were ranked first in the list of the most valuable brands in Brazil, with an estimated value of R\$26.6 billion, an 8% increase from 2015.
- Empresa Pró-Ética (Pro-Ethical Company) (Ministry of Transparency, Supervision and Controls – November 2016) – We are one of the 25 companies awarded for promoting a fairer, more ethical and transparent corporation in Brazil.
- Mais Valor Produzido (More Value Produced) (MVP – Banks 2016) Ranking (Dom Strategy Partners – August 2016) – We were elected the bank with the highest value perception by its stakeholders for the third consecutive year.

LEARN MORE_

[Click here to learn more about our results, highlights and challenges](#)



Consumption and targets related to the natural capital



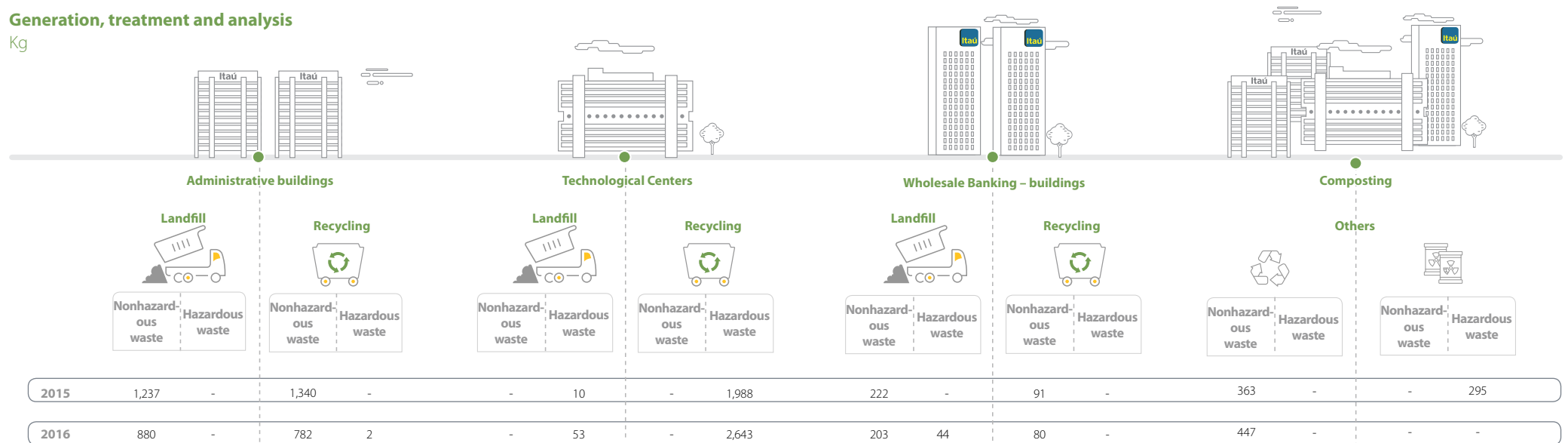
(1) Data excludes emissions of Chile units.
(2) Based on the grid emission factor for 2015.

(3) Does not include IBBA and LATAM.
(4) Based on the grid emission factor for 2016.

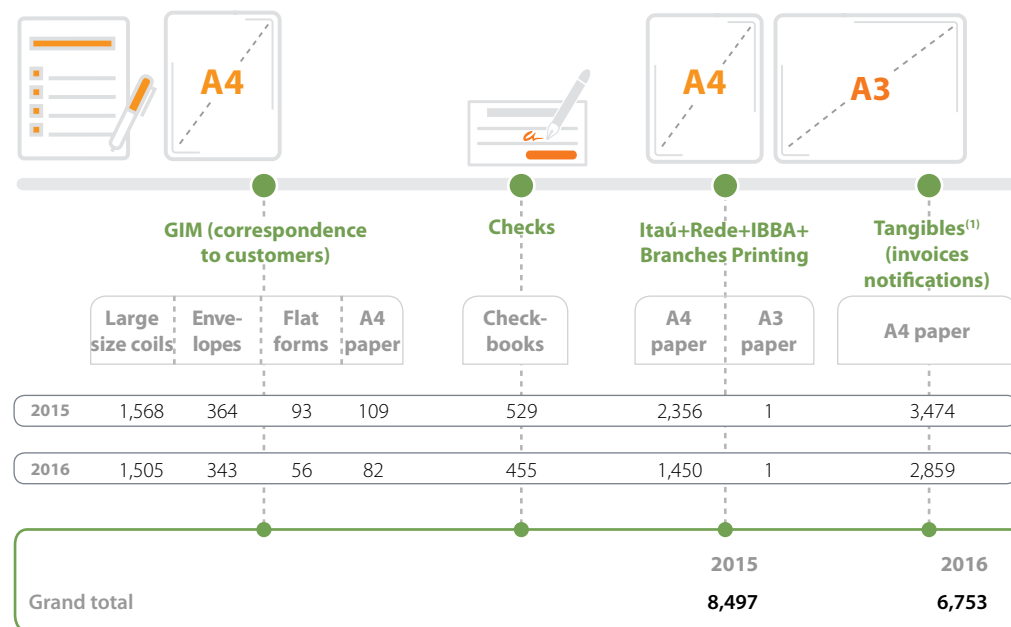
(5) Targets were set in 2015. In 2017 we will revisit our commitment due to the results already achieved.
(6) The 2016 emissions inventory includes the data from January to October 2016, which were extrapolated to the rest of the year.

Generation, treatment and analysis

Kg

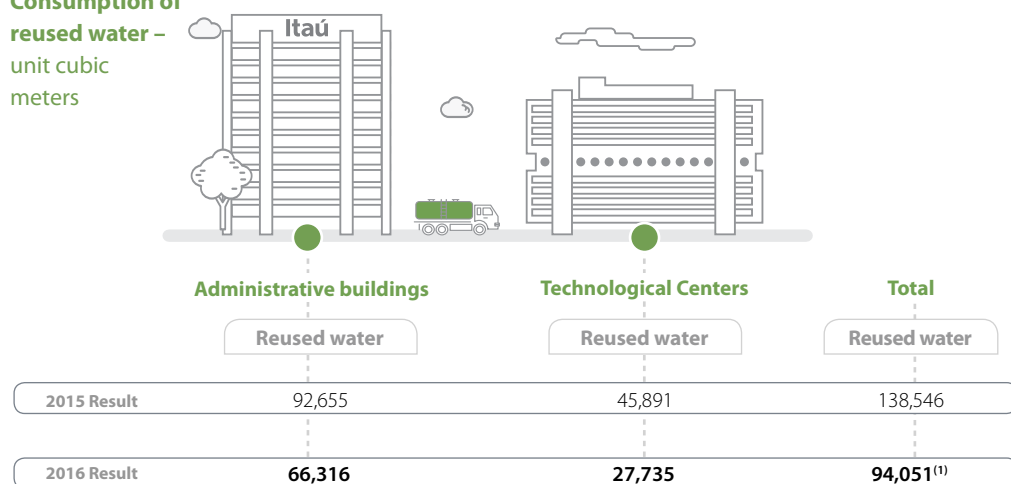


Weight of the material used per ton – volumetry (ton)



(1) 2015 data were adjusted due to changes in the control information.

Consumption of reused water – unit cubic meters



(1) The upwelling of water sheet table ("water curtain") is not included in the reporting of 2016.

Targets and Vision for the Future

2020 Target⁽¹⁾

- Reduce by 34% our energy consumption per R\$1 million of banking products, between 2012 and 2020⁽¹⁾.
- Achieve, by 2020, a PUE (Power Usage Effectiveness) of 1.60, 19% lower than in 2015.
- Acquire, by 2020, 96% of the energy for administrative buildings from renewable sources, 55% more than in 2012⁽¹⁾.

Performance in 2016

- We already reached the target for 2016 and surpassed it by 16%, with an indicator of 5.43 MWh/R\$1 million⁽²⁾⁽⁴⁾.
- In 2016, we achieved a PUE of 1.97.
- Currently, 89% of the energy for administrative buildings comes from renewable sources.



- Reduce by 28% our water consumption by R\$1 million of banking product between 2012 and 2020⁽¹⁾.

- We already met the relative target for 2016 and exceeded it by 13% – 1.82 m³/R\$1 million⁽¹⁾⁽²⁾⁽³⁾.



- Reduce by 34% our Scope 2 emissions by R\$1 million of banking product between 2012 and 2020⁽¹⁾.

- Currently, we have reduced our Scope 2 indicator by 41%.



- Reduce by 32% the allocation of waste from our administrative units to landfills between 2012 and 2020⁽¹⁾.

- We have reduced by 24% waste allocation of administrative buildings in landfills, compared to 2015.



- Reduce by 32% our business travel indicator, which shows the km traveled per banking product between 2012 and 2020⁽¹⁾.

- We achieved a 2.9% decline in kilometers traveled when compared to 2015.



- In 2016, the generation of WEEE in 2020 was estimated at 178 tons. This estimate included data from the branches (ATMs) and Central Management – Microcomputing (desktops).

- In 2016, 2,643.45 tons was generated.

(1) Does not include Wholesale Banking buildings.

(2) The banking product published in the MD&A totaled R\$108,329 million.

(3) Does not include reused water.

(4) Energy consumption considered does not include Wholesale and LATAM.

CorpBanca is a commercial South American bank, headquartered in Chile and with operations in Colombia and Panama. It started operations in 1871, under the corporate name “Banco de Concepción”, and since then it has been positioned as one of the main banks in Chile. In 1995, the “Corp Group”, a holding of Chilean and North American investors, acquired the bank operations, changing its name to “CorpBanca”, which is the current corporate name.

In April 2016, we completed the merger of operations of Banco Itaú Chile (BIC) and CorpBanca, and now hold the control of Itaú CorpBanca, with a 33.58% ownership interest in its capital. The merger was already approved by all the appropriate regulatory authorities in Chile, Brazil, Colombia and Panama, as well as by CorpBanca and BIC stockholders.

After the completion of the operation, we now rank fourth from seventh in the ranking of the largest private banks in Chile in terms of loans, and entered in the retail market in Colombia through Banco CorpBanca Colômbia S.A. – fifth largest bank in terms of loans, which will also operate under the brand “Itaú”.

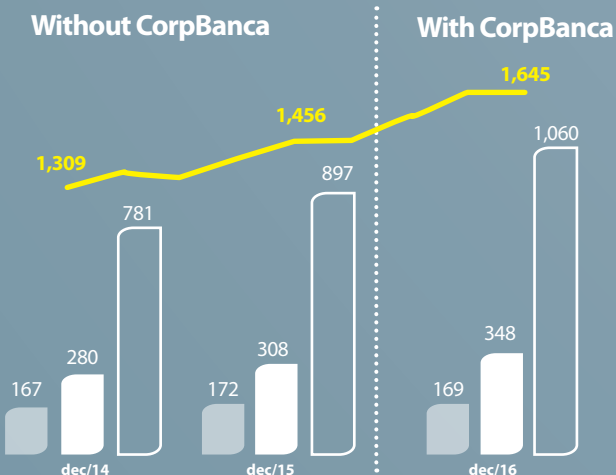
In April 2016, Itaú CorpBanca started to be consolidated in the financial statements of Itaú Unibanco Group, and added approximately R\$114 billion in assets in the balance sheet.

In October 2016, we acquired 10.9 billion shares of Itaú CorpBanca for R\$288.1 million, as set forth in the stockholders’ agreement. Therefore, our interest ownership in Itaú CorpBanca reached approximately from 33.58% to 35.71%.

CorpBanca – Balance Sheet	April 2016
Assets	
Investments and Financial Assets	24
Loan and Lease Operations, Net	75
Other Assets	15
Total Assets	114
Liabilities and Stockholders’ Equity	
Funding	72
Funds from Markets	23
Other Liabilities	12
Net Assets	7
Total Liabilities and Stockholders’ Equity	114

The evolution of funding from clients with the acquisition of CorpBanca is presented below | R\$ billion

- Demand and savings deposits
- Investment Funds + Administrative Portfolios + Technical Provisions of Insurance, Pension Plan and Capitalization (Premium Bonds)
- Time deposits + Debentures + Funds from bills
- Total – Funds from Clients + Interbank deposits



LEARN MORE
Click here for more
information on Itaú CorpBanca

Independent auditor's limited assurance report on the 2016 Integrated Report

To the Board of Directors
Itaú Unibanco Holdings S.A.

Introduction

We have been engaged by Itaú Unibanco Holdings S.A. ("ItaúUnibanco") to present our limited assurance report on the compilation of the selected information related to 2016 Integrated Report for the year ended December 31, 2016.

Responsibilities of the management of the Company

The management of Itaú Unibanco is responsible for the preparation and fair presentation of the selected information included in the 2016 Integrated Report, in accordance with the criteria issued by International Integrated Reporting Council (IIRC) 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.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the selected information included in the 2016 Integrated Report, 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 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 information included in the 2016 Integrated Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion 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.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information included in the 2016 Integrated Report, 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 information included in the 2016 Integrated Report of Itaú Unibanco;
- (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 information included in the 2016 Integrated Report.
- (d) comparing the financial indicators with the consolidated financial statements in IFRS and/or accounting records; and
- (e) verifying that the Integrated Reporting includes information about the content elements and the basic principles established in the guidelines proposed by the Framework issued by the IIRC.

The selected information subjected to our limited assurance report, for the year ended December 31, 2016, are included in the following sections:

On section Context:

- . 2nd Position of Itaú Unibanco Holding S.A. and its competitors in the Bank ranking by total assets (page 6);

On section "Client Relationship":

- . Customer Satisfaction Index (page 24);
- . Percentage of clients attended in the ombudsman (page 24);
- . Percentage of complaints to the ombudsman that were resolved (page 24);
- . Percentage of requests registered in *consumidor.gov* website (page 24);
- . Percentage of registered complaints in the SAC that were resolved (page 24);
- . Average time responses on social networks (page 24);

On section "Stockholders Relationship":

- . Ownership structure (page 27);

On section "Suppliers Relationship":

- . Purchasing process in suppliers subtitle (page 27);
- . Suppliers per region (page 27);
- . Percentage of action plans implemented regarding the audits realized (page 27);

On section "Society":

- . Social private investment amounts (page 28);
- . Bikes availability (page 29);

On section "Human Capital":

- . Employee profile managed by HR (page 32);
- . Quantity and percentage of solution of complaints registered in internal Ombudsman (page 33);

On section "Manufactured Capital":

- . LEED Certification of Centro Tecnológico Mogi-Mirim (page 37);

On section "Natural Capital":

- . Energy Consumption (page 38);

On section "Business Management":

- . Administration Structure (page 39 to 41);

On section "Our Material Topics":

- . The process of stakeholder engagement and definition of materiality in accordance with the principles of the rule AA1000APS (page 55);
- . Material Topics (page 56).

On section "Results, Highlights and Challenges":

- . *Fale Francamente* Survey (page 68);
- . Waste Disposal Methods (page 69);
- . Water Consumption (page 70);

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 issuance of an opinion on the information included in the 2016 Integrated Report. Consequently, we are not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an assurance engagement, the objective of which is the issue 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 information included in the 2016 Integrated Report. Therefore, we do not express an opinion on this information.

Non-financial data are 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 periods, 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 the information included in the 2016 Integrated Report has not been compiled, in all material respects, in accordance with the guidelines of the criteria described throughout this report.

São Paulo, April 20, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



Please state your opinion

We are available to take your suggestions or respond your queries about the Integrated Report.

