

Consolidated
Annual
Report
2016





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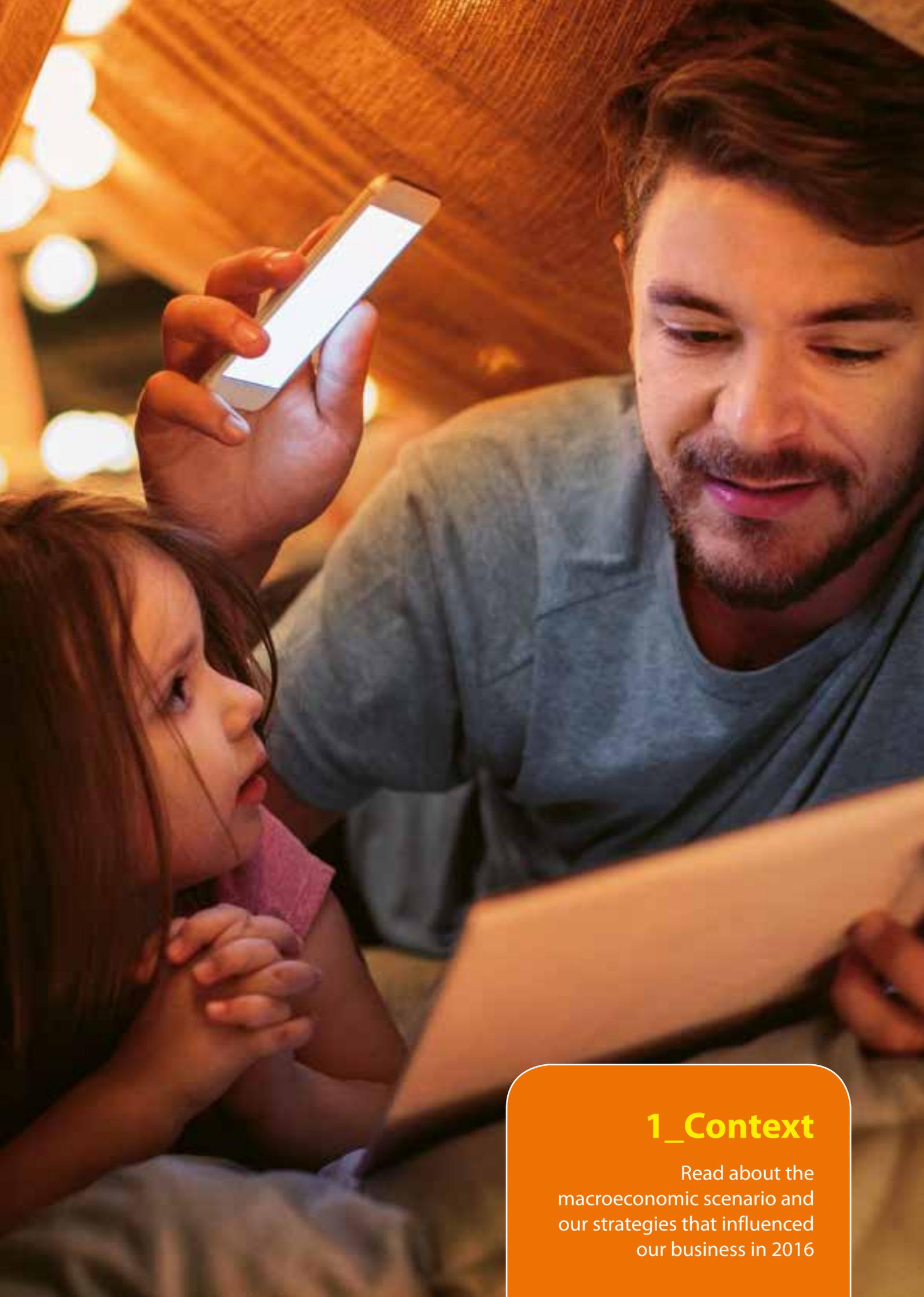
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1_Context

Read about the macroeconomic scenario and our strategies that influenced our business in 2016

Context

Macroeconomic context

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Global context

The world economy, as well as the credit and capital markets, show signs of improvement but continue to grow at a moderate pace. Political uncertainty, however, remains.

Global GDP is expanding at a moderate pace. As noted below, U.S. real GDP grew by 1.6% in 2016 and is expected to expand at a rate of 2.3% in 2017 (according to the Federal Reserve Bank of Philadelphia's Fourth Quarter 2016 Survey of Professional Forecasters). The Eurozone and Japan have been recovering at modest economic growth rates. Meanwhile, growth in China is stable for now, and growth in other emerging markets has been increasing.

The new U.S. administration has started to implement major changes in U.S. economic policy. A moderate fiscal expansion with the U.S. economy close to full employment will likely lead to a faster tightening of monetary policy, putting pressure on emerging market currencies and local interest rates. In addition, any protectionist policies the U.S. might pursue could negatively impact global economic growth.

In the Eurozone, the economy has been recovering at a modest pace following fiscal reforms and implementation of expansionary monetary policies by the European Central Bank (ECB), which improved both confidence and financial conditions. As such, 2016 saw a 1.7% GDP growth, and early 2017 data show no sign of a slowdown. However, the recovery is clouded by political uncertainties surrounding the Eurozone. The UK triggered Article 50 at the end of March 2017, and "Brexit" will continue as a source of uncertainty in the years to come. Additionally, France will face general elections in 2017, and there are risks that Eurosceptic factions might emerge victorious. Thus far, the political events have seen little economic spillover. Nonetheless, risks are tilted to the downside as European politicians continue to struggle to find solutions to the growing Eurosceptic movements around the continent, which is aggravated by continued problems with migration and terrorism. Please refer to [section Our Risk Management, item Risk Factors](#), The U.K. exit from the European Union could adversely impact our business, results of operations and financial condition for further details about Brexit Risk Factor.

Given the unprecedented monetary policy measures implemented by developed countries since 2008, liquidity has been available for investment in emerging markets, supporting asset prices in those markets. As the U.S. economy has continued its recovery and its outlook remains positive, the U.S. Federal Reserve has begun to raise interest rates, as announced at the Federal Open Market Committee of the Federal Reserve's December 2015 meeting. The United States Federal Reserve increased interest rates again in December 2016 and in March 2017, and currently anticipates it may well be appropriate to continue on a gradual path of increases of the target range for the Federal Funds rates.

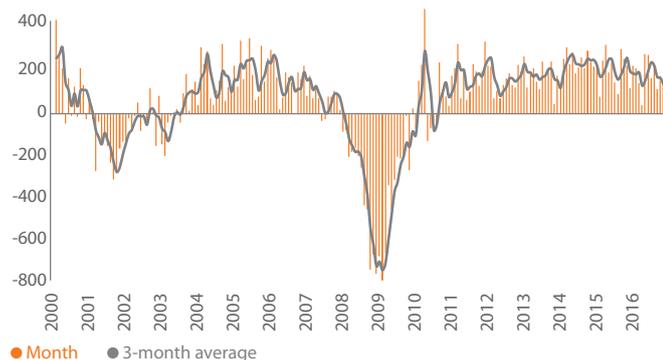
Between 2013 and 2016, significant amounts of financial resources were withdrawn from investments in the emerging markets in response to weak growth in these economies and in anticipation of the gradual monetary tightening in the U.S. However, signs emerged during 2016 that these financial flows were returning to emerging markets as commodities prices stabilized and economic fundamentals improved in some emerging markets economies. Nonetheless, the global economic outlook remains uncertain with significant downside risks. These risks may still result in periods of increased volatility in asset prices in emerging markets and could also affect our operational results.

U.S. real GDP grew 1.6% in 2016, according to U.S. Bureau of Economic Analysis' advanced estimates, compared to 2.6% in 2015. The economic expansion is expected to continue at a moderate pace in 2017 (according to the Survey of Professional Forecasters issued by the Federal Reserve Bank of Philadelphia), sustained by solid domestic demand. Domestic demand should be supported by: (i) accommodative monetary and financial conditions; (ii) consumers and business optimism, according to the January surveys data published by The Conference Board and the Institute for Supply Management, respectively; and (iii) a healthy labor market, with net job increases averaging 196,000 per month in the last twelve months until February 2017 and the U.S. unemployment rate of 4.7% in February 2017.



United States Job Creation – Nonfarm Payroll

(seasonally adjusted, thousands)



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

China's real GDP increased 6.8% year over-year in the fourth quarter of 2016, maintaining a steady growth in 2016. Chinese policymakers are trying to balance short-term growth with reforms designed to improve medium-term growth.

Latin American context

In Latin America, commodity-exporting economies continue to exhibit weak economic activity. According

to recent data published by INDEC (National Institute of Statistics and Census of Argentina), Argentina, which was in a recession due to the impact of the necessary adjustment in relative prices, likely presented a positive quarter-over-quarter growth rate in the final quarter of 2016.

With exchange rates evolving more favorably than in 2013 through 2015, inflation is falling in Argentina, Colombia, Chile, Uruguay and Paraguay. In this context, central banks are reducing interest rates, which will likely support an economic recovery during 2017. On the other hand, fiscal revenues remain weak, so the fiscal consolidation process is on-going, as governments try to preserve sovereign ratings. Increases in fuel prices in Mexico and the tax reform recently approved in Colombia are examples of measures taken by Latin American sovereigns to reduce their fiscal deficit.

The following table shows the real GDP growth rates in seven Latin American countries as of and for the twelve-month period ended September 30, 2016, and as of and for the years ended December 31, 2015, 2014, 2013 and 2012, except as otherwise indicated.

Real GDP Growth	As of and for the Year Ended December 31,				
	2016	2015	2014	2013	2012
	(%)				
Argentina ⁽¹⁾	(2.3)	2.6	(2.5)	2.4	(1.0)
Chile ⁽²⁾	1.6	2.3	1.9	4.0	5.3
Colombia ⁽³⁾	2.0	3.1	4.4	4.9	4.0
Mexico ⁽⁴⁾	2.1	2.6	2.3	1.6	3.8
Paraguay ⁽⁵⁾	4.1	3.0	4.7	14.0	(1.2)
Peru ⁽⁶⁾	3.9	3.3	2.5	5.8	5.9
Uruguay ⁽⁷⁾	1.5	0.4	3.2	4.6	3.5

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

(2) Source: Banco Central de Chile.

(3) Source: Banco de la República.

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

(5) Source: Banco Central del Paraguay.

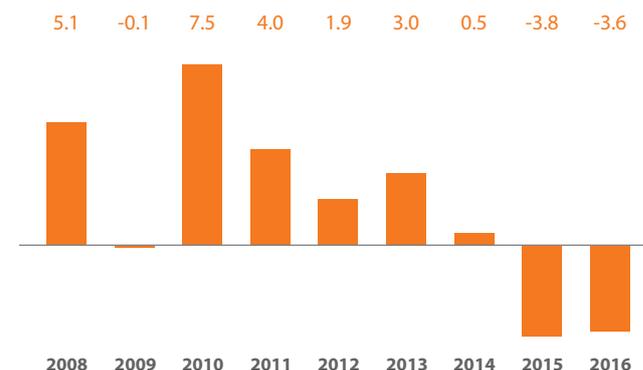
(6) Source: Banco Central de Reserva del Perú.

(7) Source: Banco Central de Uruguay.

Brazilian context

As a Brazilian bank with most of our operations in Brazil, we are significantly affected by the economic, political and social conditions in the country. From 2004 to 2011, we benefited from Brazil's generally stable economic environment, with average annual GDP growth of approximately 4.4%, during that period, which led to increased bank lending and deposits. However, Brazil's GDP growth rate declined to 1.9% in 2012, 3.0% in 2013 and 0.5% in 2014. In 2015, GDP decreased by 3.8% with 2016 economic slowdown partly reflecting a deceleration in potential growth. In 2016, GDP decreased by 3.6%.

GDP growth (%)



Source: IBGE.

Context A-5



Our profile



Our governance



Our risk management



Performance



Sustainability



Attachments



The widespread decline in inflation, due to the high level of idle capacity in the Brazilian economy and anchored inflation expectations, created an opportunity for the Central Bank to start a monetary easing cycle. After reaching 14.25% a.a. at the end of 2015, the Central Bank began to cut interest rates in October 2016. In April 2017, the Selic rate was at 11.25%. Bank lending as a proportion of GDP decreased to 49.3% in December 2016 from 53.7% in December 2015.

Selic

(nominal interest rate)



Bank Lending

(as % of GDP)



Inflation reached 6.3% in 2016, down from 10.7% in the calendar year 2015. Government-regulated prices (such as electric power prices, water and sewage tariffs and fuel prices) rose 5.5% in 2016 (down from 18.1% in 2015), while the market-set prices increased 6.6% in the same period (from 8.5% in 2015).

12-month IPCA inflation rate



Source: Itaú Unibanco Holding and IBGE.

The Brazilian primary public budget result has been on a downward trend since 2014. Cuts in discretionary spending and tax hikes proved insufficient to offset the drop in tax revenues and growth in mandatory expenditures. Over 12 months, the Brazilian primary public budget balance closed December 2016 with a deficit of 2.5% of GDP, after a deficit of 1.9% of GDP in 2015 and 0.6% in 2014. To tackle the structural fiscal imbalance, the Brazilian Congress approved a spending ceiling that will limit primary public expenditure growth to the prior years inflation for at least 10 years, representing a structural reform for the Brazilian economy. The next step is the social security reform that will be discussed in the Brazilian Congress during 2017 and is primordial to ensure that the ceiling remains feasible in the years ahead. These structural reforms are an important step toward returning to primary surpluses and stabilizing public debt in the medium-term.

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

Outstanding loans provided by Brazilian financial institutions continued its decreasing trend in the fourth quarter of 2016 adjusted for inflation. Year-to-year total bank loans fell by 9.2% as of December 2016 in real terms, compared with a contraction of 3.6% as of December 2015. Total new loans decreased by 15.7% as of December 2016 compared with a decrease of 11.3% in December 2015, both on an annualized basis. Non-performing household loans decreased 0.2 p.p. to 4.0% as of December 2016 when compared with the same month in 2015. Non-performing loans to non-financial corporations reached 3.5% in December 2016, compared with 2.6% in December 2015.



Context of Itaú Unibanco Holding

Message from the Chairman of the Board of Directors



Dear Reader,

In 2016, Brazil faced up huge economic and political challenges that have led to uncertainties and ultimately impacted our Gross Domestic Product (GDP) for the second consecutive year. Despite this scenario, we have been able to tackle a number of hurdles and managed to generate recurring net income of R\$23.3 billion⁽¹⁾ and return on equity (ROE) of 20.1%, which means adding value to our stockholders. When it comes to our capital strength, our solidity can be seen from the 19.1% Basel ratio we reached, which is higher than the minimum of 10.5% required by the Central Bank.

Over the recent years, we have focused on enhancing credit management and have also placed an emphasis on growing insurance operations and service delivery. We pursued business expansion opportunities inside and outside Brazil, continued to invest in new technologies and disseminated the Risk Culture among our employees. As a result, in 2016, our service revenue grew 8.4% over 2015, we became holders of 100% of Itaú BMG Consignado's capital, acquired Citibank's retail operations in Brazil and completed the merger between Itaú Chile and CorpBanca, with our new subsidiary Itaú CorpBanca being the resulting entity.

All of these achievements are the outcome of 90 years of dedication, the engagement of highly qualified teams, the adoption of well-defined strategies and, mainly, the establishment of a culture based on ethics and transparency. As part of this, we put a great value on meritocracy, invest in people training and implement clear anti-corruption and anti-money laundering policies across all areas of the bank.

We believe that disseminating behaviors that positively influence the management of risks inherent in our business is of paramount importance. Therefore, we have adopted a Risk Culture based on the following four principles:

- We take risks consciously;
- We discuss our risks;
- We act on our risks; and
- We all are risk managers.

Aligned with this, we understand, identify, measure, manage and mitigate risks, strengthening the individual and collective accountability of our employees so that they can make the right decision.

We recognize that our clients' needs have changed in an increasingly fast pace. For this reason, we are always attentive to technologies having potential to transform us into a bank that is more and more digital. In 2015, we co-founded Cubo, a cocreation space now having more than 40 innovative projects being developed for Itaú. We continue to invest in data scientists who are capable of tailoring and developing new systems, as well as in information security to help ensure that the most secure products are provided to our clients. We take care of the details so that our clients do not need to worry about it.

Four years ago, we initiated a change in our structure to address the succession of Roberto Setubal. Today, we are ready to begin this new cycle, in which Candido Bracher, former Director-General of the Wholesale area of the bank, assumes as the new Executive President & CEO of the group. I am optimistic about the newly adopted structure and the new members of Itaú Unibanco's Executive Committee, since they have all the ingredients that are necessary to continue to challenge barriers and add value to our investors, employees and clients.

I invite everyone to read the Consolidated Annual Report and learn more about the profile of our organization, businesses, strategies, and results. For us to become each day more transparent with our stockholders and the market, this annual report consolidates our 20-F form, Debt Prospectus (Medium Term Note – MTN Program) and GRI sustainability guidelines.

I wish you all a pleasant reading.

Cordially,

Pedro Moreira Salles
Chairman of the Board of Directors

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

Message from the Chief Executive Officer



Dear reader,

As I noted in my message on the last Consolidated Annual Report, 2016 was expected to be challenging and we would proceed with our strategy of managing risks cautiously while keeping the capitalization level high and focusing on the efficiency of operations and client service quality. This Report describes how we executed this strategy, leading us to post positive results in 2016, even in a year marked by a severe recession in Brazil, with a contraction in GDP in excess of 7% in two years.

Despite the challenging scenario, we once again ended the year strong, with consistent results which are the outcome of a business model that balances loans and leases operations with insurance products and services. This model makes the bank less vulnerable to economic cycles, thus reducing the volatility of our income.

We closed 2016 with a net income of R\$23.3 billion⁽¹⁾ and an annualized recurring profitability to average equity of 20.1%, down 9.6% from the previous year. Under the accounting practices adopted in Brazil (BRGAAP), in 2016, 61% of Net Income⁽²⁾ arise from services and massive insurance products (insurance, pension plan and capitalization operations), 15% derive from treasury operations and capital surplus, and the remaining 24%, from loans and leases, the results of which have been affected by an increased default level, causing this activity to post a 9.4% return of regulatory capital, lower than the cost of capital. We believe that, with the efforts to decrease default, already initiated at the end of the year, we will be able to come back to return levels in line with the cost of capital for loans and lease operations. This expected improvement, if materialized, will be decisive to grow our results in the coming years.

Equity attributable to the owners of the company reached R\$122.6 billion at the end of 2015, 9.2% up on 2016, while our Basel ratio at the end of the period was 19.1% and the average short-term liquidity ratio for 4Q16 was 212.8%, both higher than the minimum 10.5% and 70% required by the Central Bank, respectively.

The bank's strong level of capitalization and prospects of generating results above the capital requirement in the following years allowed management to rise, for 2016, the total dividends and interest on capital to 45% of net income⁽²⁾ and announced that this distribution is expected to be maintained at 35% and 45% in the coming years.

The value added⁽³⁾ to economy by Itaú Unibanco reached R\$61.6 billion, basically distributed among employees (32%), taxes (29%), reinvestment of net income (26%), and stockholders (11%). We supported several initiatives and projects throughout 2016. Our social investments totaled R\$474.8 million, 67% of which through donations and sponsorships made by Itaú Unibanco and 33% through funds under law incentive. Such funds have been allocated to projects to foster education, health, culture, sports and mobility, which are areas that our organization has been prioritizing over the last year.

In 2016, we announced a series of changes in our Executive Committee. As disclosed more than two years ago, after 23 years serving as the Chief Executive Officer of Itaú Unibanco, I left the position in April 2017. Since the last General Shareholders Meeting, I have, in conjunction with Pedro Moreira Salles, served as Co-Chairman of the Board of Directors. The new Chief Executive Officer of the bank is Candido Bracher, who has more than 36 years' experience in the financial market and, over the past 28 years, has served in several leading positions at BBA Creditanstalt, Itaú BBA and Itaú Unibanco, contributing to the evolution of these institutions.

Marco Bonomi ended his mandate as Retail General Manager and, at the last shareholders meeting, was nominated to be a member of our Board of Directors. With over four decades of experience in retail business, Marco will certainly make valuable contributions, considering his vast knowledge of banking activities.

After all changes already announced, the Executive Committee has now the following composition: Candido Bracher, Executive President & CEO, Marcio Schettini, General Retail Manager, Eduardo Vassimon, General Wholesale Manager, Caio David, Vice-President of Risks

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

(2) Recurring Net Income under BRGAAP: R\$22.1 billion in 2016.

(3) Includes recurring net income and the reclassification of tax effects of hedging foreign investments for the financial margin, in BRGAAP.

and Finance departments, André Sapoznik, Vice-President of Technology and Operations departments, and Claudia Politanski, Vice-President of Human Resources, Legal and Ombudsman, Corporate Communication and Institutional and Governmental Relations departments. We believe that this Executive Committee is ready to face with confidence the major challenges we have ahead.

In 2016, we invested over R\$192 million in training our more than 94 thousand employees, focusing not only on their technical qualification but also on the dissemination of our Risk Culture, which is a critical factor in managing our organization.

Also, in 2016, our expansion occurred by means of acquisitions, with an emphasis on the consolidation of Itaú CorpBanca in Chile into our balance sheet, which represented an addition of R\$71 billion to our loans and leases portfolio, the acquisition of Citibank's retail business in Brazil, the acquisition of Recovery – a company specialized in debt collection – and the remaining 40% in Itaú BMG Consignado's capital.

To ensure that we are able to meet our clients' needs, we continue to expand our offerings of products and services through digital channels. If eight years ago, around 74% of our transactions were conducted from standard channels, in 2016, 73% are conducted from digital channels, which represented 10.9 billion in transactions.

We started this year expecting 2017 to be better for Brazil, with some growth for the economy and the bank's results. We will work to continue our distinguished performance, focused on the challenges and opportunities that lie ahead.

Finally, I wish to thank for the continued trust and support I have received over the 23 years in which I led the bank. It feel privileged for having worked with so many qualified and dedicated employees, with whom I share the merits of the results reached in the period.

My warmest regards.

Roberto Setubal
Executive President & CEO



Building a bank that's ever more digital

We always believed in the potential of technology to make people's lives easier and continue to enhance our relationship with our customers. Based on this, we have come this far and built our company over nearly a century.

In the 1960s, when no one ever imagined that technology could change the relationship between people and companies, we were already certain that it would be essential for us to keep up with the times in an ever changing world.

Our story is proof of that. In 1970, Itaú built one of the first four main data processing centers in Brazil. It was also during that decade that Unibanco became the first Brazilian bank to start using the IBM 360 processing system. In 1983, we were the first bank to introduce ATMs in Brazil. And we didn't stop there. Because we focus on our customers' needs, in 2013 we created the digital branches, a new way of servicing our customers with online and after-hour services, keeping a close relationship with them. Also, in September 2016, we launched an app that allows customers to open bank accounts via their cell phones. Only four months after the launch, more than 60,000 bank accounts were opened via mobile.

Today we can see that technology and mobile devices are driving significant changes in society. It is not by chance that over 73% of our transactions take place on digital channels and over 50% of those are on mobile phones.

Regardless of how much technology is available to a bank, true progress is only possible if the bank is connected to people, therefore it's more important than ever to put our customers at the center of everything we do.

We understand that this is a challenge in terms of both infrastructure and culture, and this is our task for the coming years: to build a digital bank that continues to be, in every way, personal.

Business strategy

Our Board of Directors is the body responsible for establishing the general guidelines of our business. Strategic decisions taken by our Board of Directors are supported by the Strategy Committee, which provides data and information about critical strategic matters. The Strategy Committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to issuing opinions and recommendations in order to support the decisions of the Board of Directors. The Economic Scenarios Sub-Committee supplies macroeconomic data to the Strategy Committee, supporting its discussions. Please refer to [section Our governance, item Management structure, Committees](#)

[of the Board of Directors, Strategy Committee](#) for further information.

Expand our operations in Brazil and abroad [GRI 102-7](#) | [GRI 102-49](#)

Brazil

We continue to analyze potential business operations which would create additional value for our stockholders, in Brazil.

Please refer to [section Our profile, item 2016 highlights, Corporate events and partnerships](#) for further information.

Abroad

In line with our Latin America expansion strategy, and consistent with our vision to create value and ensure sustainable performance, as from April 2016, we concluded the merger of Banco Itaú Chile with CorpBanca and now hold the control of the resulting entity – Itaú CorpBanca.

Please refer to [section Our profile, item 2016 highlights, Corporate events and partnerships](#) for further information.

Furthermore, in 2016, Moody's assigned for the first time to Itaú BBA International (based in the United Kingdom) an investment grade rating, including an A3 rating for purposes of an issuer and long term deposits rating. In its ratings release, Moody's recognized the strength of Itaú BBA International's balance sheet and business model.

Please refer to [section Our profile, item Our business, Our international business, Itaú BBA International](#) for further details about Itaú BBA International's business.

Focus on non-interest income

We continued to focus on the offer of new products and services, which we believe add value to our customers and, at the same time, allow us to increase our fee-based income. This increase is mainly due to a higher volume of account service packages. New subscriptions to current account service packages and the adjustment of services provided to our higher-income Uniclass clients and by our Itaú Empresas business unit also contributed to this growth in fee-based income.

In addition, 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 through our retail banking. As

Context A-11



Our profile



Our governance



Our risk management



Performance



Sustainability



Attachments



part of this strategy, in October 2014 we announced the sale of our large risks operations to the ACE group and the early termination of operating agreements between Via Varejo S.A. and our subsidiary Itaú Seguros S.A. for the offer of extended warranty insurance in “Ponto Frio” and “Casas Bahia” stores.

In September 2016, we entered into an agreement to sell our group life insurance operations with Prudential do Brasil. The transfer of shares and the financial settlement of the transaction will take place after compliance with certain conditions provided for in the agreement, including obtaining required regulatory authorizations. This transaction reinforces our already-disclosed strategy of focusing on mass-market insurance products typically related to the Retail Banking segment.

Continue to improve efficiency

[GRI 102-7](#) | [GRI 103-2](#) | [103-3 Efficiency](#)

In 2010, we established an Efficiency Program aimed at identifying, implementing, and monitoring costs and revenues, in addition to promoting a strong culture of operational efficiency. In the years thereafter, we focused on increasing cost savings by reducing unnecessary costs, promoting the simplification and centralization of processes, promoting synergy gains and combining the management of certain business units.

In February 2015, we created the Technology and Operations executive area with the aim of optimizing our structure in order to sustain growth. This executive structure enabled us to organize our operations in a simpler and more efficient manner. We are committed to improve processes, to streamline operations and to be more efficient in everything we do with the clear purpose of client satisfaction.

Throughout 2015 and 2016, we increased the number of our digital branches in response to the profile of our customers, who express an increasing demand for services through digital channels. The clients of our digital branches can be in contact with their relationship managers from 7:00 am to midnight, from Monday to Friday through a variety of digital channels. This allows us to strengthen our relationship with clients and improve the efficiency and profitability of our operations.

In 2016, we launched the “Abreconta” app, which enabled, in the period of four months, the opening of approximately 60,000 new bank accounts exclusively through mobile channels.

Maintain asset quality in our loan portfolio

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

On January 21, 2016, we announced that our subsidiary Itaú Unibanco S.A. entered into a non-binding memorandum of understanding (MoU) with Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A. and Caixa Econômica Federal in order to create a credit intelligence bureau, or CIB. The CIB will be structured as a Brazilian corporation (*sociedade por ações*) and the parties to the MoU will share its control, with each of them holding a 20% equity ownership. The CIB’s technical and analytical platform will be developed and implemented through a services agreement with LexisNexis® Risk Solutions FL Inc.

The creation of CIB reaffirms the banks’ confidence in the future of Brazil and of the credit market, and allows a stronger and more sustainable market. CIB’s incorporation is subject to the execution of definitive agreements, as well as the satisfaction of certain conditions precedent.

Maintain a solid capital base

We implement a prospective approach regarding capital management. Our approach is comprised of the following phases: (i) identification and analysis of material risks, (ii) capital planning, (iii) stress test analysis focused on the impact of severe events on our capitalization level, (iv) maintenance of a contingency plan, (v) internal capital adequacy assessment and (vi) preparation of periodic management reports.

At the end of December 2016, our Basel Ratio was 19.1%, of which: 15.9% related to Tier I Capital, which is composed of the sum of Principal Capital and Complementary Capital and 3.2% related to Tier II Capital. These indicators provide evidence of our effective loss-absorbing capacity.

Furthermore, our average Liquidity Coverage Ratio (LCR) was 212.8%. The Central Bank minimum requirement for 2016 was 70%. This ratio identifies high liquidity assets to cover outflows (net) that the institution may be subject to under a strict standard stress scenario considering a 30-day period.



In 2016, we acquired 31.4 million of our non-voting shares⁽¹⁾ of own issue at the average price of R\$30.13 per share⁽²⁾ aiming at: (i) maximizing the capital allocation through the efficient application of available funds, (ii) arranging for the delivery of shares to employees and management members of the company and its subsidiaries under remuneration models and long-term incentive plans; and (iii) using the shares acquired if business opportunities arise in the future.

Furthermore, in June 2016, we cancelled 100 million of our non-voting treasury shares, with no capital stock change, as the acquisition of our shares with their subsequent cancellation increases the shareholder's interest percentage in the company's capital stock and, should the net income and the distribution of earnings percentage be maintained, it enables a higher return on dividends and interest on capital per share.

Develop strong relationships with our clients based on client segmentation

We will continue to work on our client segmentation strategy in order to identify our clients' needs and enhance our relationship with our client base, as well as to increase market penetration. We believe that our client segmentation tools and strategies provide us with an important competitive advantage developed over the course of more than 25 years. We aim to fulfill clients' financial needs through a wide product portfolio by cross-selling 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.

As part of our reorganization conducted in 2015, we merged our Commercial Bank – Retail segment with our Consumer Credit – Retail segment and created the Retail Banking segment. We also migrated our Private Banking, Asset Management and Latin America Activities to our Wholesale segment. Please [refer to section Performance, item Complete Financial Statements \(IFRS\), Note 34 – Segment Information](#), for further details.

Transform client experience through technology

Digital trends evolve on an exponential basis. Every day, new ways of doing business and using and exploring content emerge. At the same time, people are increasingly more open to experience the world in other ways by means of technology. We recognize that the needs of

our clients are changing increasingly faster and we are attentive to technologies that have great potential to transform the three levels of clients' relationship with the bank: experience (with new channels like mobile and internet banking), processing (big data and artificial intelligence) and infrastructure (the use of new platforms such as blockchain). We have been very active in the discussions on blockchain – the technology underlying digital and encrypted currencies – in the Latin American financial segment. We are convinced that this technology may provide solutions that bring more efficiency to our business and better experiences to our clients. In April 2016, we were the first Latin American company to enter into a partnership agreement with R3, the international innovation startup that brings together more than 70 of the largest financial institutions in the world to contribute to the international effort for the development and implementation of innovative solutions for the market based on shared ledger technologies, which are based on blockchain. We have been studying blockchain and analyzing how this technology can change the financial industry and its business models.

The manipulation, management and analysis of large volumes and varieties of data (Big Data) has been a reality for Itaú Unibanco for some time already. The bank has been improving its data processing and deepening its Data Lake, a massive repository of data capable of storing, processing and distributing with high performance, various types of information. We believe that the development of solutions that provide for integrated views of clients allows us to identify what they are going through in their lives and, for this reason, these solutions are essential for us to predict their needs and segment them in a more precise manner.

We also have new talented professionals among our employees. Data scientists, specialists in digital security and digital antifraud, people dedicated to studying and developing the client's experience in digital channels have, in a collaborative way, joined our design, customer relationship management, technology and business teams to continue to transform the bank.

The work of this team, in addition to improving the analysis of credit, risk, offer and fraud models, aims to provide mechanisms for the automation of processes and algorithms of our systems, products and channels. Therefore, the bank expects each time more to understand clients' needs and offer them the right product at the right time.

Accordingly, Cubo Coworking Itaú has been an important ally because it allows us to be close and learn from the latest technologies and working models. In September 2016, Cubo completed one year of operation as an

(1) Quantities adjusted by the October 2016 bonus of 10%.

(2) Buyback amounts includes settlement and brokerage fees. Prices are also adjusted by the October 2016 bonus of 10%.



important technological entrepreneurship center in Brazil during this year, it promoted connections that were essential to leverage businesses, ideas and initiatives of a new generation of entrepreneurs and digital startups.

Context of this report

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

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

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

This consolidated annual report contains data from January 1, 2016 to December 31, 2016, presenting our corporate and business structure, governance and financial performance, among other matters. It also includes information on all entities subject to the significant influence or control of Itaú Unibanco Holding. Any potential changes or impacts on the data collected as a result of certain transactions, the acquisition or sale of assets, or any important change for the business are indicated throughout this report. The consolidated annual report is divided into the following sections: (i) Context, (ii) Our profile, (iii) Our governance, (iv) Our risk management, (v) Performance, and (vi) Attachments. [GRI 102-1](#) | [GRI 102-49](#) | [GRI 102-50](#) | [GRI 102-52](#)

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

Documents on display

We are subject to informational requirements under the U.S. Securities Exchange Act of 1934, as amended, for foreign private issuers. Accordingly, we are required to file reports and other information with the SEC, including consolidated annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other

information filed with the SEC at the public reference facilities maintained by the SEC at 100 F Street, N.W., Washington D.C. 20549. Copies of the materials may be obtained by mail from the Public Reference Room of the SEC at 100 F Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at www.sec.gov, from which you can electronically access those materials, including this consolidated annual report and the accompanying exhibits. We also file financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, Rio de Janeiro 20050-901, Brazil. The CVM maintains an Internet website at www.cvm.gov.br.

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

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

Reading this report

In this report, the terms:

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



- “R\$”, “reais” or “Brazilian real” mean *real*, the Brazilian official currency; and
- “US\$”, “dollars” or “U.S. dollars” mean United States dollars.

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

The reference date for the quantitative information for balances found in this consolidated annual report is as of December 31, 2016 and the reference date for results is the year ended December 31, 2016, except where otherwise stated.

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

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

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

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

Forward-looking information

This consolidated annual report contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. We have based these forward-looking statements largely on our

current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other risks:

- General economic, political, and business conditions in Brazil and variations in inflation indexes, interest rates, foreign exchange rates, and the performance of financial markets;
- General economic and political conditions, in particular in the countries where we operate;
- Government regulations and tax laws and amendments to such regulations and laws;
- Developments in high-profile investigations currently in progress and their impact on customers or on our tax exposures;
- Disruptions and volatility in the global financial markets;
- Increases in compulsory deposits and reserve requirements;
- Regulation and liquidation of our business on a consolidated basis;
- Obstacles for holders of our shares and ADSs to receive dividends;
- Failure or hacking of our security and operational infrastructure or systems;
- Strengthening of competition and industry consolidation;
- Changes in our loan portfolio and changes in the value of our securities and derivatives;
- Losses associated with counterparty exposure;
- Our exposure to the Brazilian public debt;
- Incorrect pricing methodologies for insurance, pension plan and premium bond products and inadequate reserves;
- The effectiveness of our risk management policy;
- Damage to our reputation;
- The capacity of our controlling stockholder to conduct our business;
- Difficulties during the integration of acquired or merged businesses;
- Effects from socio-environmental issues; and
- Other risk factors listed in the [section Our Risk Management, item Risk Factors](#).

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



About our financial information

Our consolidated financial statements, included elsewhere in this consolidated annual report, are prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the IASB. All consolidated financial information related to the years 2016, 2015, 2014, 2013 and 2012 included in this report were prepared in accordance with IFRS.

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

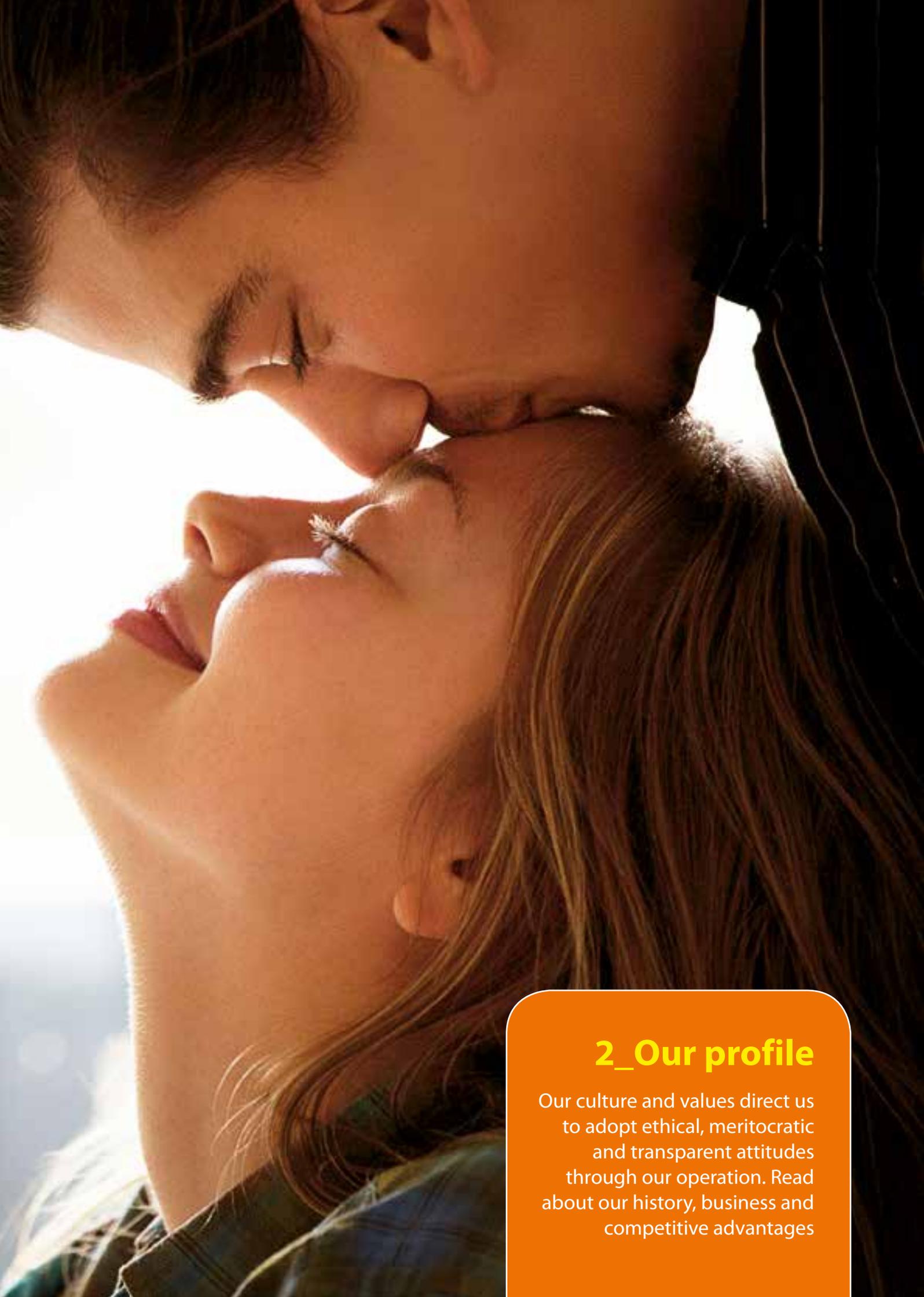
The CMN establishes that financial institutions meeting certain criteria, such as Itaú Unibanco Holding, are required to present complete financial statements in accordance with IFRS as issued by IASB, in addition to financial statements under Brazilian GAAP.

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

Our consolidated financial statements as of December 31, 2016 and 2015 and for the three years ended December 31, 2016, 2015 and 2014 were audited by PricewaterhouseCoopers Auditores Independentes, an independent auditors, as stated in its report in [section Performance, item Financial Performance in this report](#).

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





2_Our profile

Our culture and values direct us to adopt ethical, meritocratic and transparent attitudes through our operation. Read about our history, business and competitive advantages

Our profile GRI 102-7

In numbers

Selected Financial Data – IFRS

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

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

Assets	As of December 31,												Variation	
	2016	2015	2014	2013	2012	2016-2015	%	2015-2014	%	2014-2013	%	2013-2012	%	
(In millions of R\$, except percentages)														
Cash and deposits on demand	18,542	18,544	17,527	16,576	13,967	(2)	(0.0)	1,017	5.8	951	5.7	2,609	18.7	
Central Bank compulsory deposits	85,700	66,556	63,106	77,010	63,701	19,144	28.8	3,450	5.5	(13,904)	(18.1)	13,309	20.9	
Interbank deposits	22,692	30,525	23,081	25,660	23,826	(7,833)	(25.7)	7,444	32.3	(2,579)	(10.1)	1,834	7.7	
Securities purchased under agreements to resell	265,051	254,404	208,918	138,455	162,737	10,647	4.2	45,486	21.8	70,463	50.9	(24,282)	(14.9)	
Financial assets held for trading	204,648	164,311	132,944	148,860	145,516	40,337	24.5	31,367	23.6	(15,916)	(10.7)	3,344	2.3	
Financial assets designated at fair value through profit or loss	1,191	642	733	371	220	549	85.5	(91)	(12.4)	362	97.6	151	68.6	
Derivatives	24,231	26,755	14,156	11,366	11,597	(2,524)	(9.4)	12,599	89.0	2,790	24.5	(231)	(2.0)	
Available-for-sale financial assets	88,277	86,045	78,360	96,626	90,869	2,232	2.6	7,685	9.8	(18,266)	(18.9)	5,757	6.3	
Held-to-maturity financial assets	40,495	42,185	34,434	10,116	3,202	(1,690)	(4.0)	7,751	22.5	24,318	240.4	6,914	215.9	
Loan operations and lease operations portfolio, net	463,394	447,404	430,039	389,467	341,271	15,990	3.6	17,365	4.0	40,572	10.4	48,196	14.1	
Loan operations and lease operations portfolio	490,366	474,248	452,431	411,702	366,984	16,118	3.4	21,817	4.8	40,729	9.9	44,718	12.2	
(-) Allowance for loan and lease losses	(26,972)	(26,844)	(22,392)	(22,235)	(25,713)	(128)	0.5	(4,452)	19.9	(157)	0.7	3,478	(13.5)	
Other financial assets	53,917	53,506	53,649	47,592	44,492	411	0.8	(143)	(0.3)	6,057	12.7	3,100	7.0	
Investments in associates and joint ventures	5,073	4,399	4,090	3,931	3,005	674	15.3	309	7.6	159	4.0	926	30.8	
Goodwill	9,675	2,057	1,961	1,905	-	7,618	370.3	96	4.9	56	2.9	1,905	100.0	
Fixed assets, net	8,042	8,541	8,711	6,564	5,628	(499)	(5.8)	(170)	(2.0)	2,147	32.7	936	16.6	
Intangible assets, net	7,381	6,295	6,134	5,797	4,671	1,086	17.3	161	2.6	337	5.8	1,126	24.1	
Tax assets	44,274	52,149	35,243	34,742	32,412	(7,875)	(15.1)	16,906	48.0	501	1.4	2,330	7.2	
Assets held for sale	631	486	196	117	117	145	29.8	290	148.0	79	67.5	-	0.0	
Other assets	10,027	11,611	13,921	12,142	9,923	(1,584)	(13.6)	(2,310)	(16.6)	1,779	14.7	2,219	22.4	
Total assets	1,353,241	1,276,415	1,127,203	1,027,297	957,154	76,826	6.0	149,212	13.2	99,906	9.7	70,143	7.3	
Average interest-earning assets⁽¹⁾	1,151,430	1,070,450	955,416	882,472	784,686	80,980	7.6	115,034	12.0	72,944	8.3	97,786	12.5	
Average non-interest-earning assets⁽¹⁾	159,779	115,596	97,526	83,025	70,758	44,183	38.2	18,070	18.5	14,501	17.5	12,267	17.3	
Average total assets⁽¹⁾	1,311,209	1,186,046	1,052,942	965,497	855,444	125,163	10.6	133,104	12.6	87,445	9.1	110,053	12.9	

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

Liabilities	As of December 31,											Variation	
	2016	2015	2014	2013	2012	2016-2015	%	2015-2014	%	2014-2013	%	2013-2012	%
(In millions of R\$, except percentages)													
Deposits	329,414	292,610	294,773	274,383	243,200	36,804	12.6	(2,163)	(0.7)	20,390	7.4	31,183	12.8
Securities sold under repurchase agreements	349,164	336,643	288,683	266,682	267,405	12,521	3.7	47,960	16.6	22,001	8.2	(723)	(0.3)
Financial liabilities held for trading	519	412	520	371	642	107	26.0	(108)	(20.8)	149	40.2	(271)	(42.2)
Derivatives	24,698	31,071	17,350	11,405	11,069	(6,373)	(20.5)	13,721	79.1	5,945	52.1	336	3.0
Interbank market debt	135,483	156,886	122,586	111,376	97,073	(21,403)	(13.6)	34,300	28.0	11,210	10.1	14,303	14.7
Institutional market debt	96,239	93,918	73,242	72,055	72,028	2,321	2.5	20,676	28.2	1,187	1.6	27	0.0
Other financial liabilities	71,832	68,715	71,492	61,274	50,255	3,117	4.5	(2,777)	(3.9)	10,218	16.7	11,019	21.9
Reserves for insurance and private pension	154,076	129,305	109,778	99,023	90,318	24,771	19.2	19,527	17.8	10,755	10.9	8,705	9.6
Liabilities for capitalization plans	3,147	3,044	3,010	3,032	2,892	103	3.4	34	1.1	(22)	(0.7)	140	4.8
Provisions	20,909	18,994	17,027	18,862	19,209	1,915	10.1	1,967	11.6	(1,835)	(9.7)	(347)	(1.8)
Tax liabilities	5,836	4,971	4,465	3,794	7,109	865	17.4	506	11.3	671	17.7	(3,315)	(46.6)
Other liabilities	27,110	25,787	23,660	20,848	19,956	1,323	5.1	2,127	9.0	2,812	13.5	892	4.5
Total liabilities	1,218,427	1,162,356	1,026,586	943,105	881,156	56,071	4.8	135,770	13.2	83,481	8.9	61,949	7.0
Capital	97,148	85,148	75,000	60,000	45,000	12,000	14.1	10,148	13.5	15,000	25.0	15,000	33.3
Treasury shares	(1,882)	(4,353)	(1,328)	(1,854)	(1,523)	2,471	(56.8)	(3,025)	227.8	526	(28.4)	(331)	21.7
Additional paid-in capital	1,785	1,733	1,508	984	888	52	3.0	225	14.9	524	53.3	96	10.8
Appropriated reserves	3,443	10,067	8,210	13,468	22,423	(6,624)	(65.8)	1,857	22.6	(5,258)	(39.0)	(8,955)	(39.9)
Unappropriated reserves	25,362	20,947	16,301	12,138	7,379	4,415	21.1	4,646	28.5	4,163	34.3	4,759	64.5
Cumulative other comprehensive income	(3,274)	(1,290)	(431)	(1,513)	1,735	(1,984)	153.8	(859)	199.3	1,082	(71.5)	(3,248)	(187.2)
Total stockholders' equity attributed to the owners of the parent company	122,582	112,252	99,260	83,223	75,902	10,330	9.2	12,992	13.1	16,037	19.3	7,321	9.6
Non-controlling interests	12,232	1,807	1,357	969	96	10,425	576.9	450	33.2	388	40.0	873	909.4
Total stockholders' equity	134,814	114,059	100,617	84,192	75,998	20,755	18.2	13,442	13.4	16,425	19.5	8,194	10.8
Total liabilities and stockholders' equity	1,353,241	1,276,415	1,127,203	1,027,297	957,154	76,826	6.0	149,212	13.2	99,906	9.7	70,143	7.3
Average interest-bearing liabilities⁽¹⁾	969,461	875,904	793,069	738,535	649,026	93,557	10.7	82,835	10.4	54,534	7.4	89,509	13.8
Average non-interest-bearing liabilities⁽¹⁾	214,024	203,376	169,247	148,215	130,293	10,648	5.2	34,129	20.2	21,032	14.2	17,922	13.8
Total average stockholders' equity⁽¹⁾	127,724	106,766	90,626	78,747	76,125	20,958	19.6	16,140	17.8	11,879	15.1	2,622	3.4
Total average liabilities and stockholders' equity⁽¹⁾	1,311,209	1,186,046	1,052,942	965,497	855,444	125,163	10.6	133,104	12.6	87,445	9.1	110,053	12.9

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

Statement of Income	For the Ended December 31,											Variation	
	2016	2015	2014	2013	2012	2016-2015	%	2015-2014	%	2014-2013	%	2013-2012	%
(In millions of R\$, except percentages)													
Banking Product	118,661	92,011	91,657	79,387	81,172	26,650	29.0	354	0.4	12,270	15.5	(1,785)	(2.2)
Losses on Loans and Claims	(22,122)	(21,335)	(15,801)	(14,870)	(21,354)	(787)	3.7	(5,534)	35.0	(931)	6.3	6,484	(30.4)
Banking Product Net of Losses on Loans and Claims	96,539	70,676	75,856	64,517	59,818	25,863	36.6	(5,180)	(6.8)	11,339	17.6	4,699	7.9
General and Administrative Expenses	(50,904)	(47,626)	(42,550)	(39,914)	(38,080)	(3,278)	6.9	(5,076)	11.9	(2,636)	6.6	(1,834)	4.8
Tax Expenses	(7,971)	(5,405)	(5,063)	(4,341)	(4,497)	(2,566)	47.5	(342)	6.8	(722)	16.6	156	(3.5)
Share of profit or (loss) in associates and joint ventures	528	620	565	603	175	(92)	(14.8)	55	9.7	(38)	(6.3)	428	244.6
Current Income Tax and Social Contribution	(3,898)	(8,965)	(7,209)	(7,503)	(7,716)	5,067	(56.5)	(1,756)	24.4	294	(3.9)	213	(2.8)
Deferred Income Tax and Social Contribution	(10,712)	16,856	262	3,160	3,491	(27,568)	(163.6)	16,594	6,333.6	(2,898)	(91.7)	(331)	(9.5)
Net Income	23,582	26,156	21,861	16,522	13,191	(2,574)	(9.8)	4,295	19.6	5,339	32.3	3,331	25.3
Net Income Attributable to Owners of the Parent Company	23,263	25,740	21,555	16,424	12,634	(2,477)	(9.6)	4,185	19.4	5,131	31.2	3,790	30.0
Net Income Attributable to Non-Controlling Interests	319	416	306	98	557	(97)	(23.3)	110	35.9	208	212.2	(459)	(82.4)

Earnings and Dividends per Share	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In R\$, except number of shares)				
Basic earnings per share ⁽¹⁾⁽²⁾					
Common	3.57	3.91	3.26	2.48	1.91
Preferred	3.57	3.91	3.26	2.48	1.91
Diluted earnings per share ⁽¹⁾⁽²⁾					
Common	3.54	3.89	3.24	2.47	1.90
Preferred	3.54	3.89	3.24	2.47	1.90
Dividends and interest on stockholders' equity per share ⁽³⁾					
Common	1.58	1.24	1.22	1.03	1.00
Preferred	1.58	1.24	1.22	1.03	1.00
Weighted average number of shares outstanding – basic ⁽¹⁾					
Common	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred	3,171,215,661	3,228,881,081	3,266,347,063	3,257,578,674	3,263,003,810
Weighted average number of shares outstanding – diluted ⁽¹⁾					
Common	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143	3,351,741,143
Preferred	3,216,235,372	3,270,734,307	3,305,545,129	3,289,183,380	3,295,238,153

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

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

(3) Please refer to [section Our Profile, item Our shares, Information for the Investor, Stockholders' Payment](#) and [section Our Risk Management, item Regulatory Environment](#) for further details. Please refer to [section Performance, item Consolidated Financial Statements \(IFRS\), Note 21b – Stockholders Equity – Dividends](#) for further details.

Earnings and Dividends per Share	For the Year Ended December 31,				
	2016	2015 ⁽¹⁾	2014 ⁽¹⁾	2013 ⁽¹⁾	2012 ⁽¹⁾
	(In US\$)				
Dividends and interest on stockholders' equity per share ⁽²⁾⁽³⁾					
Common	0.48	0.32	0.46	0.44	0.49
Preferred	0.48	0.32	0.46	0.44	0.49

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

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

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

Selected consolidated ratios

Liquidity and Capital	As of the Year Ended December 31,				
	2016	2015	2014	2013	2012
	(%)				
Loans and leases as a percentage of total deposits ⁽¹⁾	148.9	162.1	153.5	150.0	150.9
Total stockholders' equity as a percentage of total assets ⁽²⁾	10.0	8.9	8.9	8.2	7.9

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

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

2016 highlights [GRI 102-10](#) | [GRI 102-49](#)

Corporate events

Changes to management

On November 9, 2016 we disclosed the succession of the current CEO, in accordance with the established transition process planned and announced to the market over two years ago. We also announced a series of changes to our Executive Committee. Please refer to [section Our Governance, item Our Directors and Executive Officers](#) for further details about the changes to our management.

10% Share bonus of Itaú Unibanco

In October 2016, our stockholders were granted one new share for each ten shares of the same class. The unit cost of R\$20.05 was assigned to these shares, impacting the average price for our stockholders. For the fourth consecutive year, we granted our stockholders a 10% bonus in shares and a monthly dividend which remained at R\$0.015 per share. Therefore, taking into account the last four share bonuses which we granted in the last four years, there would be a 46% increase in the monthly amounts granted to stockholders.

Share buyback program

In 2016, we acquired 31,439,000 of our non-voting shares for R\$947.4 million at an average price of R\$30.13 per share. The amount of shares acquired and the average price were adjusted in accordance with the 10% share bonus in October 2016. This average price also includes settlement and brokerage fees.

The share buyback process is aimed at (i) maximizing the capital allocation through the efficient application of available funds, (ii) arranging for the delivery of shares to

our employees and members of our management and that of our subsidiaries under the scope of remuneration models and long-term incentive plans; and (iii) using the shares acquired if business opportunities arise in the future.

Cancellation of treasury shares

In June 2016, after obtaining regulatory approvals, we cancelled 100 million of our non-voting treasury shares, with no change to our capital stock.

The acquisition of our shares, with their subsequent cancellation increases the stockholder's interest percentage in our capital and, should the net income and the distribution of earnings percentage be maintained, it will enable a higher return on dividends and interest on capital to remaining shareholders.

The balance of treasury shares reached 69,604,462 non-voting shares in December 2016, equivalent to 2.2% of the free float of the same type. Additionally, in January 2017, we repurchased 6.35 million non-voting shares.

Payment of dividends

On August 1, 2016, our Board of Directors declared interest on capital, in the amount of R\$0.39900 per share (or R\$0.33915 per share, net of taxes) which was paid out on August 25, 2016 to all stockholders of record as of the close of trading on August 12, 2016.

On December 9, 2016, our Board of Directors declared interest on capital in the amount of R\$0.47140 per share (or R\$0.40069 per share, net of taxes) which was paid out on March 3, 2017 (as our Board of Directors declared on February 6, 2017) to all stockholders of record as of the close of trading on December 22, 2016.

On February 6, 2017, our Board of Directors changed the payment of dividends and interest on own capital of Itaú Unibanco, which will be in a range from 35% to 45% of the recurring consolidated net income in the next years. In this context, it was approved interest on capital in the amount of R\$0.77540 per share (or R\$0.65909 per share, net of taxes) which was paid out on March 3, 2017 to all stockholders of record as of the close of trading on February 20, 2017. It is important to note that the net payout range is subject to changes due to mergers and acquisitions, changes in tax regulation, regulatory changes and significant changes in risk-weighted assets (RWA). Events that may change the net payout described above are not exhaustive, that is, they are examples of situations that may affect payout. The net payout range is subject to changes, but always considers the minimum distribution provided for in our Bylaws.

Accordingly, the total interest on own capital paid on March 3, 2017, net of income tax, was R\$1.05978 per share.

Adding the amounts distributed during the fiscal year 2016 to the amount that was distributed on March 3, 2017, our shareholders received R\$1.5789 per share (net of income tax), totaling R\$10.0 billion in dividends and interest on own capital, an amount which equals 45% of the recurring consolidated net income for 2016, an increase of 36.9% compared to the fiscal year 2015. If we consider the consolidated net income, the payout was increased from 31.3% in 2015 to 46.2% in 2016.

Mergers, acquisitions and partnerships

Credit Intelligence Bureau

In January 2016, we announced that our subsidiary Itaú Unibanco S.A. entered into a non-binding memorandum of understanding (MoU) with Banco Bradesco S.A., Banco do Brasil S.A., Banco Santander (Brasil) S.A. and Caixa Econômica Federal in order to create a credit intelligence bureau, or CIB. CIB will be structured as a Brazilian corporation (*sociedade por ações*) and the parties to the MoU will share its control, with each of them holding a 20% equity ownership. Its board of directors will be comprised of members appointed by the parties to the MoU and its executives will be exclusively dedicated to CIB's businesses, preserving the independent nature of CIB's management. CIB's technical and analytical platform will be developed and implemented through a services agreement with LexisNexis® Risk Solutions FL Inc.

In November 2016, CADE approved CIB's incorporation with certain restrictions. Therefore, all the required regulatory approvals have been obtained. CIB's incorporation is subject to the execution of definitive agreements.

Acquisition of Recovery do Brasil Consultoria S.A.

In March 2016, after obtaining regulatory authorization, we consummated the acquisition of (i) 89.08% interest in the capital stock of Recovery do Brasil Consultoria S.A., of which we purchased 81.94% from Banco BTG Pactual S.A. (BTG) and 7.14% from other shareholders, as well as (ii) approximately 70% of a portfolio of R\$38 billion in credit rights held by BTG.

Itaú CorpBanca

In April 2016, we closed the merger of Banco Itaú Chile with and into CorpBanca and, as a result, acquired control of the resulting entity – Itaú CorpBanca. On that same date, we entered into the Shareholders' Agreement of Itaú CorpBanca ("Itaú CorpBanca's Shareholders' Agreement"), which entitles us to appoint, together with Corp Group, former controlling shareholder of CorpBanca, the majority of the members of Itaú CorpBanca's board of directors. Such members are appointed according to the ownership interest of each of such parties, and we have the right to elect the majority of the members elected by this block. Also on that same date, Itaú Unibanco consolidated Itaú CorpBanca in its financial statements, adding approximately R\$114 billion of assets to its balance sheet.

In October 2016, we acquired 10.9 billion shares of Itaú CorpBanca for approximately R\$288.1 million, as set forth in Itaú CorpBanca's Shareholders' Agreement, and increased from 33.58% to 35.71%, without changing the governance of Itaú CorpBanca.

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

Alliance with MasterCard in the payment solutions market in Brazil

In May 2016, the Court of CADE approved, with certain restrictions, a seven-year term agreement between our subsidiary Itaú Unibanco S.A. and MasterCard Brasil Soluções de Pagamento Ltda., or MasterCard, to create an alliance in the payment solutions market in Brazil (the Strategic Alliance), to operate, through a company controlled by MasterCard, a new electronic payment network under a brand with domestic and international acceptance.

Sale of group life insurance business

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

Acquisition of Citibank retail business in Brazil

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

Citibank's retail business in Brazil (which includes 71 branches) had, as of the date of execution of the Equity Interest Purchase Agreement, approximately 315,000 retail bank clients, approximately 1.1 million credit cards and a credit portfolio of approximately R\$6 billion and, as of December 31, 2015, approximately R\$35 billion in deposits and assets under management. We estimate that the impact on our principal capital (Tier I) resulting from this transaction would be approximately 40 basis points (utilizing the Basel III methodologies).

The completion of this transaction is subject to compliance with certain conditions, including obtaining approvals from the Central Bank of Brazil and CADE.

Acquisition of Itaú BMG Consignado shares

In December 2016, after obtaining the required regulatory authorizations and fulfilling conditions, we consummated the acquisition of the totality of the equity interest held by BMG in Banco Itaú BMG Consignado S.A., corresponding to 40% of Itaú BMG Consignado's total share capital. We paid R\$1.46 billion and are now the holders of 100% of the total capital.

We have maintained our position as the leading institution among privately-held banks in this segment. At December 31, 2016, our payroll loan portfolio amounted to R\$44.6 billion, including Itaú BMG Consignado's operations.



Awards and recognition

In 2016, we received a series of awards and acknowledgements helping to strengthen our reputation. A few of our most significant awards and acknowledgements are listed below:

- **Latin American Excellence Awards (Communication Director magazine – January 2016)** – Itaú was granted this award in the CSR Report category, with its 2014 Integrated Report. The Latin American Excellence Awards recognizes Public Relations and Communications achievements among the companies from Latin America applying for the award. It is organized by Communication Director magazine, a European quarterly publication, headquartered in Germany, targeting global decision makers in the areas of corporate communications, public relations and public affairs. Its international coverage reaches all five continents.
- **Company Award 2016 (Trade Finance – January 2016)** – Itaú BBA won the Company Award 2016 in the category Best trade bank in Brazil. This award is organized by Trade Finance, the financial news and operation analysis service unit of Euromoney.
- **IF Design Award (International Forum Design GmbH – January 2016)** – The International Forum Design has over 60 years of existence and is considered one of the highest acknowledgments in the world. The winners receive the IF quality seal, a symbol acknowledged globally as the apex of excellence in the market. Itaú's awarded project was Cubo, in the Communication discipline, and category 3.05 Brand Identity.
- **International Visual Identity Awards (Left Bank – February 2016)** – Itaú won the award in the Financial Services category. The International Visual Identity Awards is an independent competition, not related to any media large company or corporation. It was designed by people with a passion for good design and has a partnership with Left Bank. This was the third edition of the award.
- **Deals of the Year (The Banker – April 2016)** – Itaú BBA was acknowledged in the 'Americas – Equities' category, with the follow-on for Telefônica company, a transaction that raised R\$16.1 billion.
- **2016 'Valor' Executive (Valor Econômico magazine – May 2016)** – In the 16th edition of this award, Roberto Setubal was the executive elected in the "Banks and Financial Services" sector.
- **Efinance Award (Financial Executives – May 2016)** – Itaú BBA was acknowledged in the Process Management category. Itaú Unibanco was acknowledged in the FinTech category, with the 'Cubo' case. Rede was acknowledged in the B2B channels category.
- **The Best of São Paulo – Services (Folha de S. Paulo newspaper – May 2016)** – For the second consecutive year, Itaú Unibanco was the winner in the Internet Banking category.
- **The Most Valuable Brands (O Estado de S. Paulo – June 2016)** – Itaú ranked first in the "Banks" category, second in the "Savings" category, and third in the "Insurance companies" category.
- **Exame's Best and Largest Companies (Exame magazine – June 2016)** – In the 43rd edition of this award, Itaú Unibanco was the number one in the "200 largest groups" and "50 Largest Banks" rankings. At the "100 Largest Publicly-Held Companies" ranking, it ranked 2nd. At the "Mergers and Acquisitions" ranking, Itaú BBA/Itaú was ranked 2nd. At the "50 Largest Insurance Companies", Itaú Seguros ranked 10th; Itaú Auto e Residência ranked 17th; and Itaú Vida ranked 28th.
- **Valor Inovação Brasil 2016 (Valor Innovation Brazil 2016) Award (Valor Econômico magazine – July 2016)** – Itaú Unibanco ranked first in the Financial Services sector.
- **Top 1000 World Banks 2016 (The Banker – July 2016)** – Itaú Unibanco was the winner in the Top 25 – Latin America and the Caribbean ranking.
- **Project & Infrastructure Finance Awards (Latin Finance – July 2016)** – Itaú BBA was recognized in the Best Infrastructure Bank Brazil category.
- **Anuário Época Negócios 360° (Época Negócios Directory 360°) (Época Negócios magazine – August 2016)** – Itaú Unibanco was presented as the winner in the Banking sector in this directory. Additionally, Itaú Seguros ranked among the 60 top companies in the global ranking of the best 300 in the 5th edition of the directory.
- **Mais Valor Produzido (MVP) – Bancos 2016 (More Created Value – Banks 2016) Ranking (Dom Strategy Partners – August 2016)** – Itaú Unibanco was chosen as the bank with the highest perception of value by its stakeholders for the third consecutive year.



- **As Melhores da Dinheiro 2016 (The Best of Dinheiro 2016) (Isto É Dinheiro magazine – September 2016)**

– In the 14th edition of this award, Itaú Unibanco was chosen as the Company of the Year and also The Best Bank.

- **Prêmio Ouvidorias Brasil 2016 (Brazil Ombudsman Offices Award) ABRAREC (Brazilian Association of Customer-Company Relations) and Grupo Padrão – September 2016**

– Itaú Unibanco received this award with the *Solução Perto de Você* (Close to you solution) case.

- **Empresa Pró-Ética (Companies Promoting Ethics) (Ministry of Transparency, Inspection and General Controllershship of the Federal Government – November 2016)**

– Itaú Unibanco was among the 25 companies awarded for taking part in the promotion

of a fairer and more ethical and transparent corporate environment in Brazil.

- **Empresas Líderes em Transparência (Leading Companies in Transparency) (CDP Latin America – December 2016)**

– For the third consecutive year, Itaú Unibanco was recognized among the leading companies in terms of transparency.

- **Bank of the Year (The Banker – December 2016)**

– Itaú Unibanco was named the "Bank of the Year – Brazil" by The Banker magazine.

- **As Marcas Brasileiras Mais Valiosas (Brazilian Most Valuable Brands) (Interbrands – December 2016)**

– For the 13th time, Itaú Unibanco ranked top on the list of the most valuable brands in Brazil, valued at R\$26.6 billion, up 8% compared to 2015.

Subsequent events

On April 19, 2017, the following changes⁽¹⁾ in the composition of the Board of Directors were proposed and approved at the Annual and Extraordinary General Meeting:

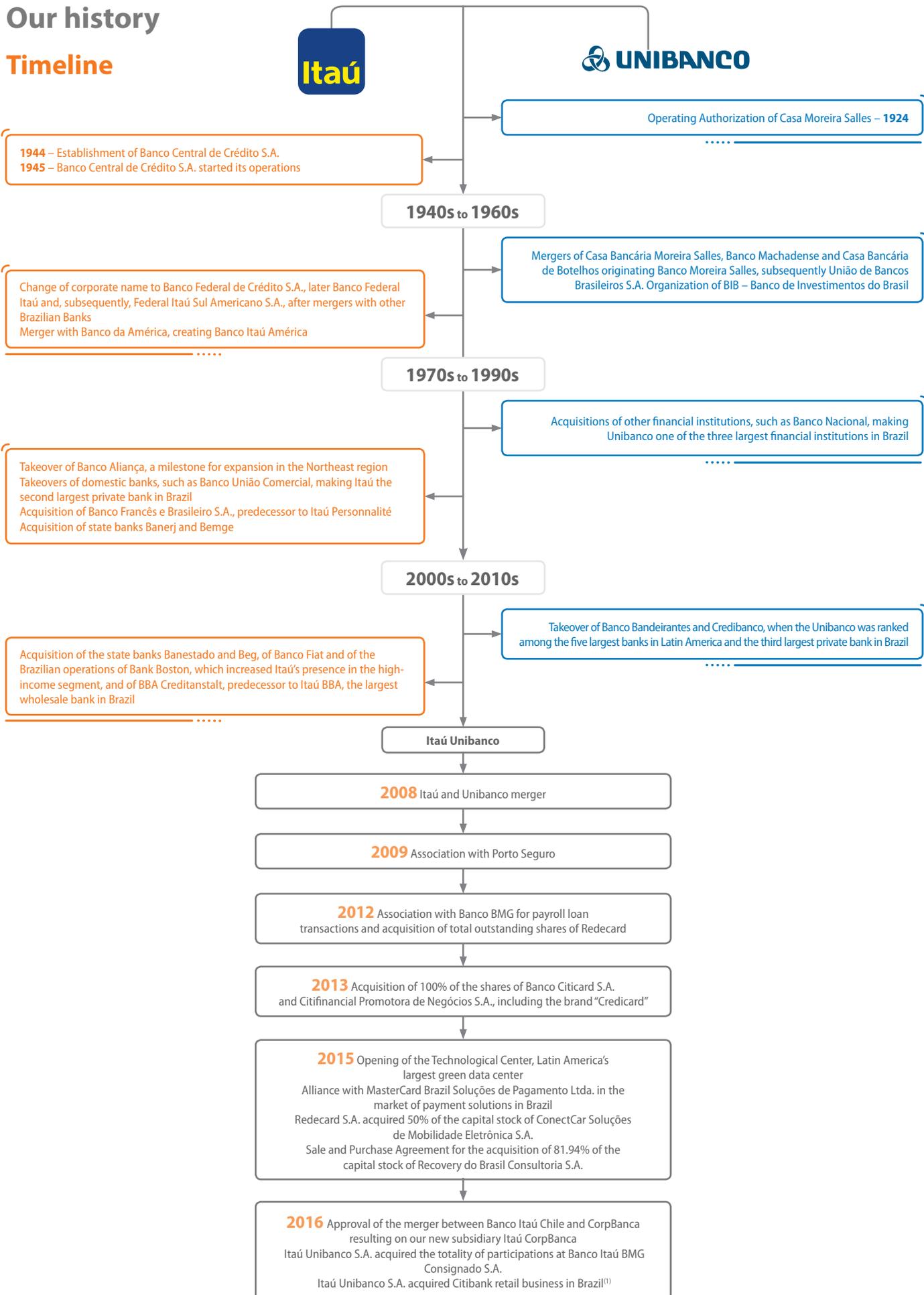
- Candido Bracher, who becomes Chief Executive Officer replacing Roberto Setubal, is no longer a Board member but continues to attend the Board's meeting as an invited member. In order to fulfill his vacancy in the Board of Directors, was elected Marco Bonomi, the General Retail Manager until late 2016, who has reached the limit age for performing executive functions after 22 years in the Company.
- João Moreira Salles, officer of Brasil Warrant *Administração de Bens e Empresas*, was elected to one of the vacancies to represent the controlling stockholders in the Board of Directors, pursuant to the provisions of the Company's Stockholders' Agreement, replacing Demosthenes Madureira de Pinho Neto, who leaves the Board.

- Alfredo Villela has informed the Board that he leaves his management position in the Company. Geraldo Carbone, who had been a Board member from 2006 to 2008 and Executive Vice-President from 2008 to 2011, was elected for his position for the next term of office, pursuant to the provisions of the Company's Stockholders' Agreement.
- Nildemar Secches has informed the Board that he leaves his management position in the Company. To fill this vacancy, Amos Genish, one of the founders and a former CEO of GVT and a former CEO of Telefônica Brasil, was elected as an independent member.
- Alfredo Setubal, Fábio Colletti Barbosa, Gustavo Loyola, José Galló, Pedro Bodin, Pedro Moreira Salles, Ricardo Villela Marino, and Roberto Setubal were reelected.
- Pedro Moreira Salles and Roberto Setubal will serve as co-chairman of the Board of Directors.

(1) The elections and reelections mentioned above are pending of approval by the Brazilian Central Bank.

Our history

Timeline



(1) This operation is pending of approval from the Central Bank of Brazil and the Brazilian antitrust agency (CADE).

Our history begins back in 1924, when Casa Moreira Salles, founded by João Moreira Salles in Poços de Caldas, Minas Gerais, received the letter patent issued by the Brazilian Government, which allowed it to operate as a banking section, i.e., as a correspondent of the state mainstream banks. This entity eventually became Unibanco.

On the other hand, Itaú was established about two decades later, in 1945, when Alfredo Egydio de Souza Aranha, a businessman in the textile industry, and his partner Aloysio Ramalho Foz founded Banco Central de Crédito S.A., which was located in downtown São Paulo.

Gradually João Moreira Salles passed the management of Casa Moreira Salles to his son Walther Moreira Salles, who took over in 1933 while he was still a law student. In 1959, Alfredo Egydio transferred the management to his nephew Olavo Setubal, who counted on the support of the founder's son-in-law, Eudoro Villela, in this new venture.

During their separate histories, Itaú and Unibanco exhibited a number of common attributes such as their concern for ethics and transparency in doing business, adherence to the law and appreciation of their employees. The two organizations also shared the same close relationship with their clients by understanding their needs and their economic circumstances, thereby allowing the institutions to support businesses expansion by means of innovative services.

Pioneering in the dissemination of the use of technology to process banking transactions and services offered to clients, the two institutions made heavy investments in automation and support of modern operational centers. Moreover, the expansion on the basis of mergers, acquisitions and incorporations is another constant characteristic of the evolution of both banks.

Another element common to the two institutions was the support of arts and culture and the social and environmental responsibility that are manifested in Instituto Itaú Cultural and, in the social realm, in Fundação Itaú Social and Instituto Unibanco.

After nine decades of history, we continue to follow the principles and values of those who laid the foundations of what we are and, like them, we remain focused on the future to build a better world for future generations. For this reason, sustainability is a concept that permeates our organization and is widespread in our culture.

Today we are one of the largest banks in the world with international operations and deep roots in Latin America. Our commitment to Brazil leads us to serve as an agent of transformation of the society by working for great causes, such as culture, education, sports and urban mobility, continuously seeking the common good and contributing to the country's development.

Our vision, Our culture [GRI 102-16](#)

Driven by the change in the context of our businesses, by customer requirements and the transformation in the organization, in 2015, we saw the need to underscore a series of attitudes in our culture known as Our Way (*Nosso Jeito*).

Since then, Our Way has evolved into seven attitudes, comprising the means whereby we intend to achieve our vision: To be the leading bank in sustainable performance and customer satisfaction.

Our Way_

1 **_it's only good for us if it's good for the client_**

2 **_we're passionate about performance_**

3 **_people mean everything to us_**

4 **_the best argument is the one that matters_**

5 **_simple. always_**

6 **_we think and act like owners_**

7 **_ethics are non-negotiable_**

The launch of Our Way took place at the Meeting among Leaders, which year after year constitutes one of the principal initiatives we use for reinforcing our culture.

Meeting among Leaders

Held annually since 2010, the objective of this event is to align the leadership of the organization with our strategy, ensuring the commitment and continuous engagement of our employees. In 2016, the event had an audience of 720 leaders and as its core theme, Digital Culture.

In addition to the Meeting, other initiatives were adopted for disseminating our culture:

Walther Moreira Salles Award: an annual event for enhancing the organizational culture by highlighting exceptional projects and practices on the part of Itaú Unibanco's employees. In 2016, there were five award categories (leadership, innovation, efficiency, risk management and customer satisfaction) with 40 winners.

Alignment to Our Way Survey: a survey designed to evaluate the degree of alignment of the employees with the attitudes of our culture. In 2016, we launched the survey following the announcement of Our Way at the Meeting among Leaders. We had a total of 40,078 respondents out of the 85,622 employees invited to take part.



Employees [GRI 401-1](#)

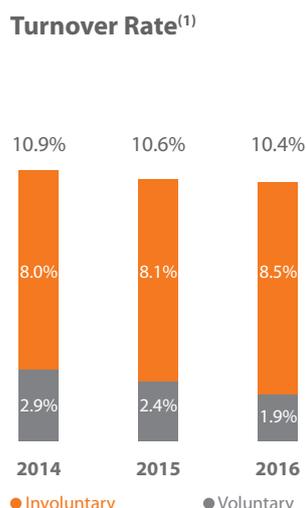
The number of employees within Itaú Unibanco increased from 90,320 in 2015 to 94,779 in 2016, mainly due to the consolidation of Itaú CorpBanca as from the second quarter of 2016. [GRI 102-7](#)

The tables below show the total number of employees for the years ended December 31, 2016, 2015 and 2014, segmented by region (Brazil and abroad) and operating unit:

Employees (Brazil and abroad)	As of December 31,				Variation		
	2016	2015	2014	2016-2015	2015-2014		
In Brazil	80,871	83,481	86,192	(2,610)	(3.1)%	(2,711)	(3.1)%
Abroad	13,908	6,839	6,983	7,069	103.4%	(144)	(2.1)%
Argentina	1,647	1,607	1,679	40	2.5%	(72)	(4.3)%
Chile	5,919	2,539	2,563	3,380	133.1%	(24)	(0.9)%
Colombia	3,754	-	-	3,754	-	-	-
Uruguay	1,134	1,170	1,176	(36)	(3.1)%	(6)	(0.5)%
Paraguay	806	799	789	7	0.9%	10	1.3%
Europe	200	216	233	(16)	(7.4)%	(17)	(7.3)%
Other	448	508	543	(60)	(11.8)%	(35)	(6.4)%
Total	94,779	90,320	93,175	4,459	4.9%	(2,855)	(3.1)%

Employees (by operating unit)	As of December 31,				Variation		
	2016	2015	2014	2016-2015	2015-2014		
Retail banking	71,159	72,815	75,143	(1,656)	(2.3)%	(2,328)	(3.1)%
Wholesale banking	22,909	16,468	16,940	6,441	39.1%	(472)	(2.8)%
Activities with the market and corporation	711	1,037	1,092	(326)	(31.4)%	(55)	(5.0)%
Total	94,779	90,320	93,175	4,459	4.9%	(2,855)	(3.1)%

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



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

The Connecting Opportunities Program

The Connecting Opportunities Program has evolved from the revamping of the Reallocation Center. The Program's objective is to retain employees aligned with the organization's culture but for whom temporarily there is no room to grow in their current posts. The initial approach to such a situation is based on the reception of the employee and the mapping of the employee's profile in readiness for future appointments to positions in Itaú Unibanco. Following discussions, the employee will participate in a career initiative process covering such aspects as preparing a résumé, interviewing postures and activating networking. In this way, the employee is given the support to ensure best performance during the process. In addition, the employee receives a guide with information, roles and responsibilities during the Connecting Opportunities Program. The selection team works jointly with the managers responsible for the vacancy in which the employee is interested. This work has produced positive results, with 56% of the nominated employees having found new positions in which to grow within the organization. [GRI 404-2](#)

In 2016, most of the employee terminations occurred in the age group between 30 and 50 years old and the hiring of employees in the age group below 30 years old.

Compensation and benefits [GRI 102-36](#) | [GRI 405-2](#) | [GRI 103-2](#) | [103-3 Compensation and incentives](#)

We have adopted market parameters and compensation strategies, which vary according to the business area of each employee. We periodically verify these parameters through the commissioning of salary surveys conducted by specialized consultants, participation in surveys conducted by other banks, as well as participation in specialized forums on compensation matters.

Fixed compensation under our compensation strategy takes into account the complexity of an individual's work duties and such individual's performance with respect to such duties. Employees' fixed compensation changes according to the policy on promotion and merit, which takes into consideration the seniority of the employees and their performance when carrying out their duties.

The variable compensation, in turn, acknowledges the level of dedication, the results achieved and the short-term, medium-term and long-term sustainability of such results.

In addition, employees are entitled to receive salary adjustments and are entitled to profit sharing, pursuant to the collective bargaining agreements applicable in the relevant jurisdictions.

Our share-based profit-sharing plan, specifically designed for managers and senior managers, acknowledges those who stood out during the relevant year. The plan consists on granting preferred shares (ITUB4) or equivalent instruments, subject to the limits established by the Compensation Committee, to 10% of managers and 30% of senior managers. Of the total granted, one-third vests each year over a period of three years after the award, which is made in the coming year immediately after the performance year to which it relates. The number of preferred shares or share-based instruments granted is determined by the financial results of the organization/ area as well as individual performance. The preferred shares or share-based instruments are delivered on the same date as the final portion of the profit-sharing payment, as determined in the relevant collective bargaining agreements. Compensation based on shares is not proportional to working time. The preferred share price is calculated on the seventh working day prior to the award, using the average price of ITUB4 on BM&FBovespa in the preceding thirty days from calculation.

We also have an institutional program called Partners Program, comprised of members of management and employees, in each case approved by our Personnel Committee, who had outstanding performance. Eligible employees are entitled to use part or their total annual variable compensation to purchase our preferred shares (Own Shares). If they hold the ownership of these Own Shares for three and five-year terms as from the initial investment, the return on investment will be made through the receipt of our preferred shares (Partners Shares), also for three and five-year terms. These Partners Shares will subsequently remain unavailable for five and eight-year terms as from the initial investment in Own Shares. The Partners Program may also consider other instruments derived from shares as opposed to actual shares.

We provide several benefits established in the relevant collective bargaining agreements with unions, which represent many categories of employees. The conditions of such benefits are set forth in the relevant collective bargaining agreements (such as allowances for meals, nursery/nanny care for children, transportation, etc.). There are additional benefits, such as: (i) medical and dental care plans; (ii) private pension plans; (iii) group life insurance; (iv) psychosocial services; and (v) personalized treatment in the use of banking products and services. The granting of these benefits may vary according to the category of employees and/or market or regulatory considerations with respect to the relevant jurisdictions applicable to a particular employee. [GRI 401-2](#)

Labor relations [GRI 102-41](#)

We have a permanent channel for dialog with the labor unions representing all our employees in various professional categories. Respect, transparency and a direct

relationship are among the principles involved in our dealings with these entities. These activities are executed with a focus on innovative and negotiated solutions to minimize possible differences and areas of conflict involving our employees.

We guarantee our employees the right of free association with labor unions and recognize the rights and privileges of those that may be elected to executive positions in labor unions in accordance with prevailing Brazilian legislation and the collective labor agreements for each professional category to which we are party. In addition, we permit labor unions to hold membership campaigns. When requested, we hold meetings between the entities, our managers and/or employees.

We maintain our commitment to prioritize collective negotiations and a permanent agenda of matters to be discussed with labor unions. Such an agenda allows us to resolve conflicts efficiently and underscores our commitment to a permanent and direct relationship with the entities representing the employees.

All our employees in Brazil enjoy the support of collective labor agreements which guarantee rights over and above those provided under the labor legislation in addition to other benefits that may be granted to our employees of a non-recurring nature and in line with our policies.

In the collective bargaining negotiations with the bank's employees during 2016, the financial sector suffered 22 business days of strikes with an average impact on our branches of 37.7% (the same percentage as in 2015). As in previous years, these work stoppages affected Brazilian banks generally since the labor action took place across the entire domestic financial system.

During the 2015 collective bargaining negotiations with the bank employee unions, the financial sector experienced a 14-business day strike with an average impact of 37.7% on our branch network.

During the bank employee wage negotiations in 2014, strike action lasted five business days, impacting our branches on an average of 25.4% during this period.

All these labor manifestations and strikes affecting our branches have a partial impact only on our business since at least some branches are able to open during the day and the entire network is never brought to a complete halt. In this context, it is worth pointing out that, in the past few years, we have seen a growing volume of operations which are transacted through our digital channels. This has made a significant contribution to minimizing the effects of strike action on our operations.

Brand [GRI 103-2](#) | [103-3 Brand and reputation](#)

Our brand aims to promote positive changes in the lives of people and in society. We deliver products and services – focused on our clients’ needs – that reflect our continuous efforts to provide the best experience for everyone who interacts with us, every day. Our efforts to foster financial education permeate our entire organization and encourage people to have a more balanced relationship with their money by choosing the best type of credit and by planning their investments more efficiently. Our responsibility for the development of the nation is at the very heart of our brand, which is why, in addition to the transformation that is inherent in our core business, we also invest in projects related to education, culture, sports and urban mobility.

In 2016, we were once again ranked at the top of the Interbrand ranking of most valuable Brazilian brands with an estimated value of R\$26.611 million. This is the 13th consecutive year in which we have been at the top of this ranking. The analysis is based on our brand’s ability to generate financial results, influence the client selection process and ensure long-term demand. [GRI 102-7](#)

The *#issomudaomundo* (*#thischangestheworld*) platform, which guides our causes and our investments in various projects, continues to illustrate our institutional campaigns. This year, with the *Leia para uma criança* (Read to a child) campaign, we reached an impressive milestone: over 3 million books were offered, including braille books. This shows that we continue to mobilize clients and non-clients to make a difference in children’s lives.

Our capacity to inspire and engage people can also be seen on social media. We publish a series of articles and videos that express our point of view and tell stories that encourage people to implement positive changes in their lives. In 2016, we reached over 129 million views, which means we remain the largest Brazilian brand channel on [YouTube](#) and the largest in the world from the financial sector.

Social media is increasingly important to our strategy. This year, we achieved over 8 million fans on [Facebook](#). We have the largest [Facebook](#) community of any bank in the world and one of the largest fan bases of any Brazilian brand, according to Socialbakers. Our [Twitter](#) profile has over 607 thousand followers, making us number one in the country’s financial sector. We also have approximately 169 thousand followers on [Instagram](#).

We continue to monitor all of our social media profiles 24 hours a day, seven days a week. We have a specific structure to interact with the public on all matters related to Itaú: questions, suggestions, comments and complaints. We have received more than 675 thousand mentions on

social media from January 2016 to December 2016, 67% of which were positive and neutral comments, according to Gauge, a consulting agency that assists us in the analysis of social media data.

2016 was a special year for Itaú. We reinforced our positioning as a digital bank by means of the *Digitau* platform, highlighting in our communication and advertising campaigns the new technological solutions Itaú Unibanco presents to the market, such as apps and digital branches. Combining our innovative technology with our vision of making people’s daily lives easier we create increasingly simpler financial solutions.

Patents

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

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

Main stockholders

We are controlled by IUPAR, which is jointly controlled by Itaúsa and Cia. E. Johnston. Itaúsa is controlled by members of the Egydio de Souza Aranha family, and Cia. E. Johnston is controlled by members of the Moreira Salles family.

Except for the shares indirectly owned by our controlling stockholders (through their participation in IUPAR and Itaúsa), the members of our Board of Directors and our Board of Officers, on an individual basis and as a group, beneficially owned less than 1% of our common shares and less than 1% of our preferred shares as of March 31, 2017.

According to Brazilian regulation and as approved by the Central Bank, foreign investors may have a maximum of 30% of our common shares.

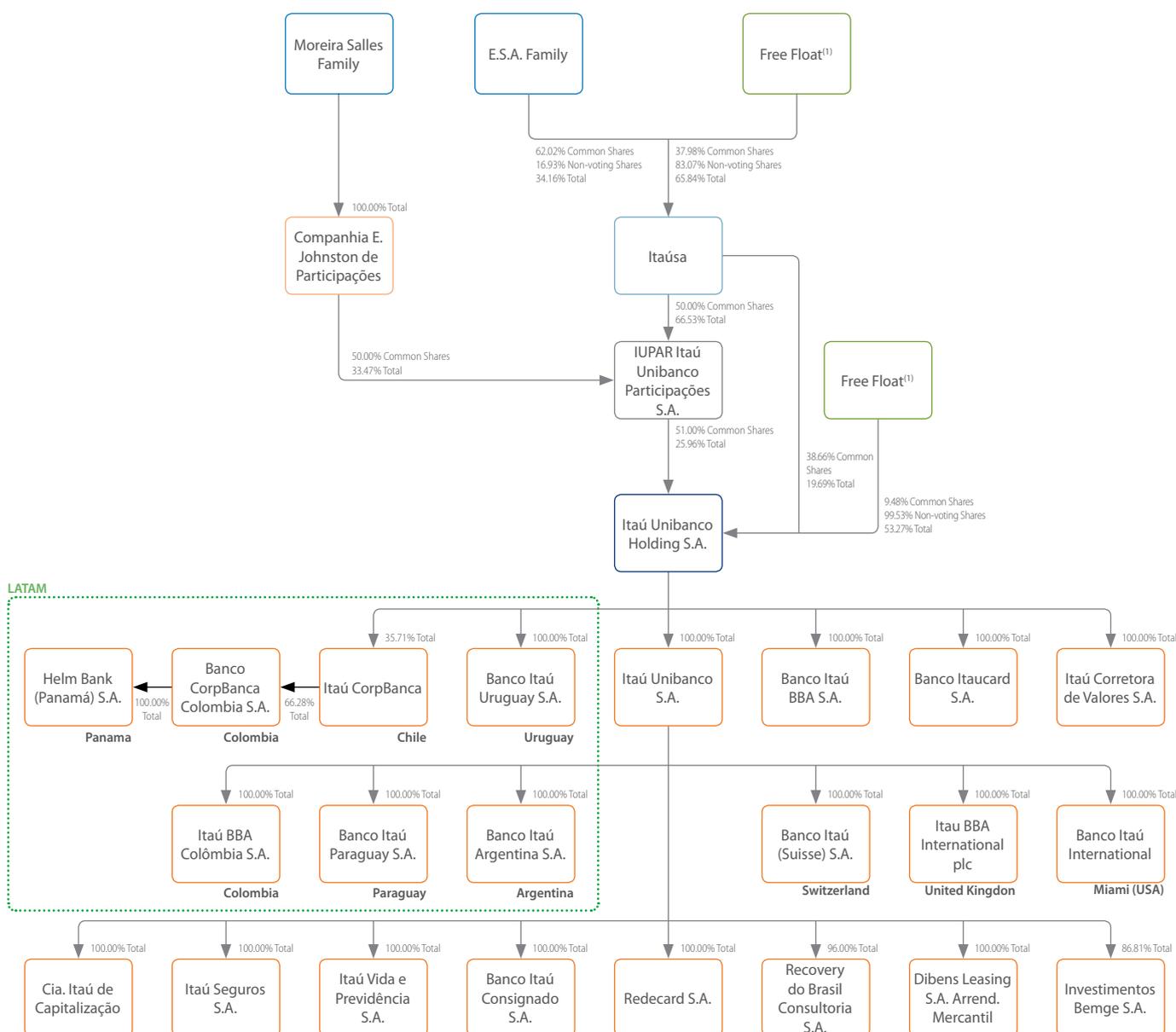
The following table presents information on the persons that, to our knowledge, held over 5% of our common or preferred shares as of December 31, 2016:

Stockholders	Common Shares		Preferred Shares		Total	
	Total Number of Shares	% of Total	Total Number of Shares	% of Total	Total Number of Shares	% of Total
IUPAR – Itaú Unibanco Participações S.A.	1,709,389,603	51.00	-	-	1,709,389,603	25.96
Itaúsa – Investimentos Itaú S.A.	1,295,937,718	38.66	112,882	-	1,296,050,600	19.69
BlackRock ⁽¹⁾	-	-	233,283,398	7.22	233,283,398	3.54
Others	346,413,822	10.34	2,939,466,713	90.99	3,285,880,535	49.93
Subtotal	3,351,741,143	100.00	3,172,862,993	98.21	6,524,640,136	99.12
Treasury stock	3,074	0.00	57,700,333	1.79	57,703,407	0.88
Total	3,351,744,217	100.00	3,230,563,326	100.00	6,582,307,543	100.00

(1) Share ownership information provided by stockholder.
Date: 03/31/2017

Ownership Structure

The following chart is an overview of the ownership structure of the Itaú Unibanco group as of March 31, 2017, which includes our controlling shareholders and some of our main subsidiaries:



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

Please refer to [section Performance, item Consolidated financial statements \(IFRS\), Note 2.4 a I – Summary](#) of main accounting practices for further information about our subsidiaries.

IUPAR stockholders' agreement

Itaúsa and Cia. E. Johnston have a stockholders' agreement that governs their relationship as controlling stockholders of IUPAR and, indirectly, as our controlling stockholders and as controlling stockholders of our subsidiaries. [Click here](#) for further details. The main terms and conditions of the agreement are described below.

The Board of Directors and the Board of Officers of IUPAR are composed of four members each: two members are nominated by Itaúsa and two members by Cia. E. Johnston for each one of these bodies. Pursuant to the IUPAR stockholders' agreement, IUPAR shares held by Itaúsa and Cia. E. Johnston cannot be transferred to third parties until November 3, 2018. After this period, if any stockholder party to the IUPAR stockholders' agreement decides to transfer its IUPAR shares to a third party, the other stockholders will have right of first refusal or tag-along rights. If both Itaúsa and Cia. E. Johnston decide to transfer all of their shares held in IUPAR or the total shares held by IUPAR in Itaú Unibanco Holding to third parties, Itaúsa may exercise its tag-along rights, so as to include in the sale all or part of the shares directly held by it in Itaú Unibanco Holding. All shares held directly by Itaúsa in Itaú Unibanco Holding may be freely transferred.

The IUPAR stockholders' agreement is effective for a 20-year period from January 27, 2009, and may be automatically extended for successive 10-year periods, except if otherwise indicated.

Transfer of control and increase of interest in the share capital

Subject to the provisions of the IUPAR stockholders' agreement, our Bylaws do not contain any provision that is intended to delay, defer or prevent a change in our shareholding control or that would operate only with respect to a merger, acquisition or corporate restructuring of our Company or its subsidiaries. However, according to Brazilian regulation all such transactions must be carried out in accordance with procedures established by CMN and be previously approved by the Central Bank.

Brazilian legislation provides that acquisition of control of a publicly held company triggers the requirement for the acquiring party to make a tender offer for all outstanding common shares, at a price equivalent to at least 80% of the price per share paid to the controlling stockholders. Additionally, our Bylaws establish the same price rule for the holders of our preferred shares.

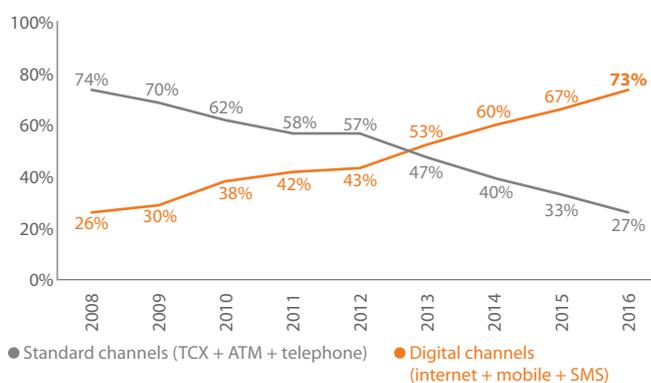
Such legislation also requires our controlling stockholders to make a tender offer for all of our shares if they increase their interest in our share capital to a level that materially and negatively affects the liquidity of our shares.

Distribution channels GRI G4-FS13

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

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

Volume of transactions (in %)



Source: Itaú Unibanco Holding and Central Bank.

Standard channels (branches, CSBs and ATMs) GRI G4-FS13

Our branch network serves as a distribution network for all of the products and services we offer to our clients. As of December 31, 2016 our standard branch network reached 3,653 branches. We have 45 branches in Brazil, especially refurbished for shopping malls, with a new visual identity and service proposal. The spaces present a new concept of client service, with a differentiated layout inspired by the design of a retail store. Focusing on the relationship with the client as a way to strengthen contact with the public, these branches are open from 12 p.m. to 8 p.m. Furthermore, we have reached 135 digital branches as of December 2016, which aligns with our Digital Channels strategy.

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



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

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

In addition to all our channels for serving clients (branches, CSBs and ATMs), we also have a partnership with "TecBan" ATM network, composed with more than 19,000 ATMs, which provide clients limited services primarily cash withdrawal services.

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

To be able to use biometrics, clients simply register with any Itaú Unibanco branch.

Digital channels (internet and mobile banking) [GRI G4-FS13](#) | [GRI 103-2](#) | [103-3 Information technology](#)

In a digital and wireless world, technology is now part of everyday life. With over 73% of all banking transactions in 2016 already taking place in digital channels, we, as a bank, are challenged daily with delivering an increasingly improved multi-channel and end-to-end experience to our customers.

Over 49% of all clients used a digital channel in December 2016. Mobile is the fastest growing channel, rapidly becoming the most relevant one for individuals. With respect to small and middle-market companies, desktop internet still remains the most used channel. In face of these challenges, we have continuously been transforming our customers digital experience, offering convenience through services and products to our individual and corporate clients, such as money transfers, payments, credit, investments, insurance and others.

Our focus is to provide more and more completion of services in mobile banking (just like the services we provide for internet banking) and keep improving user experience in our digital channels to make them even more intuitive and accessible to our customers.

Standard channels	Branches ⁽¹⁾				CSBs				ATMs	
	2016 ⁽²⁾	2015	2014	2016	2015	2014	2016	2015	2014	
Brazil	3,780	3,910	3,967	766	824	852	25,079	25,802	27,309	
Abroad	531	228	229	26	23	22	1,228	610	607	
Argentina	72	72	72	15	17	17	178	178	186	
Chile	223	96	99	2	-	-	502	70	70	
Colombia	174	-	-	-	-	-	178	-	-	
Paraguay	31	32	30	8	5	4	311	307	297	
Uruguay	23	23	23	1	1	1	59	55	54	
Other	8	5	5	-	-	-	-	-	-	
Total in Brazil and abroad	4,311	4,138	4,196	792	847	874	26,307	26,412	27,916	

(1) Since December 31, 2014, total branches include digital branches and business branches, which are considered points of service by the CMN Resolution No. 4,072/2012.

(2) 79.3% of our branches were located in the states of São Paulo, Rio de Janeiro and Minas Gerais in the southeast of Brazil, Paraná in the south of Brazil, and Goiás in the center-west of Brazil.

Our business [GRI 102-2](#)

Overview

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

The **Retail Banking** segment offers services to a diversified base of account holders and non-account holders, individuals and companies. The segment includes retail clients, high-income clients (Itaú Uniclass and

Personnalité) and the very small and small companies. Revenues from Retail Banking come from the offer of banking products and services to retail and high-income clients and very small and small companies, in addition to financial products and services offered to our non-account holder clients, including vehicle financing and credit cards offered outside the branch network, and Itaú Consignado operations. The Retail Banking segment represents an important funding source for our operations and generates significant financial income and banking fees.

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

The **Activities with the Market and Corporation** segment manages interest income associated with our capital surplus, subordinated debt surplus and the net balance of tax credits and debits, as well as net interest income from the trading of financial instruments through proprietary positions, management of currency interest rate gaps and other risk factors, arbitrage opportunities in the foreign and Brazilian domestic markets, and mark-to-market of financial instruments. This segment also includes our interest in Porto Seguro.

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

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

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

Credit cards and Commercial agreements

Itaú Unibanco is the market leader in Brazilian credit cards. Through proprietary and partnership operations with major retailers, telephone carriers, automakers and airline companies established in Brazil, we offer a wide range of credit and debit cards to more than 55.0 million account holders and non-account holders (in number of accounts in December 2016).

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

In 2012 we pioneered the launch of an alternative model in Brazil that made credit cheaper for our consumers by developing Itaucard 2.0, a similar model to the one used in the U.S. and European countries. Since its launch, we have issued more than 6.6 million cards under Itaucard 2.0.

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

In July 2016, we entered into an agreement with Multiplus, one of the largest companies in the rewards and loyalty programs, for the launch of a co-branded credit card, with the proposal being the best option for accumulating market points. In addition to the benefits offered by Multiplus, cardholders will also be able to use the traditional advantages of the Itaucard platform, such as payment of half the value of movie tickets, theater, shows and discounts at partner establishments.

Itaucard has made innovations in the way it interacts with its [Facebook](#) followers by using more informal language, even using references to classic "memes".

The Itaucard application has transformed the customer experience by constantly bringing new functionalities, such as the Virtual Card, that simplifies and offers more security for online shopping. Timeline is another feature of this application, which generates a virtual card for each purchase on the internet, in which purchases and transactions can be viewed in real time.

With regard to customer service, we provide an application that can be used by our customers 24 hours a day. By December 2016 we had more than 5.7 million downloads of this application.

In 2016, maintaining the indicators of default and risk was a challenge for our credit card area in face of all the deterioration of the Brazilian economy and the high level of unemployment in Brazil. We managed to evolve the

default indicator above 90 days from 8.08% in December 2015 to 6.95% in December 2016. We adopted stricter criteria to collect from our clients impacted by the crisis. To continue to grow our portfolio, we also focused on maintaining partnerships with our high-income customers and retailers.

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

Product/Service	Market Position	Additional Information and Main Competitors
Credit Cards	We are the leaders in terms of transaction purchase volume of cards in Brazil, with a 37.1% market share in the period from January to December 2016.	The Brazilian credit card market is highly competitive, growing on average 10.0% from January to December over the last four years, according to the Brazilian Association of Credit Card Companies and Services (<i>Associação Brasileira das Empresas de Cartões de Crédito e Serviços</i> , or ABCECS). 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.

Source: Itaú Unibanco Holding and ABCECS.

Payroll loans

A payroll loan is a loan with fixed installments that is directly deducted from the borrower's payroll to the bank's account without being recorded in the debtor's account. Our strategy is to expand our activities in businesses with historically lower risk, achieving a leading position in the offering, distribution and sale of payroll loans in Brazil.

To expand this business and complement our strategy, on July 9, 2012 we entered into an association agreement with Banco BMG S.A. to offer, distribute and market payroll loans originated by that financial institution. Banco Itaú BMG Consignado, the entity used for purposes of this joint venture, began operations in December 2012 and is present throughout the Brazilian territory. This association was designed with the purpose of diversifying our loan portfolio, complementing our payroll loan strategy, and improving the risk profile of our portfolio of loans to individuals. Banco Itaú BMG Consignado also enables us to expand our business in the payroll loan sector in line with our values and transparency principles, following best management practices and policies.

Please refer to [section Our profile, 2016 highlights, item Mergers, acquisitions and partnerships, Acquisition of Itaú BMG Consignado](#) shares for further information.

In December 2016, after obtaining the required regulatory authorizations and meeting conditions precedent, we completed the acquisition of the total equity investment held by Banco BMG in Banco Itaú BMG Consignado. This investment corresponds to 40% of the capital of Banco Itaú BMG Consignado, meaning that we are now the holders of 100% of this institution's total capital. This acquisition assured we kept the leadership among private banks in this segment.

Also, our strategy of higher growth in the National Social Security Institute (*Instituto Nacional do Seguro Social*, or INSS) beneficiaries sector, combined with certain credit policies we adopted, allowed our portfolio evolution to be followed by a decrease in delinquency levels.

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

Product/Service	Market Position	Additional Information and Main Competitors
Payroll Loans	In December 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.	Our main competitors in this business are Banco do Brasil S.A., Caixa Econômica Federal, Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Vehicle financing

As of December 31, 2016, our portfolio of vehicle financing to individuals amounted to R\$15.4 billion, a 23.1% decrease from the same period of the previous year. The average loan to value ratio of our vehicle portfolio (the ratio of a loan to the value of an asset purchased) was 68.1% on December 31, 2016, following a downward trend since the previous year, when the loan to value ratio reached 70.8% as of December 31, 2015. Since 2012, we have reduced our risk exposure in this sector and focused on clients with better risk profiles, which has allowed us to improve the credit quality of our vehicle loan portfolio.

From January to December 2016, the average term of vehicle financing was 40 months, and half of the transactions were carried out with terms of up to 36 months.

We developed a series of new products and services that were launched in the market in 2016. Some of these products are:

Digital Platform – direct channel for origination, service and formalization of payments, bringing more agility and autonomy to the more than 10,000 participating stores and associated car dealers.

Customer Risk based pricing – an innovative solution in the Brazilian market that takes into account a customer's credit risk profile, as well as transaction data (term, entry and year of the vehicle) to offer lower interest rates to customers with low default risk.

Icarros – As one of the pillars of Itaú Unibanco's digitization strategy for searching for, selecting and financing the acquisition of new and used vehicles, iCarros, which has more than 15 million page views per month,

has invested in process intelligence and automation to make customer experience even more complete and convenient. The portal uses new technology for credit simulation and pre-analysis, including presenting risk-adjusted financing rates to the customer. Currently 15% of our vehicle financing is initiated through this portal.

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

Product/Service	Market Position	Additional Information and Main Competitors
Vehicles	In December 2016, we reached a market share of 10.3% in terms of loans to individuals among banks, positioning us as fourth in Brazil in this segment.	Our main bank competitors in this business are Banco Santander (Brasil) S.A, Banco do Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Real estate financing and mortgages

Our mortgage business is dedicated to:

- creating loyalty – the relationships established in this sector are typically long-term;
- contributing to the social and financial development of our clients; and
- being aligned with our strategy of investing in lower risk portfolios.

We have been leaders in mortgage loans to individuals among Brazilian private banks from 2008 to 2016, 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 and brokers, as well as through our partnership with RE/MAX and our joint venture with LPS Brasil Consultoria de Imóveis S.A. (Lopes), called "Credipronto". These two long-term agreements provide us with exclusive real estate financing origination at a greater number of locations throughout Brazil.

One competitive advantage we have is the speed of our credit approval process and in the formalization of the relevant loan documentation. As of December 31, 2016 the average time between finalizing a financing and our receipt of the requisite documentation was 10 workdays,

which we believe is a significantly shorter time period than those of our competitors.

The number of mortgages we provided directly to individuals in 2016 was 27.3 thousand, for an aggregate value of R\$8.2 billion in the period, compared to R\$10.5 billion in 2015. The average Loan to Value (LTV) ratio of the portfolio in 2016 was 41.8%, compared to 43.7% in 2015. In commercial loans, we financed 8.1 thousand new real estate units during 2016, for an aggregate value of R\$1.4 billion.

Since 2007, real estate and mortgage transactions in the Brazilian market have been carried out mainly through a system of mortgage liens (*alienação fiduciária*), pursuant to which the buyer becomes the owner of the property after all payments have been made, making it easier for the bank (lender) to recover the property in case of default. This system resulted in lower legal and credit risks compared to other types of guarantees.

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

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

Product/Service	Market Position	Additional Information and Main Competitors
Real Estate Financing and Mortgages	In the period from January to December, 2016 we were the leaders in new loans to individuals among Brazilian private banks, with 41.9% market share and, second place in terms of new loans to individuals, among all Brazilian banks, with 22.8% market share.	The main player in the Brazilian real estate market is Caixa Econômica Federal (CEF), a government owned bank. CEF is focused on real estate financing and, is the leader in this market. Other competitors include Banco do Brasil S.A., Banco Santander Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and ABCEIP.

Microcredit **GRI G4-FS7**

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

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

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

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

Consortia

A consortium is a self-financing system created in Brazil with a view to fostering savings for the purchase of vehicles and other assets, such as real estate. Pursuant to consortium agreements, participants are pooled according to the specific asset they elect to purchase (such as a vehicle of a particular manufacturer and model),

which will be paid for in installments. Payments made by the participants of a given consortium are used to create a "pool" of funds, which are used by one or more members of the consortium at a time to acquire the assets elected by the participants, e.g., once a month, and such members continue to make payments as scheduled. Generally, participants may receive the asset, (i) during the course of the consortium agreement (before all installments are paid), if the participant pays an amount (in addition to the regularly scheduled installment due) that is higher than such an additional amount offered by any other consortium member for that period, or (ii) during the course of the consortium agreement (before all installments are paid), if the participant is selected by random drawing, organized by the bank, to receive the asset, while continuing to pay for the remaining installments as scheduled.

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

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

Given these characteristics, this business is strategic to us, contributing to revenue diversification and to a more complete product portfolio offering to our clients. As of December 2016, we reached the following results:

- 395.5 thousand in active contracts, decreasing 4.7% compared to December 2015;
- R\$10.7 billion in balance of installments receivables, decreasing 8.9% compared to December 2015; and
- R\$675.0 million in administration fees from January to December 2016, decreasing 1.3% compared to the same period of 2015.

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

Product/Service	Market Position	Additional Information and Main Competitors
Consortia Services Fees	In the period from January to December, 2016, we had a market share of 8.4% in total consortia services fees. Considering only banks, we are the second largest provider of such services in terms of fees in Brazil.	Considering only banks, our main competitors in the Brazilian consortia market are Bradesco Adm. Consortia and BB Consortia.

Source: Central Bank.

Merchant acquirer

Rede (formerly Redecard) is one of the two largest multi-brand acquirers of credit, debit and benefit card transactions in Brazil. Rede's activities include merchant acquiring, capturing, transmission, processing

and settlement of credit and debit card transactions, prepayment of receivables to merchants (resulting from sales made with credit cards), rental of POS terminals, check verification through POS terminals, and the

capturing and transmission of transactions using coupons, and loyalty programs.

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. For those partners, Rede offers a series of products that follow the market's latest trends. Among these products we highlight Mobile Rede, which captures the transaction using a device attached to the smartphone or tablet. It allows card reading and input of purchase data for client's signature, reinforcing our position in new payments solutions for freelancers and micro entrepreneurs. Through e-Rede we intensified and improved the quality of our electronic payments platform, offering not only the acquisition service, but also an antifraud gateway. We offer a single platform for efficient, fast and complete solutions for online payments using a robust antifraud system.

We are continuously investing in merchant loyalty by focusing on retail and offering a wide product portfolio and innovative merchant acquirer and banking solutions. In September 2016, we launched Smart Rede, a new generation of smart terminals with an innovative design and an App Store that enables merchants to choose and download solutions that assist in controlling and managing businesses. By November 2016, we made Control Rede available to merchants, a reconciliation solution that facilitates financial control of the merchant's receivables.

In order to make banking as simple as possible for our clients, in 2016, we also developed Rede Pay, our digital wallet solution, which brings to our online merchants the chance to increase their sales by accessing thousands of customers in a simple and safe way and *Preço Único* (One Price), a solution that simplifies billing for the merchants by charging a single fee that includes merchant discount rate and equipment rental (POS).

In 2016, we received R\$387 billion in transactions with respect to credit and debit cards, an increase of 1.1% compared to 2015. As of December 31, 2016, Rede was present in almost all municipalities in Brazil having electric power and telecommunications networks and had 1.5 million installed POS terminals throughout Brazil. The following table sets forth the financial volume of transactions and the amount of transactions of credit and debit cards processed by us in 2016, 2015 and 2014:

	Financial Volume			Transactions		
	(In billions of R\$)			(In billions)		
	2016	2015	2014	2016	2015	2014
Credit cards	252	250	232	2.0	2.0	1.9
Debit cards	135	133	126	2.0	2.0	2.0
Total	387	383	358	4.0	4.0	3.9

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

Product/Service	Market Position	Additional Information and Main Competitors
Merchant Acquirer	In the period from January to December, 2016 we reached a market share of 34.6% in terms of total transaction volume (credit and debit) generated by the acquiring services, positioning us as the second largest player in this segment in Brazil.	Our main competitors in this business are Cielo S.A., Getnet Tecnologia em Captura e Processamento de Transações H.U.A.H. S.A. (GetNet) and Banco Bankpar S.A. (American Express).

Source: Itaú Unibanco Holding and ABECS.

Other products and services portfolio

Insurance

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

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

In May 2016, we were granted the "*Consumidor Moderno de Excelência em Serviços ao Cliente*" (Modern Consumer – excellence in services to clients) Award, promoted by *Consumidor Moderno* magazine and CIP, the Standard Intelligence Center, in the Banks and Insurance, Pension Plan and Capitalization categories. This award is granted as a recognition by the client relationship sector in Brazil.

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

Product/Service	Market Position	Additional Information and Main Competitors
Insurance	Considering our 30% ownership interest in Porto Seguro S.A., we reached 9.9% of share in total insurance market based on earned premiums, from January to December, 2016, positioning us as the fourth largest insurance provider in Brazil. Considering only our insurance core activities, our market share in these specific markets reached 12.6% in the same period.	The Brazilian insurance market is highly competitive. Our main competitors in this sector, excluding health insurance providers, are affiliated with large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S. A. Although there is a great concentration of Brazilian banks, this market is still dispersed, especially with players acting in specific niches. As of December 2016 this industry consisted of approximately 154 insurance companies of various sizes, including 39 conglomerates and 47 independent companies. We believe that our alliance with Porto Seguro S.A. resulted in gains in scale and efficiency for us.

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

Private pension plans

We offer private pension plans to our clients as an option for wealth and inheritance planning and income tax purposes (these products are tax-deferred). We provide our clients with a solution to ensure the maintenance of their quality of life, as a supplement to government plans, through long-term investments.

The contributions reached R\$23.4 billion from January to December 2016, mainly due to the increase in our VGBL product, and technical provisions, which increased 20.4% from January to December, totaling R\$148.7 billion on December 31, 2016.

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

Product/Service	Market Position	Additional Information and Main Competitors
Pension plans	In December 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.	Our main competitors in private retirement plan products are controlled by large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A., which, like us, take advantage of their branch network to gain access to the retail market.

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

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

Premium bonds are fixed deposits products pursuant to which a client makes a one-time deposit or monthly deposits of a fixed sum that will be returned at the end of a designated term. Ownership of premium bonds automatically qualifies a customer to participate in periodic raffles, each time with the opportunity to win a significant cash prize. In 2016, we distributed R\$58.3 million in raffle prizes for 2,361 clients.

We currently market our premium bonds portfolio of products through our branch network, electronic channels and ATMs, and we are currently developing new technologies for channel diversification. Revenues from

capitalization plans increased 4.8% in 2016 compared to 2015.

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

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

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

Source: SUSEP.

Retail Banking

We have a large and diverse portfolio of products, such as credit and investments, and services to address our clients' needs. Our retail banking business is segregated according

to customer profiles, which allows us to be closer and understand our customer's needs, enabling us to better offer the most suitable products to meet their demands.

Itaú Retail Banking (individuals)

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

Our Itaú Uniclass services are available at every branch for clients who earn more than R\$4,000 and below R\$10,000 per month. We offer exclusive services to our Itaú Uniclass

clients, including investment advisory services, exclusive cashiers, special telephone service and higher credit limits and a large team of dedicated relationship managers.

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

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

Product/Service	Market Position	Additional Information and Main Competitors
Retail Banking (Including Itaú Personalité)	In December 2016, we reached a market share of 11.7% based on total outstanding loan balance in <i>reais</i> , positioning us as the third largest bank in this segment in Brazil.	Itaú Unibanco Holding has a leading position in many sectors of the Brazilian domestic financial market. Based on Central Bank data and publicly available financial information, our main competitors are Caixa Econômica Federal, Banco do Brasil S.A., Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Itaú Personalité (banking for high-income individuals)

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

Itaú Personalité is focused on providing (i) financial advisory services by managers who understand the specific needs of our higher-income clients, (ii) a large portfolio of exclusive products and services and (iii) special benefits based on the type and length of relationship with the client, including discounts on various products and services. Itaú Personalité services its clients through a dedicated network comprised of 275 branches, located in the main Brazilian cities. Itaú Personalité clients also have access to our retail banking network of branches and ATMs throughout the country, as well as through services by internet, telephone and mobile banking. For clients who prefer remote services, Itaú Personalité provides a “digital bank platform” where relationship managers service clients through telephone, email, SMS and videoconference from 7 a.m. to midnight on business days.

Itaú Empresas (very small and small companies)

To meet the needs of our corporate customers, we offer customized solutions and detailed advice on all products and services for:

- microenterprises: customer base consisting of companies with annual revenues of up to R\$1.2 million, served by 3,617 bank branches and 2,257 relationship managers on December 31, 2016; and

- small businesses: customer base consisting of companies with annual revenues between R\$1.2 million and R\$30 million, served by 361 offices and 1,747 relationship managers on December 31, 2016.

The Brazilian Financial and Capital Markets Association (ANBIMA) certifies all of our relationship managers, who are trained to offer the best banking solution to each client. Our customers rely on our ability to provide products, terms and rates tailored to their needs.

Our strategy is to capture market opportunities, meeting the needs of the companies we serve and of their owners, particularly with respect to cash flow management, credit facilities, investments, and banking.

As it was the case in 2015, improving our credit portfolio and reducing the volume of non-performing loans remained our goal in 2016. During this period, we improved processes, credit policies and tools, and we intensified our collection and credit recovery efforts.

Focusing on our customers' needs, we have launched a brand-new mobile application, offering greater ease, speed and convenience to our customers in their day-to-day interaction with the bank. We have expanded the acquiring services we offer to our clients through Rede, and increased the number of customers who have purchased our “Flex” offer, which allows merchants to receive credit card sales within two business days. We have also improved our ability to attract qualified customers with product offerings and services suitable to their needs.



Finally, we have continued our efforts to digitalize products and services, as well as develop the tools used by our sales and relationship teams. In 2017, we expect to capture the benefits of such investments, as measured by increased business productivity and greater proximity to our customers.

Public sector

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

To service public sector clients, we use platforms that are separate from our retail banking branches, with teams of specially trained managers who offer customized solutions in tax collection, foreign exchange services, administration of public assets, payments to suppliers, payroll for civil and military servants and retirement. Based on these platforms, we have a significant amount of business with public sector clients, particularly in those Brazilian states where we acquired previously state-owned financial institutions. In December 2016, we had 5,330 public sector clients and 12 offices in Brazil.

Wholesale Banking

Wholesale Banking is the segment responsible for banking operations of large companies (those with annual revenues over R\$300 million) and middle-market companies (those with annual revenues from R\$30 million to R\$300 million) and investment banking services. It

offers a wide range of products and services to the largest economic groups of Brazil.

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

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

Investment Banking

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

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

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

Product/Service	Market Position	Additional Information and Main Competitors
Investment Banking	In the period from January to December 2016, Itaú BBA ranked first in mergers and acquisitions ⁽¹⁾ . From January to December 2016, we ranked second in origination and in distribution in debt capital markets transactions ⁽²⁾ .	In investment banking, Itaú BBA's main competitors include Banco Santander, Banco de Investimentos Credit Suisse (Brasil) S.A., Banco Merrill Lynch de Investimentos S.A., Banco Morgan Stanley S.A., Banco JP Morgan S.A., Bradesco BBI and Banco BTG Pactual S.A.

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

Itaú Private Bank

With a full global wealth management platform, we are the market leaders in Brazil with a market share exceeding 27% and one of the main players in Latin America. Our multidisciplinary team, which is supported by a team of investment advisers and product experts, provide comprehensive financial services to clients, understanding and addressing their needs from our eight offices in Brazil and in our offices located in Zurich, Miami, New York, Santiago, Asunción and Nassau.

Our clients have access to a complete portfolio of products and services, ranging from investment management to wealth planning, credit and banking solutions. In addition to our in-house customized products and services,

we offer our clients access to an open architecture of alternatives from third-party providers.

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

- being the leading private bank in terms of client satisfaction;
- adding value to client and stockholders with a complete offering and long-term proactive advisory services;
- continuing to invest in our international platforms to enhance Brazilian clients' experience and expand our operations in Latin America;

- increased operational efficiency of our platform through continuous investments in our IT platforms; and
- maintaining a focus on risk management and regulatory considerations.

We were recognized by the main publications of the global private bank market:

Private Wealth Management/The Banker

- Best Private Bank in Latin America (2016)
- Best Private Bank in Brazil (2016)

Private Banker International

- Outstanding Private Bank – Latin America (2016)
- Most Effective Investment Service Offering (2016)

Euromoney

- Best Private Banking Services Overall in Brazil (2016)

Global Finance

- Best Private Bank in Emerging Markets for 2017
- Best Private Bank in Brazil for 2017

Itaú Asset Management

Itaú Asset Management is responsible for managing client's assets. With almost 60 years of experience in managing resources and 270 professionals, it has positioned itself as a leading asset manager in Brazil, and one of the leading institutions of its kind in Latin America,

with assets under management of over R\$527.0 billion, in December 2016 according to ANBIMA.

Furthermore, Itaú Asset Management has one of the biggest research teams in Latin America, which is composed of professionals focused on specific industries and investment strategies. The consistent investment in market research allows us to analyze investment opportunities in detail, under multiple perspectives. We offer a range of customized products and solutions, tailored to the uniqueness of each client segment, considering different investment objectives and risk profiles. We have a committed risk management team that is responsible for the support of the operation.

In July 2016, Itaú Asset Management received from *Valor Investe* the "Top Gestão 2016" award prepared by Standard & Poor's as the best manager of hedge funds with three 5 star funds. In December 2016, Itaú Asset Management was elected for the eighth time, being the fourth consecutive time the Best Manager of Funds by *Exame* magazine, and was the winner in eight out of nine categories of the award.

Kinea, an alternative investments management company of Itaú Unibanco, held R\$11.5 billion in managed assets at the end of 2016.

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

Product/Service	Market Position	Additional Information and Main Competitors
Asset Management	In December 2016, we had a market share of 15.1% in terms of assets under management, positioning us as the third asset management in Brazil.	According to ANBIMA, the asset management industry in Brazil held assets totaling R\$3,480 billion as of December 2016, with competition concentrated among large and well-established retail banks. Our main competitors are Banco do Brasil S.A. and Banco Bradesco S.A.

Source: ANBIMA.

Securities Services

Itaú Securities Services business units provide:

- 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. We also work as guarantor in transactions for project finance, escrow accounts and loan and financing contracts.

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

Pension funds, insurance companies, asset managers, international institutional investors and equity and debt issuers are our primary clients in these businesses, representing approximately 3,317 clients in 22 countries that reached R\$2.6 trillion of assets under service as of December 31, 2016, which includes investment funds, underwriting, pension funds, trustee and brokerage services.

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

Product/Service	Market Position	Additional Information and Main Competitors
Local Custody	In December 2016, we had a market share of 27.3% based on total assets under local custody, positioning us as the second largest Local Custodian.	According to ANBIMA, the local custody in Brazil held assets totaling R\$4,035 billion as of December 2016. Our main competitors are Banco Bradesco S.A. and Banco do Brasil S.A.
International Custody	Our market share in December 2016 was 14.1% in terms of total assets under international custody, positioning us as the third largest International Custodian.	Based on ANBIMA, the international custody service in Brazil totaled R\$1,235 billion of assets as of December 2016. Our main competitors are Banco Citibank S.A., JP Morgan's Securities Services and Banco Bradesco S.A.
Corporate Solutions	In December 2016, we had a leading position as agent and registrar provider to 217 companies listed on BM&FBovespa, which represents 62.2% of companies listed on that exchange. Moreover, we were leader as transfer agent with 416 debentures offerings in the Brazilian market, representing 46.7% of the debentures market in Brazil.	Our main competitors in the equities market are Banco Bradesco S.A. and Banco do Brasil S.A. Our main competitor in debentures is Banco Bradesco S.A.

Source: Itaú Unibanco Holding, ANBIMA and BM&FBovespa.

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 in 2016. The brokerage services are also provided to international clients through our broker-dealer in New York.

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

Product/Service	Market Position	Additional Information and Main Competitors
Retail Brokerage Services ⁽¹⁾	Ranked fourth in Retail Brokerage Services by trading volume in December 2016.	Main competitors: XP Investimentos, Ágora Corretora de Títulos e Valores Mobiliários S.A., Rico Corretora de Títulos e Valores Mobiliários S.A. and BB Gestão de Recursos Distribuidora de Títulos e Valores Mobiliários S.A.
Cash Equities ⁽¹⁾	Ranked sixth in Cash Equities by trading volume in the period between January and December 2016.	Main competitors: UBS Brasil Corretora, XP Investimentos, Morgan Stanley Corretora de Títulos e Valores Mobiliários S.A., Credit Suisse Hedging-Griffo Corretora de Valores S.A. and Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários.
Futures and Derivatives ⁽¹⁾	Ranked sixth in Derivatives and Futures by number of traded contracts in the period between January and December 2016.	Main competitors: UBS Brasil Corretora, BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda. and Tullett Prebon Brasil S.A. Corretora de Valores e Câmbio, BGC Liquidez Distribuidora de Títulos e Valores Mobiliários Ltda.
Research ⁽²⁾	Ranked first Research House in Latin America.	Main competitors (local and global players): J.P. Morgan Corretora de Câmbio e Valores Mobiliários S.A., BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., Credit Suisse Hedging-Griffo Corretora de Valores S.A. and Bank of America Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários.

Source: (1) CBLcnet. (2) *Institutional Investor* magazine.

Our International Business [GRI 102-4](#) | [GRI 102-6](#) | [GRI 103-2](#) | [103-3 International operations](#)

Itaú Unibanco Holding's Global Footprint



Latin America

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

Over the past years, we consolidated our presence in Argentina, Chile, Paraguay and Uruguay, with a principal focus on commercial banking and, with the recent merger between Banco Itaú Chile and CorpBanca, which strengthened our presence in Colombia and Panama, we further expanded even more our operations in the region. In Peru, we operate in the corporate segment through a representative office.

As of December 31, 2016 we had a network of 549 branches and client service branches (CSBs) in Latin America (excluding-Brazil). In Paraguay, we had 50 non-bank correspondent locations, which are points of service with a simplified structure, strategically located in supermarkets to provide services to our clients in that country. As of December 31, 2016, we also had 35 points of service through OCA S.A., our credit card operator in Uruguay. Please refer to [section Our profile](#),

[item Distribution channels](#), for further details about our distribution network in Latin America.

Banco Itaú Argentina

We have operated since 1979 in Argentina, where we began with a focus on large companies with business ties to Brazil. In 1994, we initiated our retail operations in Buenos Aires. In 1998, we increased our presence through the acquisition of Buen Ayre Bank, subsequently renamed Banco Itaú Argentina.

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

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

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2016, we had a market share of 2.2% in terms of total outstanding loan balance in <i>Argentine pesos</i> , positioning us as the thirteenth largest private bank in Argentina.	Our main competitors are Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A., BBVA Banco Frances S.A. and Banco Macro S.A.

Source: Central Bank of Argentina.

Itaú CorpBanca

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

The merger was consummated on April 1, 2016 and, we acquired control of the resulting bank (Itaú CorpBanca). Since the second quarter of 2016, Itaú CorpBanca’s financial results are consolidated with our results. We expect the technological and operational integration of the banks to be completed at the end of 2017 and synergies to become more evident in 2018.

In October 2016, we acquired from Corp Group 10.9 billion additional shares of Itaú CorpBanca for approximately R\$288.1 million, pursuant to the terms of the shareholders’ agreement we entered into on the merger date. As a

result, our interest in Itaú CorpBanca increased from 33.58% to 35.71%, without changing the governance of Itaú CorpBanca.

In January 2017, the agreement which sets out the terms and conditions of the merger was amended to reflect, among other things, changes to the terms of the transaction relating to operations in Colombia. Please refer to [section Our profile, item 2016 highlights, Mergers, acquisitions and partnerships, Itaú CorpBanca](#).

This operation represents an important step in our strategy to expand our presence in Latin America, diversifying our operations in the region. We now rank fourth, from a previous seventh place, among the largest private banks in Chile in terms of loans and we have entered the financial retail market in Colombia through Banco CorpBanca Colombia S.A., the fifth largest bank in terms of loans, which will also operate under the Itaú brand. We now also operate in Panama.

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

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2016, our market share was 13.1% based on total outstanding loan balance in <i>Chilean pesos</i> , positioning us as the fourth largest private bank in Chile.	Our main competitors are Banco Santander-Chile S.A., Banco de Chile S.A., Banco de Crédito e Inversiones S.A. and Banco Bilbao Vizcaya Argentaria Chile S.A.

Source: Superintendency of Banks and Financial Institutions.

Banco Itaú Paraguay

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

among banks in Paraguay in terms of results and deposits (data provided by the Central Bank of Paraguay, December 2016).

Banco Itaú Paraguay was the regional winner in the World's Best Emerging Markets Banks in the Latin America 2016 category, according to *Global Finance* magazine. It also won in the "Best Bank in Paraguay" category of the Euromoney Awards for Excellence 2016.

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

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2016, we had a market share of 14.8% in terms of total outstanding loan balance in <i>guaranis</i> , positioning us as the third largest private bank in Paraguay.	Our main competitors are Banco Continental S.A.E.C.A., Banco Regional S.A.E.C.A. and Banco Bilbao Viscaya Argentaria Paraguay S.A.

Source: Central Bank of Paraguay.

Banco Itaú Uruguay

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

include current and savings accounts, payroll payment, self-service areas and ATMs in all branches, and phone and internet banking. The wholesale banking division is focused on multinational companies, financial institutions, large and middle market companies and the public sector, providing lending, cash management, treasury, trade and investment services.

Our retail banking business is focused on individuals and small business clients. Retail products and services focus on the middle and upper-income segments, and also

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

Product/Service	Market Position	Additional Information and Main Competitors
Total Loan Portfolio (includes privately-owned banks only)	In December 2016, we had a market share of 20.5% based on total outstanding loan balance in <i>Uruguayan pesos</i> , positioning us as the third largest private bank in Uruguay.	Our main competitors are Banco Santander S.A, Banco Bilbao Vizcaya Argentaria Uruguay S.A. and Scotiabank Uruguay S.A.

Source: Central Bank of Uruguay.

Peru

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

Mexico with an office dedicated to equity research with respect to Mexican issuers.

Mexico

As part of a restructuring process of our activities in Latin America, the sale of our broker business in Mexico was approved by the local regulatory agency and completed on October 01, 2016. We will continue our presence in

Itaú BBA International

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

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

Other international operations

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

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

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

Additionally, Itaú BBA participates in the international capital markets as a dealer, as it has equity and fixed income sales and trading teams in São Paulo, New York, Santiago, London and Hong Kong. We provide extensive research coverage of over 207 listed companies in Brazil, Mexico, Chile, Colombia, Peru, Panama and Argentina. Our international fixed income and equity teams both act in offerings and trading of Brazilian and Latin American securities to institutional investors.

Competitive strengths

We believe the following strengths provide us with significant competitive advantages and distinguish us from our competitors.

Premier banking brand in Brazil

We believe that our brands are very strong and very well recognized in Brazil and that they have been associated with quality, reliability, and with our large portfolio of products, which help us maintain a low client turnover rate, especially among clients in the high-income segment. In 2016, we reinforced our positioning as a digital bank combining innovative technology with our vision of making people's daily lives easier through increasingly simpler financial transactions. Also in 2016, our brand was elected by consulting firm Interbrand as "the most valuable brand" in Brazil for the 13th consecutive time. Please refer to [section Our profile, item Brand](#) for further information.

Large branch network in geographic areas with high economic activities

Our Brazilian branch network, while national in scope, is strategically concentrated in the southeast region of Brazil, which is the most developed and industrialized region in 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. Having our branch network in key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of clients and benefit from selective market opportunities. Our exclusive ATM network allows us to offer a wide range of products and services to our clients, which we see as one of our competitive strengths.

Additionally, we have refurbished branches, especially in shopping malls. These branches have a new visual identity and service proposition, offering a new concept of client service and a differentiated layout inspired by the design of a retail store. Shopping mall branches have extended hours, which offers added convenience for our clients. We have an extensive network, including branches, client site branches and ATMs in Brazil and abroad. Please refer to [section Our profile, item Distribution channels](#) for further information.

Diversified line of products and services GRI 103-2 | 103-3 Diversification of revenue

We are a multi-service bank offering a diverse line of products and services designed to address the needs of various types of clients, including corporate clients, very small and small companies, retail clients, high-income individuals, private bank clients, non-accountholders and

credit card users. We believe that this business model creates opportunities to improve our relationship with clients and thereby increases our market share and our fee-based income. We expect to maintain our leading presence by capturing a solid and increasing number of transactions across various business segments.

Technology and electronic distribution channels as drivers for sales

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales of products and services, is one of our most important competitive advantages. We invest in technology because we believe that it is how we will be able to improve the environment for our employees and clients. We focus our efforts on the development of platforms and services that use the best technology, with the purpose of streamlining and making easier the lives of everybody who relate with the bank, with a focus on mobility and convenience.

Our technology supports certain remote banking capabilities (such as call centers, mobile applications and internet banking) and offers clients the ability to buy services, verify statements and perform transactions online or over the telephone. In addition, our sales teams can access client credit scores with ease and credit proposals can be sent over the internet by any broker registered with our systems.

Through our digital branches we expanded our client relationship model offering personalized customer services from 7 a.m. to midnight, from Monday through Friday allowing our clients to manage their accounts remotely, simplifying their lives and making us more efficient. In December 2016, we had 135 digital branches, compared to 94 in 2015, an increase that is a result of good acceptance from our users. We are also investing in other digital means of communication such as Itaú Pagcontas, Itaú Tokpag, Itaucard and Itaú Empresas applications. In 2016, we developed Itaú Abreconta, an app which offers to clients the possibility to open new bank accounts from their mobile phones. Additionally, in 2015, we concluded our new data center built in the State of São Paulo, which is one of the largest in Latin America, had its construction concluded as planned and the configurations of the environmental infrastructure were successfully established. The new data center will support our growth up to 2050, ensuring high performance and availability of our operations.

Please refer to [section Our profile, item Distribution channels](#), for further information about Personalité Digital and other digital channels.

Technological entrepreneurship

By improving and simplifying our client's experience, applying technology to new business models and working with agility, startups have been challenging traditional industries to review their way of working. Technology companies have also started to offer financial services, impacting the banking sector. To reinvent itself and lead this transformation, Itaú created Cubo in partnership with Redpoint to connect itself with the technological entrepreneurship universe and, consequently, find opportunities to generate competitive advantage and evolve as a digital bank.

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

By the end of 2016, Cubo had 54 resident startups that have already generated more than 650 jobs. Every day, Cubo receives investors, students, entrepreneurs and executives from big companies that come to learn about the ecosystem. Between 2015 and 2016, the startups under Cubo have received around R\$104 million in investments from companies that believe in their business models. Employees of Itaú have already taken part in activities such as workshops, corporate events and lectures at Cubo, including employees from the international units.

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. This is an essential tool to explore commercial opportunities and simultaneously manage risk. Depending on the product, each contract is individually priced using risk adjusted return on capital models that give us a better assessment of the relevant market.

Competition

The last several years have been characterized by increased competition and consolidation in the financial services industry in Brazil. As of December 31, 2016, there were 138 conglomerates, commercial banks and multiple-service banks, development banks and Caixa Econômica Federal, among a total of 1,454 institutions in Brazil.



We, together with Banco Bradesco S.A. and Banco Santander Brasil S.A., are the leaders in the privately-owned multiple-services banking sector. As of December 31, 2016, these banks accounted for 37.8% of the Brazilian banking sector's total assets. We also face competition from state-owned banks. As of December 31, 2016, Banco do Brasil S.A., Caixa Econômica Federal, and Banco Nacional de Desenvolvimento Econômico e Social (BNDES) accounted for 43.2% of the banking system's total assets.

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

Position	Banks by total assets ⁽¹⁾	Control Type	As of December 31,	
			2016 (In billions of R\$)	% of Total (%)
1 st	Banco do Brasil S.A. ⁽²⁾	state-owned	1,436.8	17.4
2 nd	Itaú Unibanco Holding S.A.	privately-owned	1,331.8	16.2
3 rd	Caixa Econômica Federal	state-owned	1,256.2	15.2
4 th	Banco Bradesco S.A. ⁽³⁾	privately-owned	1,081.4	13.1
5 th	Banco Nacional de Desenvolvimento Econômico e Social (BNDES)	state-owned	867.6	10.5
6 th	Banco Santander Brasil S.A.	privately-owned	705.1	8.6
7 th	Banco Safra S.A.	privately-owned	148.4	1.8
8 th	Banco BTG Pactual S.A.	privately-owned	132.0	1.6
9 th	Banco Citibank S.A.	privately-owned	72.0	0.9
10 th	Banco do Estado do Rio Grande do Sul S.A. (Banrisul)	state-owned	68.2	0.8
n.a.	Others	n.a.	1,139.9	13.8
	Total		8,239.4	100.0

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

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

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

Source: Central Bank (IF.Data).

Our shares

	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, or ADSs.

Common shares entitle the holder to one vote at our general stockholders' meetings. The voting rights of our controlling stockholders do not differ from the voting rights of other holders of common shares.

Preferred shares are nonvoting but entitle the holder to:

- priority to receive mandatory dividends, in the amount of R\$0.022 per share, non-cumulative with minimum dividend; and
- tag-along rights in the event of sale of a controlling stake, assuring a price equal to 80% of the amount paid for the controlling stockholders' common shares.

Brazilian Corporate Law provides that preferred stockholders may vote when the company does not pay fixed or minimum dividends to which they are entitled

for the period established in the company's Bylaws, which may never exceed three consecutive fiscal years. The preferred stockholders maintain such right until the payment is made if these dividends are noncumulative or until cumulative dividends are paid.

The creation of a new class of shares with priority over preferred shares, as well as any change in preference or in rights associated with preferred shares, must be approved by at least 50% of common shares and also approved by stockholders representing the majority of preferred shares in a special general meeting. Please refer to [section Our governance, item Management structure, Annual General Stockholders' Meeting](#), for further information about the procedures for calling general and special stockholders meetings.

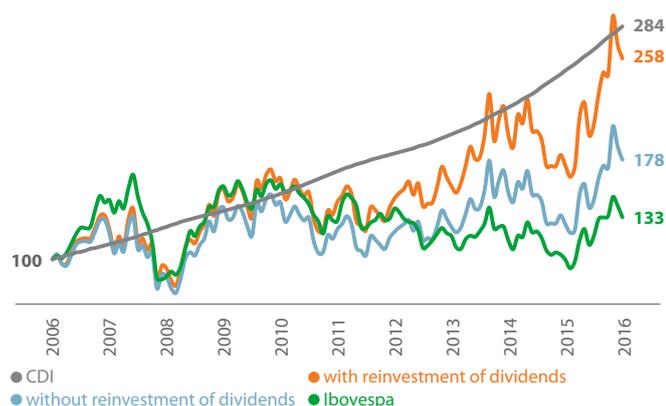
The following table sets forth the high and low market closing prices for the preferred shares for the periods indicated:

Preferred share price	Per Preferred Share (ITUB4) ⁽¹⁾		Per ADS (ITUB) ⁽¹⁾	
	High	Low	High	Low
	(In R\$)	(In R\$)	(In US\$)	(In US\$)
2017	41.68	33.53	13.52	10.70
January	38.25	33.53	12.15	10.70
February	41.68	37.51	13.52	11.96
March	40.26	37.77	12.88	12.07
April (through April 18, 2017)	38.78	37.12	12.49	11.78
2016	38.40	20.97	11.98	4.99
First quarter	30.18	20.97	8.31	4.99
Second quarter	30.65	25.44	8.76	7.28
Third quarter	33.71	27.88	10.51	8.38
Fourth quarter	38.40	31.01	11.98	9.12
2015	32.34	23.46	11.18	5.75
First quarter	30.49	27.07	11.18	8.59
Second quarter	32.34	27.11	10.98	8.64
Third quarter	28.95	23.46	9.26	5.75
Fourth quarter	27.05	23.64	7.38	5.90
2014	34.08	21.98	15.14	8.98
2013	26.00	20.14	13.00	8.78
2012	26.36	18.48	14.86	8.94

Source: Economática System.

(1) Historical prices are adjusted by corporate actions, such as 10% share bonus of Itaú Unibanco.

The following graph shows the evolution of R\$100 invested from December 29, 2006 to December 28, 2016, comparing our preferred share (ITUB4) price, with and without reinvestment of dividends, to the performance of Ibovespa and CDI.



Information for the Investor

Adoption of Cumulative Voting

Under Brazilian Corporate Law and CVM's regulation, stockholders that represent at least 5% of share capital with voting rights may demand a cumulative voting process up to 48 hours before a general stockholders' meeting. Each share will be entitled to as many votes as the members of the board being elected, and the

stockholder has the right to concentrate votes in one candidate or distribute them among several candidates. The presiding officer must inform the stockholders in advance about the number of votes required for the election of each member of the Board of Directors.

Whenever the election of the Board of Directors is held under the cumulative vote process and the common or preferred stockholders exercise their right of electing one director, the controlling stockholder will have the right to elect directors in the same number as those elected by the other stockholders plus one, regardless of the number of directors that, according to our Bylaws, compose the board.

Additionally, as our Bylaws do not provide for staggered terms, our directors may be reelected consecutively without interruption. Whenever the election has been conducted through a cumulative voting process, the removal from office of any of our directors by our stockholders, at a stockholders' meeting will result in the removal from office of all of the remaining directors and a new election shall be arranged. In order not to affect the management of the company as a result of the removal of directors, Brazilian Corporate Law provides that despite the removal, the same directors may continue to exercise their functions until the newly elected board members take office.

Preemptive right, capital increase and payment for subscribed shares

Each stockholder has the preemptive right to subscribe for shares in any capital increase, in proportion to his equity interest, except in specific cases, in compliance with Brazilian Corporate Law.

Our Bylaws authorize the Board of Directors to increase our share capital up to a limit of 8,784,600,000 shares, of which 4,392,300,000 must be common shares and 4,392,300,000 must be preferred shares (authorized capital). Up to the limit of our authorized capital, the issuance of our shares may be made without considering our stockholders preemptive rights if (i) made for the sale on a stock exchange; (ii) by a public subscription; and (iii) exchange for our shares in a public offering for the acquisition of our control. Regardless of this provision, all increases in our share capital must be ratified by our stockholders and approved by the Central Bank.

After the approval of the capital increase by the Central Bank, a stockholder must pay the value corresponding to the subscribed shares under the terms established in the subscription documentation related to that capital increase. A stockholder that fails to make payment under the terms of the subscription documentation will be deemed to be in default, in accordance with Brazilian Corporate Law.

Brazilian legislation does not provide for liability in capital calls, therefore the ownership interest of our stockholders may be diluted if they decide not to exercise their preemptive rights to subscribe shares in cases of capital increase.

Form and Transfer

Our shares are book-entry and Itaú Corretora de Valores S.A. is our bookkeeping service provider. Therefore, the shares issued by us are to be kept in deposit accounts, under the investor's name.

As an alternative, the investor may also deposit shares in the BM&FBovespa via a custodian institution authorized by the CVM. In such case, the BM&FBovespa, as central depository, holds the shares under its name but controls the ownership of the securities through a structure of deposit accounts kept under the investors' name. There is no distinction in the rights and obligations of stockholders, regardless of whether their shares are deposited with a broker-dealer or with BM&FBovespa.

Redemption and withdrawal rights

Our common shares and our preferred shares are not redeemable, except upon delisting. Pursuant to Brazilian Corporate Law, however, the approval of certain matters entitles a dissenting stockholder to withdraw from the company, such right expiring thirty days after publication of the minutes of the applicable stockholders' meeting. This withdrawal may occur under certain conditions upon reimbursement of the value of such holder's shares, calculated based on criteria set forth under Brazilian Corporate Law. Also, in accordance with Brazilian Corporate Law, we are entitled to reconsider any resolution that gives rise to a withdrawal within ten days following the expiration of the withdrawal period, if such exercise of withdrawal rights jeopardizes our financial stability.

Withdrawal rights are not available to stockholders whose shares have liquidity and are actively traded in the stock market in cases of merger or takeover or in case the company elects to take part in a group of companies.

Common and preferred shares should be reimbursed upon cancellation of their registration at their value, calculated based on the criteria set forth under Brazilian Corporate Law. If the resolution that gave rise to withdrawal rights was approved more than 60 days after the date when the last balance sheet was approved, the stockholder may demand that his shares be redeemed at a value based on a new balance sheet, dated up to 60 days after the date of the general meeting.

In the United States



Our preferred shares have been traded on the NYSE in the form of ADSs (one ADS represents one preferred share) since February 21, 2002, in compliance with NYSE and SEC requirements. These requirements include disclosure of financial statements in IFRS since 2011 and compliance with U.S. legal requirements, including the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002.

Our ADSs are issued by The Bank of New York Mellon, as depository, under a Deposit Agreement, dated as of May 31, 2001, as amended and restated as of February 20, 2002 and as of March 30, 2009, effective as of April 3, 2009, among us, the depository and the owners and beneficial owners of ADSs from time to time. The depository's principal executive office is located at 225 Liberty Street, New York, New York 10281.

ADS holders have no stockholder rights, which are governed by Brazilian Corporate Law. The depository is the holder of the preferred shares underlying the ADSs. Holders of ADSs have ADS holder rights.

An investor may hold the ADSs directly, registered under his or her name, or indirectly, through a broker or another financial institution. The holders of our ADSs do not have the same rights as our stockholders and the depository and holders of corresponding shares in Brazil. The deposit agreement determines the rights and obligations of the ADS holders and is governed by New York law.

In the event of a capital increase that maintains or increases the proportion of our capital represented by preferred shares, the holders of ADSs, except as described above, have preemptive rights to subscribe only to newly issued preferred shares. In the event of a capital increase that reduces the proportion of capital represented by preferred shares, the holders of ADSs, except as described above, have preemptive rights to preferred shares in proportion to their interests and to common shares only to the extent necessary to prevent dilution of their interests.

Please refer to [section Attachments, item Considerations for ADS holders](#) for further information.



Fees and expenses

The following table summarizes the fees and expenses payable by holders of ADSs to the depository:

Event	Fees
Issuance ⁽¹⁾ or cancellation for the purpose of withdrawal ⁽²⁾ of ADSs	US\$5.00 (or less) per 100 ADSs (or portion thereof) plus any additional fees charged by any governmental authorities or other institutions for the execution and delivery or surrender of ADSs.
Any cash distribution	US\$0.02 (or less) per ADS (or portion thereof).
Depository services	US\$0.02 (or less) per ADS (or portion thereof) per calendar year (in addition to cash distribution fee of US\$0.02 per ADS during the year).

(1) Including issuances resulting from a distribution of preferred shares or rights or other property, substitution of underlying shares and transferring, splitting or grouping of receipts.

(2) Including if the deposit agreement terminates.

In addition, set below are other fees and expenses payable by holders of ADSs:

- registration fees: registration of transfers of preferred shares on our preferred share register to or from the name of the depository or its agent when the holder deposit or withdraws preferred shares.
- distribution of securities by the depository to ADS holders fee: equivalent to the fee that would be payable if securities distributed to the holder thereof had been preferred shares and the shares had been deposited for issuance of ADSs.
- foreign currency conversion expenses: expenses of the depository in converting foreign currency to U.S. dollars.
- depository expenses: cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement).

Moreover, taxes and other governmental charges which the depository or the custodian has to pay on any ADR or preferred share underlying an ADS (for example, stock transfer taxes, stamp duty or withholding taxes) would be payable by holders of ADSs. Any other charges incurred by the depository or its agents for servicing the deposited securities are not currently assessed in the Brazilian market.

Payment of taxes

The depository may deduct the amount of any taxes owed from any payments to investors. It may also sell deposited securities, by public or private sale, to pay any taxes owed. Investors will remain liable if the proceeds of the sale are not sufficient to pay the taxes. If the depository sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to investors any proceeds or send to investors any property remaining after it has paid the taxes.

Reimbursement of fees

The Bank of New York Mellon, as depository, has agreed to reimburse us for expenses we incur that are related to establishment and maintenance of the ADS program. The

depository has agreed to reimburse us for our continuing annual stock exchange listing fees. The depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADSs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of United States federal tax information, mailing required tax forms, stationery, facsimile, and telephone calls, as well as to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the depository has agreed to provide additional payments to us based on applicable performance indicators relating to the ADS facility. There are limits on the amount of expenses for which the depository will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depository collects from investors.

The depository collects its fees for delivery and surrender of ADSs directly from investors, depositing shares or surrendering ADSs in case of exercise of withdrawal rights or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deducting from cash distributions, by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depository may generally refuse to provide services subject to fees until its fees for those services have been paid.

In 2016, we received from the depository US\$21.9 million for promoting and encouraging the ADR program in the market, out-of-pocket maintenance costs for the ADSs (as described above), any applicable performance indicators relating to the ADS facility, underwriting fees and legal fees.

In Argentina

Until December 2016, we issued Argentine Certificates of Deposits (CEDEARs) on the Buenos Aires Stock Exchange (BCBA), which represent shares of foreign companies traded in Argentina. In 2017, we requested the *Comisión Nacional de Valores* (CNV) the suspension of the trading of our deposits certificates and cancellation of our CEDEARs program. On March 10, 2017 we obtained such authorization from the regulator.

Stockholders' payment

Our Bylaws establish the distribution to stockholders of mandatory dividends equivalent to 25% of our net income calculated for each fiscal year, adjusted by the decrease or increase of amounts related to legal reserve, to reserve for contingencies and to its reversal related to prior years.

The mandatory dividend may be paid as dividends or interest on capital. The main difference between these forms of payment is tax-related. The payment of dividends is tax-free for stockholders.

The payment of interest on capital is subject to withholding income tax at a 15% rate, or 25% if the stockholder is a resident of or domiciled in a tax haven jurisdiction or a privileged tax regime.

The amount paid to stockholders as interest on capital, net of any withholding tax, may be included as part of the mandatory dividend. In such cases, we are required to distribute to stockholders an amount sufficient to ensure that the net amount received by stockholders, after the payment by us of applicable withholding taxes in respect of the distribution of interest on capital, is at least equal to the mandatory dividend. Please refer to [section Attachments, item Considerations for ADS holders, Taxation for ADS holders](#), for further details.

Our Stockholder Remuneration Policy, approved by our Board of Directors, establishes the monthly payment of R\$0.015 per share as an advance mandatory dividend. The date used in Brazil as a reference to determine which stockholders are entitled to receive the monthly dividend is determined according to the shareholding position registered on the last day of the preceding month. With respect to our ADSs, however, the date used to determine the stockholders that are entitled to receive the monthly dividend is three days after the Brazilian reference date. In both cases, monthly dividends for a given month are paid on the first business day of the next month.

Once our net income is calculated, we intend to pay the difference between the mandatory dividend, calculated as mentioned before, and the accumulated amount of advanced monthly dividends. Additionally, our Board of Directors may declare interim dividends, which will be submitted for ratification at our annual stockholders' meeting.

A stockholder may claim payment of any dividend for a period of three years counted from the dividend payment date. After this period we have no responsibility for such payment.

Stockholders not residing in Brazil must register with the Central Bank so that dividends, interest on capital and other amounts related to their shares can be remitted abroad in a foreign currency.

Currently, we pay dividends and interest on capital equivalent to or higher than the mandatory dividends, but this may not continue to happen if our stockholders decide that such distribution is not advisable in view of our financial condition. In this case, if our Fiscal Council is constituted, it must issue an opinion about that decision, and management must present a report to CVM detailing the reasons for the suspension of the dividend payment. Profits not distributed due to a suspension of the dividend payment must be allocated to a special reserve and, if it is not absorbed by losses in subsequent years, it must be paid as dividends as soon as our financial position so permits.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 21b](#), and [section Our risk management, item Regulatory environment, Implementation of Basel III in Brazil](#).

ADS holders' payment of dividends

Preferred shares underlying ADSs are kept in Brazil by the custodian, Itaú Unibanco, which is the owner recorded in the register service of our preferred shares. The depository of our ADS program is The Bank of New York Mellon. The payments of dividends and distributions in cash for our preferred shares underlying the ADSs are made directly to the depository bank abroad, which is responsible for passing them on to the stockholders within an average period of 10 days after payment is made in Brazil. The amount received by the ADS holder may be reduced if we, the custodian or the depository are required to retain an amount related to taxes and other government charges.

Please refer to [section Our profile, item 2016 highlights, Corporate events, Payment of dividends](#), 10% Share Bonus of Itaú Unibanco and please refer to [Performance, item Complete Financial Statements \(IFRS\), Note 21 – Stockholders' equity](#), for further information about dividends, share bonus and shares outstanding.

Further information for the investor

GRI 102-3

We are organized as a publicly held corporation for an unlimited period of time under the laws of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil and our telephone number is +55-11-2794-3547. We are primarily governed by Brazilian Corporate Law and our Bylaws. Our Tax Payer's Registry (CNPJ) is 60.872.504/0001-23, and we are registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under



NIRE 35300010230. Our corporate purpose, as set forth in Article 2 of our Bylaws, is to perform banking activity in all its authorized forms, including foreign exchange transactions. Our agent for service of process in the United States is the general manager of our New York branch, which is located at 767 Fifth Avenue, 50th floor, New York, NY 10153.

CONTACTS

Shares Program

Bookkeeping service	Itaú Corretora de Valores S.A.
Phone	3003 9285 (capitals and metropolitan areas) or 0800 720 9285 (further areas) (Brazilian callers) or +55 11 3003 9285 (Non-Brazilian callers)
E-mail	investfone@itau-unibanco.com.br
Site	www.itaucorretora.com.br
Specialized branches address	www.itaucustodia.com.br/agencia-enderecos.htm

ADS Program

Depository bank	The Bank of New York Mellon
Phone	1 888 BNY ADRS (1 888 269 2377) (U.S. callers) or +1 201 680 6825 (Non-U.S. callers)
E-mail	shrelations@cpushareownerservices.com
Site	www.bnymellon.com/shareowner

Investor Relations Itaú Unibanco Holding S.A.

Phone	+55 11 2794 3547
E-mail	investor.relations@itau-unibanco.com.br
Site	www.itau.com.br/investor-relations

2017 CORPORATE CALENDAR

Annual General Stockholders' Meeting	April 19, 2017
Earnings Release – First Quarter, 2017	May 3, 2017
Earnings Release – Second Quarter, 2017	August 1, 2017
Earnings Release – Third Quarter, 2017	October 31, 2017

Our commitment to best practices in corporate governance is directly related to our focus on stockholders and investors, transparency and accountability. We are particularly focused on platforms for communication with these groups and are continuously investing to upgrade channels and the quality of our services.

In 2016, to encourage our communications with and further strengthen our relationship with our stockholders, capital markets investors and analysts, we disclosed the organization's results, strategies and perspectives in 16 public meetings that drew approximately 2.2 thousand attendees in several cities. The meetings were held in partnership with the Association of Capital Markets Investment Analysts and Investment Professionals (APIMEC – *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*). We also took part in 30 conferences and seven road shows in Brazil and abroad.

We held four quarterly conference calls during 2016, in each case on the day after each quarterly earnings release. The calls are conducted in Portuguese and afterwards in English and may be accessed by telephone or on the internet.

Our corporate information is posted on our Investor Relations website (www.itau.com.br/investor-relations). In addition, our bank was the first Brazilian bank to have an IR profile on [Twitter \(@itauunibanco_ri\)](https://twitter.com/itauunibanco_ri) and a [Facebook \(facebook.com/itauunibancori\)](https://facebook.com/itauunibancori) page.

Credit ratings

We subscribe to independent credit rating agency reviews by Fitch Ratings, Moody's and Standard&Poor's (S&P). These ratings assess our credit worthiness and are based on reviews of a broad range of business and financial attributes including risk management processes and procedures, capital strength, earnings, funding, liquidity, accounting and governance, in addition to government and/or group support.

Credit Ratings⁽¹⁾

As of December 31, 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	Stable
Itaú Unibanco S.A.			
Short Term	B	B	NP
Long Term	BB+	BB	(P) Ba2 ⁽³⁾
Outlook	Negative	Negative	Stable
Itaú BBA International plc⁽⁴⁾			
Short Term	-	-	P-2
Long Term	-	-	A3
Outlook	-	-	Stable

(1) International Scale Foreign Currency Ratings.

(2) Refers to Itaú Unibanco Holding S.A. Senior Unsecured Debt Rating. Moody's does not assess Deposit Ratings for Itaú Unibanco Holding.

(3) Refers to Itaú Unibanco S.A. Senior Unsecured Debt Rating. Itaú Unibanco S.A. Long Term Deposit Rating is Ba3.

(4) Itaú BBA International plc is not rated by Fitch Ratings or Standard & Poor's.

In mid-February 2016, Standard & Poor's downgraded Brazil's ratings. As a result, the rating agency also announced reviews of the ratings of 44 Brazilian financial services institutions, including Itaú Unibanco and Itaú Unibanco Holding, which were also downgraded.

Following Moody's downgrade of Brazil's sovereign bond rating from Baa3 to Ba2, with a negative outlook, on February 24, 2016, Moody's announced on February 25, 2016 that it had downgraded ratings assigned to 31 Brazilian banking entities, including Itaú Unibanco and Itaú Unibanco Holding. According to Moody's, the affected ratings were constrained by the sovereign rating because of the relevant issuers' close economic linkages to the government.

Following Fitch's downgrade of Brazil's sovereign rating from BB+ to BB, with a negative outlook, on May 5, 2016, Fitch announced on May 11, 2016 that it had downgraded ratings assigned to 22 Brazilian financial institutions, including Itaú Unibanco and Itaú Unibanco Holding, which had their ratings revised to BB+ from BBB-. According



to Fitch, the ratings of Itaú Unibanco and Itaú Unibanco Holding remain one notch above Brazil's sovereign rating, due to their very strong credit profile.

In May 2016, Moody's recalibrated the Brazilian national rating scale. As a result, Moody's repositioned the national scale ratings of 28 Brazilian financial institutions, including Itaú Unibanco S.A. and Itaú Unibanco Holding S.A., which had their national scale ratings upgraded from Aa2.br to Aa1.br and from A2.br to A1.br, respectively, as a result of such repositioning.

On August 5, 2016, Moody's assigned to, for the first time, Itau BBA International plc (domiciled in the United Kingdom) an investment grade, long-term deposit and issuer ratings of A3 (with a negative outlook). In assigning the ratings, Moody's recognized the strength of Itau BBA International plc's strong macro profile, low level of asset risk, strong capital and liquidity.

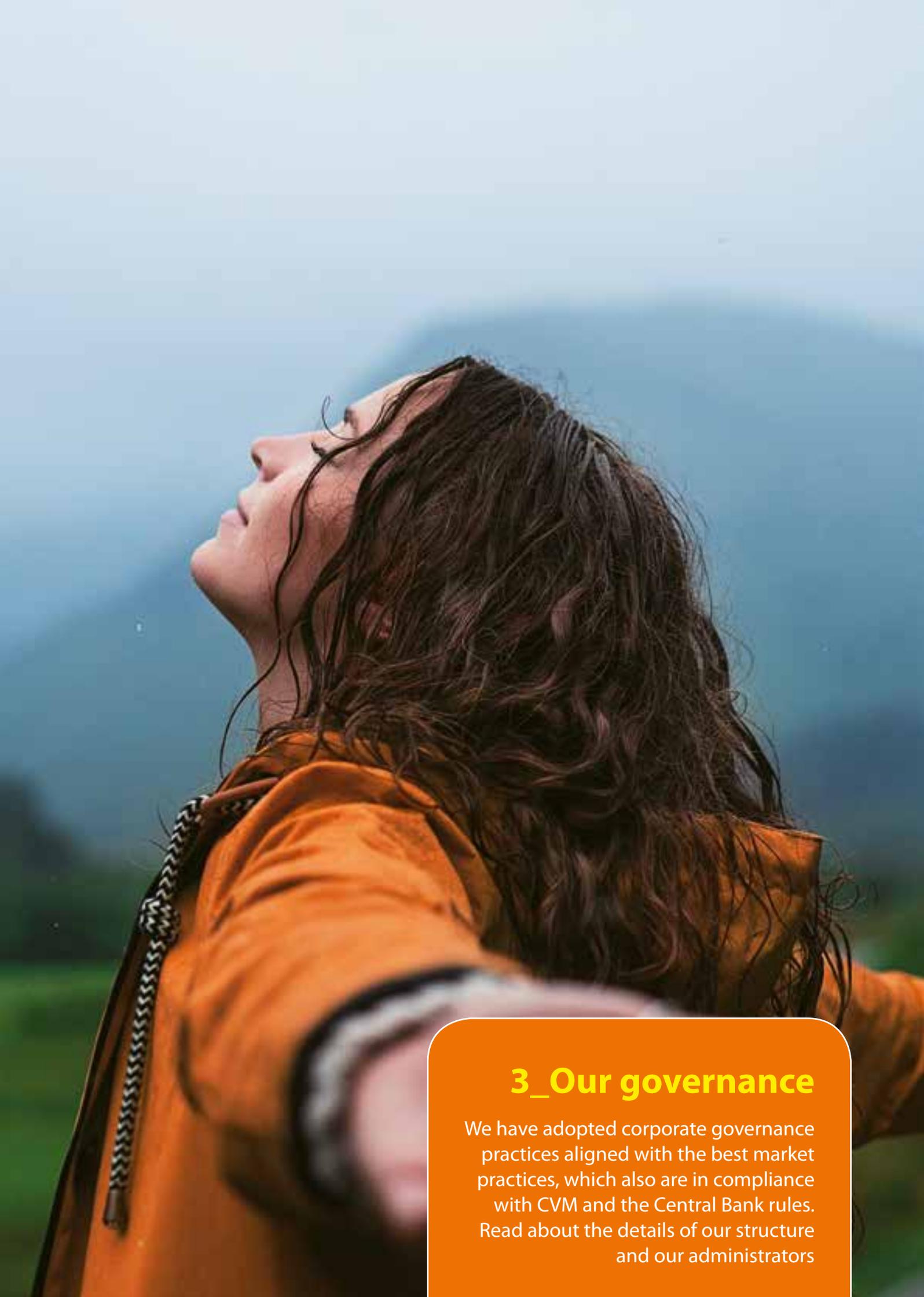
On September 1, 2016, Fitch reaffirmed the global scale long-term foreign and local currency ratings of Itaú

Unibanco Holding S.A. and Itaú Unibanco S.A. at BB+ (with a negative outlook). The rating agency has emphasized that the bank has a comfortable liquidity position due to low-cost funding sources through our extensive branch network.

On October 10, 2016, Standard & Poor's reaffirmed the global scale long-term foreign and local currency ratings of Itaú Unibanco Holding S.A. and Itaú Unibanco S.A. at BB (with a negative outlook). The rating agency also highlighted the bank's level of capitalization.

In March, 2017, Moody's upgraded from negative to stable the outlook of Itaú Unibanco S.A. and Itaú Unibanco Holding S.A., aligned to the sovereign outlook review. Also in March 2017, Fitch reaffirmed the global scale long-term foreign and local currency ratings of Itaú Unibanco Holding S.A. and Itaú Unibanco S.A. at BB+ (with a negative outlook). The rating agency has emphasized that the bank has a strong liquidity, a good capitalization, a consistent profitability and comfortable levels of asset quality.





3_Our governance

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

Our governance

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

Our practices

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity. Therefore, we have adopted corporate governance practices aligned with best practices adopted in the Brazilian and foreign markets. Furthermore, we comply with the corporate governance rules issued by the Central Bank and the Brazilian Securities and Exchange Commission (CVM – Comissão de Valores Mobiliários). We seek constant development of our management policies and mechanisms so as to ensure excellence in our practices and sustainable growth for our company. [Click here](#) for our governance principles and practices we adopt.

In line with such principles, we voluntarily comply with the Code of Self-Regulation and Good Practices for Publicly Held Companies of the Brazilian Association of Publicly Held Companies (*Associação Brasileira de Companhias Abertas*, or ABRASCA), which was based on the best corporate governance practices in effect in Brazil and abroad. Our governance practices have been recognized and, as a result, we have been named to BM&FBovespa's Corporate Sustainability Index (ISE – *Índice de Sustentabilidade Empresarial*) and to the Dow Jones Sustainability Index. On the latter, we were recognized as one of the top-scoring companies in the banking industry, qualified for inclusion in the 2017 Sustainability Yearbook and received the Bronze Class distinction for our sustainability performance. [GRI 102-12](#)

In December 2016, for the third consecutive semester, we were selected for inclusion in the portfolio of the Euronext Vigeo – Emerging 70 Sustainability Index. The index is comprised of 70 companies, selected among over 850 companies listed in developing countries that showed the best performance in corporate responsibility, according to the ratings assigned by Vigeo. Inclusion in Euronext Vigeo – Emerging 70 reflects our long-term commitment to ethical business behavior, compliance with the law, corporate governance, and social, cultural and environmental responsibility. Please refer to [section Our profile, item 2016 highlights](#) for further information about our awards and recognition.

Since 2002, in line with our commitment to strengthen our position in the Brazilian capital markets, we have made a number of presentations in the regional offices of the Association of Capital Markets Investment Analysts and Investment Professionals (APIMEC – *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*). Beginning in 1996, we have also made

presentations in the United States and Europe with respect to our governance practices. In these presentations, we have the opportunity to provide the financial community with details on our performance, strategies to add value, future perspectives and other important issues.

Our Code of Ethics was updated in August 2016 and applies to all of our employees, directors and officers. Our Code of Ethics is based on principles that support a corporate culture focused on valuing people, on strict compliance with rules and regulations and on a permanent pursuit of development. Please check our [Code of Ethics](#).

Additionally, we have adopted the Policy of Material Information Disclosure, which deals with the public disclosure of material information pursuant to CVM regulation. We also have adopted a Policy on Trading of Securities, which restricts the trading of securities during certain periods and requires the disclosure of all transactions carried out by the management with our securities, as permitted by CVM regulation. These policies can be found in:

[Corporate Policy and Procedure Disclosure of Material Information;](#)

[Policy for Trading Itaú Unibanco Holding S.A. Securities](#)

Over the course of our history, as part of our corporate governance initiatives, we have made several decisions regarding the improvement of the disclosure of our information and the protection of minority stockholders rights. For example, we are listed as a publicly held company on BM&FBovespa and, in 2001, we were one of the first companies to voluntarily adhere to Corporate Governance Level 1 of the BM&FBovespa. In 2002, we listed our Level 2 ADSs on NYSE, complying with both SEC's rules and other U.S. legal requirements, such as the Securities Exchange Act of 1934 and the Sarbanes-Oxley Act of 2002.

Public sector

In order to ensure the work of our managers and employees on an ethical and transparent basis, as well as to prevent and fight frauds and illicit acts in the relationship with the public sector, we adopt policies to clearly determine how to carry on the relationship, as well as processes and rules that determine what is allowed and what is not allowed, providing for a proper risk management.

Context



Our profile



Our governance A-56



Our risk management



Performance



Sustainability



Attachments



In 2016, it is worth mentioning the launch of the 'Relationship Policy with Public Agents and Hiring of Public Administration Bodies and Companies', aiming at guiding governmental relations in Itaú Unibanco Conglomerate, which is construed as the institutional interests of the bank and of the financial system in general, on an organized and transparent basis with public agents. In addition to the rules established for the allowed and expected employees conduct in the relationship with any public agents, the policy also includes rules for the execution of agreements with public administration bodies and companies.

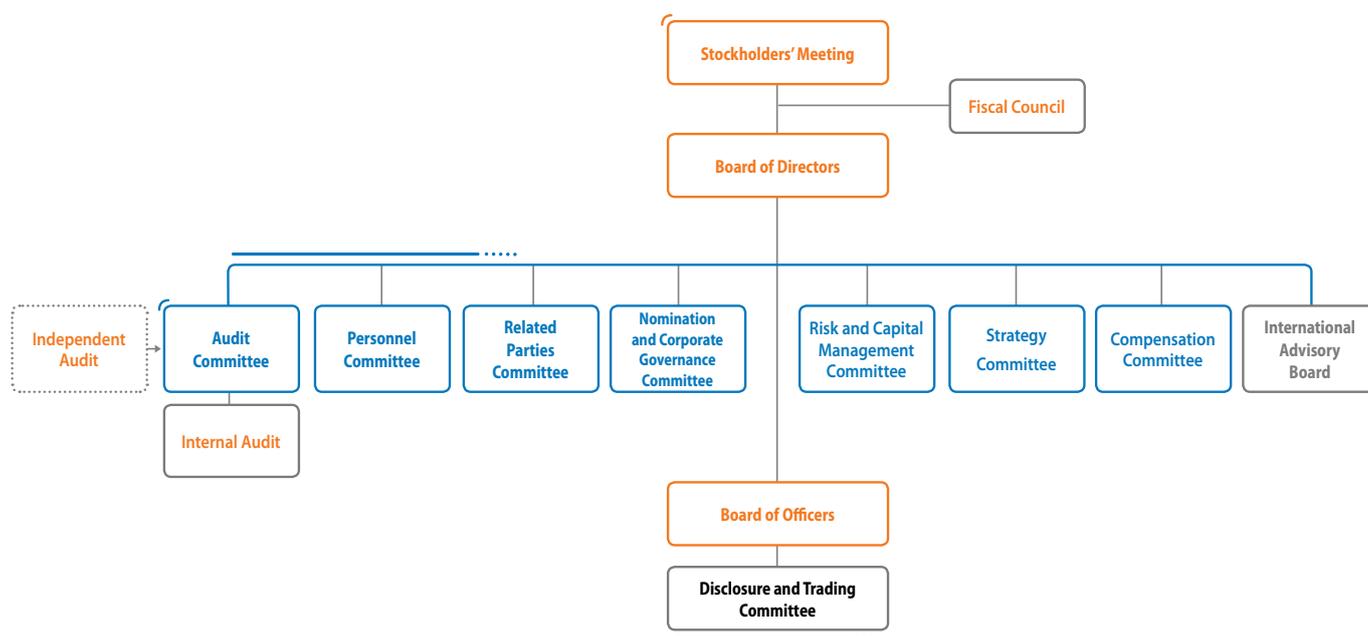
Furthermore, we revisited the Integrity and Ethics and the Bribery Prevention Corporate Policies, and the Code of Ethics, which state rules to avoid conflicts of interests in processes regarding donations and sponsorships, gifts,

and in relationships with clients, suppliers and partners, both in the public and private sectors, and which also establish guidelines and processes to prevent and fight corruption, such as training, communications, consultation and whistleblowing channels.

These policies are available at [site](#).

Management structure

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



Annual General Stockholders' Meeting and Extraordinary Stockholders' Meeting

Our Annual General Stockholders' Meeting is our highest decision-making body, which gathers stockholders on a regular basis before the end of April of each year and, on a special basis, whenever corporate interests so require.

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

The notice of a stockholders' meeting must be published three times, on different dates, in official newspapers

widely circulated in São Paulo, our principal place of business, setting forth the place, date and time of the meeting, the meeting's agenda and, in the event of an amendment to our Bylaws, a description of the proposed change.

In addition to the requirements of Brazilian Corporate Law, we also publish notices in two different languages (Portuguese and English) on our website and e-mail our subscribed investors and stockholders, as well as through CVM, BM&FBovespa, SEC and NYSE.

As a general rule, Brazilian Corporate Law provides that a quorum for a stockholders' meeting consists of stockholders representing at least 25% of a company's issued and



outstanding voting share capital, on the first date the meeting is called for, and, if a quorum is not reached, any percentage of the company's voting share capital on a second date the meeting is called for. Generally, our meetings are held with a quorum representing approximately 90% of our voting share capital.

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

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

Board of Directors [GRI 102-25](#)

Our Board of Directors is the body responsible for establishing the general guidelines of our business, including our controlled companies, and is elected annually by our stockholders.

Board members must act impartially, in compliance with pre-established rules, so as to prevent conflicts of interest. Such rules include:

- not taking part in resolutions related to matters in which the director's interests conflict with our interests. The director must inform the Board of Directors about the conflict of interest as soon as the matter giving rise to such conflict is included in the agenda or proposed by the Chairman of the Board, and in any event, before the beginning of any discussion on such matter;
- in the event the director or a company controlled or managed by the director carries out a transaction with any company of the Itaú Unibanco Group: (a) the transaction must be carried out at arm's length; (b) if it is not a customary transaction or involves the provision of services, there must be an opinion issued by recognized financial advisors evidencing that the transaction was carried out at arm's length; and (c) the transaction must be disclosed to and conducted under the supervision of the Related Parties Committee, the Ethics and Ombudsman Superintendence or the channels usually competent in the hierarchy of Itaú Unibanco Group, subject to the rules and conditions set forth in our Related Party Transactions Policy; and
- serving on no more than four boards of directors of companies that do not belong to the same group.

The Board of Directors' performance is assessed yearly to ensure that board members are aligned with the organization's values and that they represent the interests of our stockholders.

Our Board of Directors is currently composed of 12 members, nine of whom are non-executive (75%) of which five are independent (41.66%). Our board members meet on a regular basis eight times a year and on a special basis whenever necessary (in practice, on average, once a month).

According to our Bylaws, the positions of Chairman of the Board of Directors and Chief Executive Officer or principal executive officer cannot be held by the same person. [GRI 102-23](#)

Pursuant to Brazilian law, the election or reelection of each member of our Board of Directors is subject to approval by the Central Bank. All directors are elected for a term of one year and can be reelected upon the Central Bank's approval. Also under Brazilian law, an acting director retains his position until he is reelected or his successor takes office.

Please [click here](#) for further information.

Committees of the Board of Directors

There are seven committees presented in the management organization chart above, that report directly to the Board of Directors. Committee members are elected by the Board of Directors for a term of one year, and must have proven knowledge in their respective professional fields as well as technical qualification compatible with their responsibilities.

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

Please [click here](#) for each committee rules.

Audit Committee [GRI G4-DMA Audit \(former FS9\)](#)

The Audit Committee is a statutory body responsible for overseeing the quality and integrity of our financial statements, the compliance with legal and regulatory requirements, the performance, independence and quality of the services provided by our independent auditors and of the work performed by our internal auditors, and of the effectiveness of our internal controls and risk management systems. It is a single body which is responsible for overseeing companies of the Itaú Unibanco Group that are authorized to operate by the Central Bank or supervised by the Superintendency of Private Insurance



(Superintendência de Seguros Privados, or SUSEP).

All Audit Committee members are independent, pursuant to Brazilian banking regulation, and the Board of Directors will terminate the term of office of any member of the Audit Committee if such member's independence is affected by any conflict or potentially conflicting situation. In order to meet the requirements of CMN, the Brazilian Council of Private Insurance (*Conselho Nacional de Seguros Privados*, or CNSP) as well as those of SEC and NYSE, the Board of Directors has determined that Mr Diego Fresco Gutierrez is an independent financial expert who qualifies as an "Audit Committee Financial Expert" as such term is defined in SEC rules.

The Audit Committee assessments are based on information received from management, external auditors, internal auditors, the units responsible for risk management and internal controls and on the analyses of the Audit Committee's members resulting from direct observation. After establishing an annual schedule to comply with its duties, the Committee held 191 meetings over 58 days in the period from January to December 2016.

"Throughout 2016, the Committee held 191 meetings over 58 days. This year, in addition to following its regular agenda, the Committee made special efforts to monitor risk management and the performance of the Internal Audit in relation to information security, client relationships, and the integration process of the banks acquired in Chile and Colombia. We deeply regret to inform you of the passing of Sergio Darcy da Silva Alves, whose work on our Committee in the last years was of an invaluable contribution. On December 22, 2016, Rogério P. Calderón Peres took office as a new Committee member."

Geraldo Travaglia Filho
President of the Audit Committee

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

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

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

Pre-approval of policies and procedures

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

Fees and services of the principal auditor

The following table presents the total amount charged by PricewaterhouseCoopers Auditores Independentes by category for services rendered in 2016 and 2015:

(In thousands of R\$)				
Fees	2016	% Approved by the Audit Committee	2015	% Approved by the Audit Committee
Audit Fees	60,512	100.0	48,133	100.0
Audit-Related Fees	4,755	100.0	3,728	100.0
Tax Fees	453	100.0	423	100.0
All Other Fees	969	100.0	1,175	99.0
Total	66,689		53,459	

- audit fees: corresponds to the audit of our annual financial statements, the review of our quarterly financial statements, as well as the audit and review of financial statements of our subsidiaries, services relating to issuance of comfort letters in securities offerings, issuance of reports required by regulatory bodies and audit of internal control over financial reporting in connection with the Sarbanes-Oxley Act requirements;
- audit-related fees: corresponds to services provided in connection with the issuance of appraisal reports at book value, assistance related to review of documents to be filed with local and foreign regulatory bodies, including documents regarding compliance with legislation and regulations, audit of specific financial statements, compliance with greenhouse gas emissions controls and policies, due diligence activities, assurance of special purpose reports and previously agreed-upon procedures to review profit share calculation with respect to commercial partnership contracts;
- tax fees: corresponds to tax consulting and advising on cross-border transactions and review of Brazilian income tax; and
- other fees: corresponds to training, use of surveys and technical materials, independent review of accounting and tax matters of transactions outside Brazil, independent review of the implementation plan using the COSO 2013 framework, independent review of credit models, consultancy related to internal processes and benchmarking of a middle market transaction, review of credit card debt negotiation process controls and advising on the revision of structuring sale of a credit portfolio.



Personnel Committee

The Personnel Committee is responsible for establishing the main guidelines related to personnel. Its duties include establishing guidelines related to talent attraction and retention, recruiting and qualification, and our long term incentive programs.

"Throughout 2016 our journey took us to the consolidation of our corporate culture ("Our Way"), and we have escalated some actions for disseminating and engaging our risk management principles. We started a process to unveil the bank's purpose, which encompassed the following steps: (1) understanding Itaú Unibanco's history, its values and peculiarities based on its large history of mergers and acquisitions; (2) mapping its historical and potential heritage for the future; and (3) designing the conceptual and strategic territory in which the branch will firmly anchor its purpose. We monitored the talent programs, which are aimed to attract talents from the best universities in Brazil and the world by adopting a highly rigorous selection process, and recorded a significant increase in the number of participants. Finally, we addressed significant topics, such as the executive succession planning for many careers in the bank, and diversity as a strategic value."

Pedro Moreira Salles
Chairman of the Board of
Directors and President of the Personnel Committee

Related Parties Committee

The Related Parties Committee is responsible for analyzing transactions between related parties in the circumstances specified by our Related Parties Policy in order to ensure equality and transparency in such transactions. The Committee is composed entirely of independent members.

"Throughout 2016, the Committee acted effectively on the analysis of related party transactions, having always in mind the purpose of ensuring equality among stockholders, investors, and stakeholders, as well as ensuring more transparency to the market. Approximately 30 related-party transactions of diversified types were analyzed, such as those involving real estate, supply, and technology. Another highlight was the creation of an Internal Circular Letter, aimed at improving processes related to the Transactions with Related Parties Policy, by formalizing internal responsibilities and the flows associated with the governance of transactions. Accordingly, we proceed with our commitment to keep Itaú Unibanco Holding in line with the best corporate governance practices."

Gustavo Jorge Laboissière Loyola
Independent Director and member
of the Related Parties Committee

Transactions with related parties

Our Policy for Transactions with Related Parties, or Related Parties Policy, defines the concept of related parties and establishes rules and procedures for transactions among them. It provides that such transactions must be carried out in writing, under market conditions, pursuant to our internal practices (such as the guidelines set forth in our Code of Ethics) and, subject to criteria defined by accounting standards, disclosed in our financial statements. Transactions with related parties, or sets of related transactions, that involve, in the period of one year, amounts higher than R\$1.0 million are subject to additional internal governance procedures. Such transactions must be approved by our Related Parties Committee, composed entirely of independent members of our Board of Directors, and are reported to our Board of Directors on a quarterly basis. Please [click here](#) for our Related Parties Policy.

CVM Ruling No. 480/2009 requires that transactions with related parties that meet the conditions set forth by Schedule 30-XXXIII of such rule be disclosed within seven business days of their occurrence, in accordance with the terms defined in such rule.

Additionally, Brazilian laws and regulations provide that financial institutions are not allowed to grant loans, advances or guarantees to certain individuals and entities related to them, including:

- (i) officers, and members of the board of directors, fiscal council, advisory councils and other statutory committees, as well as their spouses, ascendants, descendants and collateral relatives to the second degree, either blood relatives or in-laws;
- (ii) individuals or legal entities that directly or indirectly control the financial institution or hold more than 10% of the financial institution's share capital;
- (iii) legal entities directly or indirectly controlled by the financial institution or legal entities in which the financial institution directly or indirectly holds more than 10% of the share capital; or
- (iv) legal entities directly or indirectly controlled by the individuals mentioned in items "i" and "ii" above or legal entities in which such individuals directly or indirectly hold more than 10% of the share capital.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 35 – Related Parties](#), for further details about the related parties we do business with and the main terms of those transactions.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is composed entirely of non executive directors and is responsible for stimulating and overseeing discussions of matters related to our governance. Its duties include analyzing and issuing opinions on situations of potential conflicts of interest between the directors and companies of the Itaú Unibanco Group, periodically reviewing the criteria for nomination of our independent directors, in accordance with governance principles and applicable regulation, giving methodological and procedural support for the assessment of the Board of Directors, individual directors, committees and the chief executive officer, and discussing and making recommendations on the succession of the directors and the chief executive officer. Please refer to [section Our governance, item Management structure](#), for further information about changes in our Board of Officers.

"The agenda of the Nomination and Corporate Governance Committee in 2016 was highly intense, as it addressed several relevant themes for the Company's good governance, particularly the CEO succession process.

Among other issues also addressed over the year, noteworthy issues are as follows:

- Discussions and recommendations on nominees to make up the Board of Directors and its Committees;
- Approving the Management Nomination Policy and defining a fixed 75% minimum percentage of attendance at meetings for members of the Board of Directors and the Committees, which is in line with the best corporate governance practices; and
- Discussions on the evaluation results for the Board of Directors and its members, as well as for the Chairman and CEO."

Fábio Colletti Barbosa

Independent Director and member of the Nomination and Corporate Governance Committee

Risk and Capital Management Committee

The Risk and Capital Management Committee is responsible for supporting the Board of Directors in performing its responsibilities related to our capital and risk management as well as submitting reports and recommendations on these topics for the approval of the Board of Directors. Its duties include establishing our risk appetite and minimum return expected on our capital, overseeing our risk control and management activities in order to assure their adequacy to the risk levels assumed and the complexity of our operations as well as the compliance with regulatory requirements. It is also responsible for promoting the improvement of our risk culture.

"In 2016, in addition to exercising its mandate of supervising risk and capital management activities, the Risk and Capital Management Committee committed a significant amount of time to revisiting our risk appetite policy. It improved its approach on governance issues and extended the scope of risks monitored in connection with this appetite, by adding aspects related to operational risk, information security and reputation to the management of risks of credit, market, and liquidity and capitalization level."

Pedro Luiz Bodin de Moraes

Independent Director and President of the Risk and Capital Management Committee

Strategy Committee

The Strategy Committee is responsible for leading discussions of strategic matters critical to us. Its duties include proposing budgetary guidelines for the Board of Directors, and issuing opinions and recommendations on the strategic guidelines and investment opportunities in order to support the decisions of the Board of Directors.

"The Strategy Committee held five meetings during 2016, which were intended to address issues on sustainability and adequacy of guidelines to major world trends, on the suitability and its impact on current and future business, and on the profit pool of the financial system, by analyzing the strategy of inserting Itaú Unibanco Holding into the many segments of this market. In addition to these more comprehensive themes, the Committee addressed the several scenarios for both 2017 and the following years, as well as its adequacy to the strategic plan and any possible acquisition of new business. Noteworthy mentioning in 2016 was the purchase of the remaining shares of Itaú BMG Consignado, required for us to hold 100% of its capital, and the purchase of Citibank's retail business in Brazil, which is pending approval by CADE."

Nildemar Secches

Independent Director and member of the Strategy Committee

Compensation Committee **GRI 405-2**

The Compensation Committee is composed entirely of non executive members and is responsible for leading discussions of matters related to our management compensation. Its duties include developing the Compensation Policy for our management members, proposing to our Board of Directors different methods of fixed and variable compensation, in addition to benefits and special recruiting and termination programs, discussing, analyzing and overseeing the implementation and operation of our existing compensation



models, and discussing the general principles for the compensation of our employees.

"Throughout 2016 the Compensation Committee was dedicated to:

- defining the overall compensation for the members of the Board of Directors and Executive Board;*
- approving the bank's overall bonus pool, taking into account a scenario of higher default for the wholesale banking segment;*
- changing the overall calculation model and the bank pool limit for the investment banking and private banking segments, therefore adjusting these segments to the institution's other areas;*
- complying with the Central Bank's request to adjust the executive compensation to the market risk, so that it refrains from having financial targets.*
- approving a model for a new area designed for "restructuring loan portfolios";*
- approving the individual compensation for the Executive Committee members;*
- analyzing the comparative study on executive compensation and market research, with the conclusion that our model is consistent with market levels and our own results; and*
- approving rules for the so-called "good leavers", that is, Officers who leave our organization to work with the Government, by prompting the termination of the vesting period and making them immediately dispose of their shares, to avoid any conflict of interest."*

Alfredo Egydio Arruda Villela
Member of the Compensation Committee

Digital Advisory Board

The Board of Directors shall constitute a Digital Advisory Board which shall supply the Board with inputs, thus supporting the latter's reflections on customer experience as impacted by the evolution of technology and world trends.

Annual evaluation of the Board of Directors and Board Committees

To assess the performance of our management and in order to comply with best corporate governance practices, we annually carry out an evaluation of our Board of Directors, its members and its Chairman, as well as the Board committees.

Decisions regarding whether to propose the reelection of Board members to the Annual General Stockholders Meeting and of the members of the Board committees to the Board take into account both (i) positive performance results and high attendance at meetings during the previous term and (ii) the level of independence and industry experience.

Evaluation process

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

The evaluation process is structured taking into consideration the specific responsibilities of the Board, its members, its Chairman, and each of the Board's committees. Therefore, we aim at a high level of expertise.

The evaluation process is conducted by an independent person, responsible for distributing specific questionnaires to the Board of Directors and to each of the Board committees, as well as interviewing members of the Board and Board committees 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 findings and/or gaps relating to the Board of Directors or the Board committees that may be revealed by this process.

Methodological support and independent evaluation

The Nomination and Corporate Governance Committee provides methodological and procedural support to the evaluation process. The Committee also discusses the results of the evaluation, as well as the composition and succession plan of the Board.

Besides such support by the Nomination and Corporate Governance Committee, an independent person is responsible for carrying out the evaluation process itself.

International Advisory Board

The International Advisory Board is responsible for evaluating the prospects for the world economy and the adoption by us of internationally accepted codes and standards, especially with respect to monetary and financial policy, corporate governance, capital markets, payments systems and prevention of money laundering, in order to contribute towards strengthening our presence in the international financial community and to provide guidelines for the Board of Directors. The International Advisory Board is comprised of the following individuals, some of whom are not members of our Board of Directors or employees of the Itaú Unibanco Group: Pedro Sampaio Malan, Alessandro Profumo, André Lara Rezende, Andres Velasco, Angel Corcóstegui, Pascal Lamy, Pedro Moreira Salles, Ricardo Villela Marino, Roberto Egydio Setubal and Vikram Pandit.

Fiscal Council

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

Although its permanent existence is not legally mandatory, we have had a Fiscal Council established and functioning continuously since 2000.

Please refer to [website](#) for each committee rules.

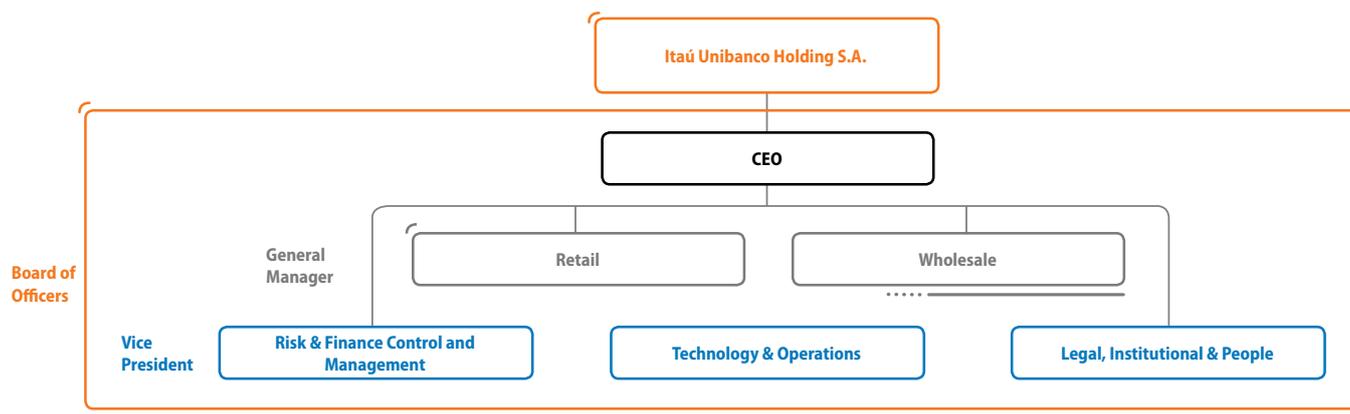
Board of Officers

Our Board of Officers is elected annually by the Board of Directors and its role is to implement the guidelines proposed by our Board of Directors. The officers manage

our daily business activities, ensuring the best allocation and management of our funds to accomplish our established goals. The structure of our Board of Officers takes into account the segmentation of our businesses, which demands in-depth knowledge in different areas, skills and business sectors given our organization's complexity.

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

As announced on November 9, 2016, structural changes were made to the management of Itaú Unibanco Holding. The chart below presents our Board of Officers, made up of two General Managers and three Vice Presidents:



Disclosure and Trading Committee

The Disclosure and Trading Committee reports to the Board of Officers and is comprised of members of the Board of Directors and of the Board of Officers of Itaú Unibanco Holding or any company of the Itaú Unibanco Group, and professionals of proven knowledge in the capital markets area, appointed by our Investor Relations Officer, who is also a permanent member of the committee.

The committee is responsible for managing our Policy of Material Information Disclosure and our Policy on Trading of Securities. We were among the first publicly held companies in Brazil to have such a committee.

The duties of the Disclosure and Trading Committee include carrying out internal actions intended to improve the information flow and foster the ethical conduct of our management members and our employees in order to

ensure transparency, quality, equality and security in the information provided to our stockholders, investors and other participants in the capital markets.

Our Directors and Executive Officers

Four of our directors, Alfredo Egydio Arruda Villela Filho, Ricardo Villela Marino, Alfredo Egydio Setubal and Roberto Egydio Setubal, are members of the Egydio de Souza Aranha family and one of our directors, Pedro Moreira Salles, is a member of the Moreira Salles family.

Our Board of Directors was elected and reelected on April 27, 2016 at our annual stockholders' meeting. Pedro Moreira Salles, Alfredo Egydio Arruda Villela Filho, Roberto Egydio Setubal, Alfredo Egydio Setubal, Candido Botelho Bracher, Demosthenes Madureira de Pinho Neto, Fábio Colletti Barbosa, Gustavo Jorge Laboissiere Loyola,

Nildemar Secches, Pedro Luiz Bodin de Moraes and Ricardo Villela Marino were reelected as members of our Board of Directors, each for a term of one year.

On the same date, José Galló was also elected as member of the Board of Directors. Henri Penchas was not reelected, having reached the age limit provided in our Bylaws.

Directors Fábio Colletti Barbosa, Gustavo Jorge Laboissière Loyola, José Galló, Nildemar Secches, and Pedro Luiz Bodin de Moraes have been deemed by us to be independent members of the Board of Directors.

With respect to our Fiscal Committee, Iran Siqueira Lima was reelected as an effective member, with José Caruso Cruz Henriques also being reelected as his alternate. Alkimar Ribeiro Moura was elected as an effective member, with João Costa also being reelected as his alternate. Current alternate Carlos Roberto de Albuquerque Sá was elected an effective member, with Eduardo Azevedo do Valle being elected on the same date as his alternate.

At the Meeting of the Board of Directors of April 28, 2016, the members of our Board of Officers were reelected for a term of office of one year. At the same meeting Atilio Luiz Magila Albiero Júnior, Fernando Barçante Tostes Malta, Gilberto Frussa and Sergio Mychkis Goldstein were elected officers. The members of the Audit Committee were also reelected for a term of office of one year with the exception of Luiz Alberto Fiore. On the same date, Ricardo Baldin was elected to the Audit Committee; however, he did not continue as a member of the Audit Committee on account of having accepted an invitation to join the Executive Board of the *Banco Nacional de Desenvolvimento Econômico e Social* – BNDES (the Brazilian Development Bank).

On May 3, 2016, we announced that Professor Iran Siqueira Lima, President of our Fiscal Council, reelected at the Annual General Meeting of April 27, 2016, had passed away on April 29. In light of this, José Caruso Cruz Henriques, elected as alternate member of our Fiscal Council on April 27, 2016, assumed the position as an effective member for a term of office, which shall terminate on the date of the Annual General Meeting for 2017. The position of alternate member held by Mr. José Caruso remains vacant until our next General Meeting is held.

In addition, the current members of our Audit, Strategy, Risk and Capital Management, Nomination and Governance, Personnel, Compensation and Related Parties Committees were reelected for a term of one year.

On June 7, 2016, the Central Bank approved the election and reelection (as applicable) of the members of our Board of Directors, Fiscal Council and Audit Committee.

On November 24, 2016, at the Board of Directors Meeting, Rogério Paulo Calderón was elected to the position of member of the Audit Committee and, on December 22, 2016, the Central Bank approved this election.

On December 9, 2016, at the Board of Directors Meeting, André Sapoznik and Caio Ibrahim David were elected to the position of Vice President of the Board of Officers. At the same meeting, Vice President Eduardo Mazzili de Vassimon was reassigned to the position of General Director.

On the same date, it was recorded that the General Directors will have the following specific duties:

- Candido Botelho Bracher is the Deputy CEO, responsible for supporting the CEO in his activities. This role will be performed on a temporary basis until Candido takes office as CEO, the position for which he will be elected after the next Ordinary General Stockholders' Meeting;
- Eduardo Mazzilli de Vassimon is responsible for structuring the services and establishing internal and operational rules related to the departments of wholesale and relationship with medium-sized and large companies, including banking services, investment banking, asset and wealth management services, international business and institutional treasury;
- Márcio de Andrade Schettini is responsible for structuring services and establishing internal and operational rules related to the Retail Bank, to client relationships and offer of products and services to our client base, including individuals and companies, comprised in all retail segmentation levels, and to the insurance, pension plan, and premium bonds departments; and
- Marco Ambrogio Crespi Bonomi is responsible for supporting the process of transfer of his activities to Márcio de Andrade Schettini and this job will be performed on a temporary basis until he takes office as member of the Board of Directors, the position for which he will be appointed at the next Ordinary General Stockholders' Meeting.

In the same way as the Vice Presidents, André Sapoznik is responsible for coordinating and organizing the technical and operational infrastructure that is necessary for the Company's business and Caio Ibrahim David is responsible for the control and risk management department, the finance segment and the controllership department.

The elections of the members were approved by the Central Bank on January 5, 2017.

The composition of the statutory bodies as of December 31, 2016 is as follows:



Members Name (age), position	Member since	Audit Committee	Personnel Committee	Related Parties Committee	Nomination and Corporate Governance Committee	Risk and Capital Management Committee	Strategy Committee	Compensation Committee ⁽¹⁾	International Advisory Council ⁽²⁾
Board of Directors⁽³⁾ (12 members)	Pedro Moreira Salles (57), Chairman	08/2009		P		P	M	P	M
	Alfredo Egydio Arruda Villela Filho (47), Vice Chairman	03/2003			M			M	
	Roberto Egydio Setubal (62), Vice Chairman	03/2003		M			M		M
	Alfredo Egydio Setubal (58), Member	06/2007		M		M			
	Candido Botelho Bracher (58), Member	02/2009				M	M		
	Demosthenes Madureira de Pinho Neto (56), Member	05/2012				M	M		
	Fábio Colletti Barbosa (62), Independent Member	I 07/2015		M		M			
	Gustavo Jorge Laboissière Loyola (64), Independent Member	I 07/2006			M		M		M
	José Galló (65), Independent Member	I 04/2016		M					
	Nildemar Secches (68), Independent Member	I 05/2012		M	P			P	
	Pedro Luiz Bodin de Moraes (60), Independent Member	I 02/2009			M		P		M
	Ricardo Villela Marino (42), Member	06/2008						M	
Board of Officers (24 members)	Roberto Egydio Setubal (62), Chief Executive Officer	11/1995							
	Candido Botelho Bracher (58), General Manager	08/2005							
	Márcio de Andrade Schettini (52), General Manager	07/2015							
	Marco Ambrogio Crespi Bonomi (60), General Manager	07/2015							
	Eduardo Mazzilli de Vassimon (58), General Manager	03/2013							
	André Sapoznik (44), Vice President	12/2016							
	Caio Ibrahim David (48), Chief Financial Officer and Vice President	12/2016							
	Claudia Politanski (46), Vice President	11/2008							
	Alexandro Broedel Lopes (42), Executive Officer	08/2012							
	Fernando Barçante Tostes Malta (48), Executive Officer	04/2016							
	Leila Cristiane Barboza Braga de Melo (45), Executive Officer	04/2015							
	Paulo Sergio Miron (50), Executive Officer	07/2015							
	Adriano Cabral Volpini (44), Officer	02/2015							
	Álvaro Felipe Rizzi Rodrigues (39), Officer	04/2015							
	Atilio Luiz Magila Albiero Junior (39), Officer	04/2016							
	Eduardo Hiroyuki Miyaki (44), Officer	08/2011							
	Emerson Macedo Bortoloto (39), Officer	11/2011							
	Gilberto Frussa (50), Officer	04/2016							
	José Virgílio Vita Neto (38), Officer	04/2015							
	Marcelo Kopel (52), Officer and Investor Relations Officer	06/2014							
	Matias Granata (42), Officer	07/2014							
	Rodrigo Luis Rosa Couto (41), Officer	01/2012							
	Sergio Mychkis Goldstein (39), Officer	04/2016							
	Wagner Bettini Sanches (45), Officer	06/2014							
Audit Committees⁽³⁾ (5 members)	Antonio Francisco de Lima Neto (51), Independent Member	I 07/2015	M						
	Diego Fresco Gutierrez (46), Independent Member and Financial Expert	I 04/2014	M						
	Geraldo Travaglia Filho (65), Independent Member	I 03/2013	P						
	Maria Helena dos Santos Fernandes de Santana (57), Independent Member	I 06/2014	M						
	Rogério Paulo Calderón Peres (54), Independent Member	I 11/2016	M						
Fiscal Council⁽³⁾ (3 members)	Alkimar Ribeiro Moura (75), Independent Member	I 04/2016							
	Carlos Roberto de Albuquerque Sá (66), Independent Member	I 04/2016							
	José Caruso Cruz Henriques (69), Independent Member	I 04/2016							

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

(2) Includes individuals that are not members of our Board of Directors or employees of the Itaú Unibanco Group: Alessandro Profumo, André Lara Rezende, Andres Velasco, Angel Corcóstegui, Pascal Lamy, Pedro Sampaio Malan, Vikram Pandit.

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

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



Board of Directors

Pedro Moreira Salles (Chairman) has held several positions within the Itaú Unibanco Group including Vice Chairman of the Board of Directors (February 2010 to April 2012) of Banco Itaú BBA S.A.; Vice Chairman of the Board of Directors (March 2008 to November 2008) and CEO of Unibanco Holdings S.A. (March 2007 to November 2008); Vice Chairman of the Board of Directors and CEO at Unibanco – União de Bancos Brasileiros S.A. (September 2004 to November 2008) and Chairman of the Board of Directors of Unibanco Seguros S.A. (December 1995 to February 2009).

He has also been Member of the Board of Directors of Totvs S.A. since March 2010; Chairman and Member of the Board of Directors of Companhia E. Johnston de Participações since 2008 and CEO since 2015; Member of the Board of Directors (November 2008 to June 2015) and CEO since June 2015 at IUPAR having previously served as Chairman (November 2008 to April 2012) and Chairman of the Board of Directors of FEBRABAN since March 2017.

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

He has a Bachelor's degree, *magna cum laude*, in Economics and History from the University of California, Los Angeles. He also attended the international relations master's program at Yale University and the OPM – Owner/President Management Program at Harvard University both in the United States.

Alfredo Egydio Arruda Villela Filho (Vice Chairman) has been Vice Chairman of the Board of Directors since March 2003. He has also served as Member of the Board of Directors since April 1997; being Vice Chairman since January 2010; and having been Chairman (April 2009 to January 2010) and Vice Chairman (April 1997 to April 2009) of Itautec S.A.; Member of the Board of Directors (April 2004 to April 2010), being the Board's Chairman (April 2009 to November 2009) and Vice Chairman (April 2004 to April 2009 and November 2009 to April 2010) of Elekeiroz S.A.; Member of the Board of Directors since 1996, being the Board's Vice Chairman since 2008 of Duratex S.A.; Member of the Board of Directors since August 1995, serving as Chairman since May 2015 and CEO (September 2009 to May 2015) of Itaúsa.

He has also been a Member of the Itaú Unibanco Group serving as Vice Chairman of the Board of Directors of Itaú Unibanco (August 2002 to March 2003).

He has a Bachelor's degree in Mechanical Engineering from *Escola de Engenharia Mauá of Instituto Mauá de Tecnologia* (IMT) and Postgraduate degree in Business Administration from *Fundação Getúlio Vargas* (FGV) both in Brazil.

Roberto Egydio Setubal (Vice Chairman) is currently the CEO of Itaú Unibanco Holding S.A. He has overseen the commercial operations of Banco Itaú since 1984 being appointed Chief Executive Officer (April 1994 to March 2015); General Manager (July 1990 to April 1994) and Member of the Board of Directors from May 1991 to March 2003 at Itaú Unibanco S.A. In his career at the Bank, he held several positions in the controlling, products and sales areas.

Since 1995 he is member of the International Monetary Conference and he became President of IMC in June, 2010. From 1997 up to 2000, he was the elected President of FEBRABAN (*Federação Brasileira de Bancos*). He is also Vice Chairman of the IIF (Institute of International Finance) and of its Steering Committee of Crisis Prevention and Capital Adequacy. In 2000 he became member of the Trilateral Commission. In 2002 he became member of the International Advisory Committee of the Federal Reserve Bank of New York. In 2003 he was appointed to the Board Member of Brazilian Economic & Social Development Council (CDES). In 2010 he became Member of the China Development Forum. He is founding member and President of the Executive Committee of Fundação Itaú Social that has developed various social programs in partnership with UNICEF and other NGOs. He is also a member of the Executive Committee of Instituto Itaú Cultural and member of the Economic and Social Development Council of the Presidency of Brazil (CDES) since November 2016.

He has a Bachelor's degree in Production Engineering from *Escola Politécnica da Universidade de São Paulo* (USP) in Brazil and a Master's degree in Science Engineering from Stanford University in the United States.

Alfredo Egydio Setubal (Member) has held several positions within the Itaú Unibanco Group including Vice President (April 1996 to March 2015); Executive Officer (May 1993 to June 1996), Managing Officer (between 1988 and 1993) and Investor Relations Officer (1995 to 2003) of Itaú Unibanco.

He has also served as Vice Chairman of the Board of Directors since September 2008; CEO and Investor Relations Officer since May 2015 of Itaúsa; Advisory Board Member of the Securities Dealers' Association (ADEVAL) since 1993; Financial Officer for the São Paulo Museum of Modern Art (MAM) since 1992 and of ABRASCA since 1999.

He was Chairman of the Higher Committee for Guidance, Nomination and Ethics since 2009 and Member of the Board of Directors (1999 to 2009) of IBRI. He was Vice President (1994 to August 2003) and President (August 2003 to August 2008), of the National Association of Investment Banks (ANBID) (now Brazilian Financial and Capital Markets Association – ANBIMA).



He has a Bachelor's and Postgraduate degrees in Business Administration from FGV in Brazil with specialization course at INSEAD (France).

Candido Botelho Bracher (Member) has been Vice Chairman of the Board of Directors (March 2013 to April 2015) and CEO of Banco Itaú BBA S.A. (August 2005 to December 2016). He has been the wholesale General Manager of Itaú Unibanco Holding since April 2015.

He has been Member of the Board of Directors of the São Paulo Stock Exchange – BM&FBovespa S.A. (April 2009 to June 2014); Alternate Member of the Board of Directors (September 1999 to June 2005) and Member of the Board of Directors (June 2005 to March 2013) of Pão de Açúcar – Cia. Brasileira de Distribuição. He was Vice President of Banco Itaú BBA S.A. (February 2003 to August 2005) where he was responsible for the Commercial, Capital Markets and Human Resources Policies units. He served as Officer at Banco Itaú BBA Creditanstalt S.A. (1988 to 2003).

He has a Bachelor's degree in Business Administration from FGV in Brazil.

Demosthenes Madureira de Pinho Neto (Member) served as Executive Officer of Itaú Unibanco (November 2008 to January 2012).

He was Vice President at Banco Itaú BBA S.A. (November 2008 to April 2009); Vice President at Unibanco (December 2004 to April 2009); Executive Officer at Unibanco Asset Management (August 2002 to July 2005).

He was Vice President of the National Association of Investment Banks (ANBID) (2000 to 2003); Chief Executive Officer at Dresdner Asset Management (November 1999 to 2002); Director of Foreign Affairs at the Central Bank (1997 to March 1999) and General Monetary and Financial Policy Coordinator for the Ministry of Finance (1993).

He has a Bachelor's and Master's degrees in Economics from *Pontifícia Universidade Católica do Rio de Janeiro* (PUC-Rio) in Brazil and a Ph.D in Economics from the University of California in the United States.

Fábio Colletti Barbosa (Independent Member) was Chairman of the Board of Directors of Banco Santander (Brasil) S.A. (January 2011 to September 2011) and Chairman of the Board of Directors of Banco Santander S.A. (August 2008 to December 2010); Chief Executive Officer of Banco Real S.A. (1998 to 2008).

He was Chairman of Abril Comunicações S.A. (September 2011 to March 2014); Chairman of the Board of Directors of Fundação OSESP since 2012; Member of the Deliberative Council of Inesper Institute of Education and Research since 2010; Member of the Board of UN Foundation (United Nations Foundation – USA) since 2011; Member of the

Board of Instituto Empreender Endeavor since 2008; Member of the Board of ALMar Participações S.A. since 2013; Member of the Consulting Council of Vox Capital – Investments since 2012 and Member of the Investment Policies Committee of Gavea Investments since September 2015.

He has a Bachelor's degree in Economics from the *Faculdade de Economia* of FGV in Brazil, and Master in Business Administration from the Institute for Management and Development, Lausanne.

Gustavo Jorge Laboissière Loyola (Independent Member) was Chairman of the Fiscal Council (March 2003 to April 2006) and Chairman of the Audit Committee (September 2008 to April 2014) at Itaú Unibanco Holding. He has been a Partner at Tendências Consultoria Integrada S/S Ltda. since November 2002 and Tendências Conhecimento Assessoria Econômica Ltda. since July 2003. He has also been Managing Partner at Gustavo Loyola Consultoria S/C since February 1998. He served as governor of the Central Bank (November 1992 to March 1993 and June 1995 to August 1997) and as deputy governor for Financial System Regulations and Organization of the National Financial System at the Central Bank (March 1990 to November 1992).

He has a Bachelor's degree in Economics from *Universidade de Brasília* (UnB) and a Ph.D in Economics from FGV, both in Brazil.

José Galló (Independent Member) was Member of the Board of Directors since April 2016 and member of the Personnel Committee since June 2016 at Itaú Unibanco Holding.

He has been member of the Board of Directors since 1998, having held the positions of Chairman of the Board of Directors between 1999 and 2005; Chief Executive Officer since March 1999; and Managing Director (September 1991 to March 1999) at Lojas Renner S.A.

He has also been Officer since September 2005 at Renner Administradora de Cartões de Crédito Ltda. and Dromegon Participações Ltda.; Officer since August 2008 at LR Investimentos Ltda.; Officer since December 2015 at Realize Participações S.A.; Officer since March 1987 at Rumos Consultoria Empresarial Ltda.; Member of the Board of Directors between April 2007 and May 2016 at SLC Agrícola S.A.; Member of the Board of Directors since October 2010 at Localiza Rent a Car S.A. and Member of the Board of Directors since July 2004 at IDV – Instituto para Desenvolvimento do Varejo; Member of the Deliberative Council since June 2008 at Instituto Lojas Renner; Vice President since June 2004 at Store Directors Chamber (CDL) of Porto Alegre.



He has a Bachelor's degree in Business Administration from *Escola de Administração de Empresas de São Paulo – Fundação Getúlio Vargas* in 1974.

Nildemar Secches (Independent Member) is Vice Chairman of the Board of Directors of Weg S.A. since 1998; Vice Chairman of the Board of Directors of Iochpe-Maxion since 2004; Member of the Board of Directors of Suzano Papel e Celulose since May 2008 and of Ultrapar S.A. since April 2002.

He was CEO of Perdigão S.A. (January 1995 to October 2008); General Corporate Officer of the Iochpe-Maxion Group (1990 to 1994). He served as Director of BNDES (1987 to 1990) and Chairman of the Board of Directors of Brasil Foods – BRF S.A. (April 2007 to April 2013). He served as President of the Association of Chicken Producers and Exporters (2001 to 2003).

He has a Bachelor's degree in Mechanical Engineering from USP, in São Carlos, a Ph.D in Economics from *Universidade Estadual de Campinas (UNICAMP)* and a Postgraduate degree in Finance from PUC-Rio, in Brazil.

Pedro Luiz Bodin de Moraes (Independent Member) served as Member of the Board of Directors at Unibanco (July 2003 to December 2008). He was Officer and Partner at Banco Icatu S.A. (1993 to 2002). He has been Partner since 2003 and Officer (2002 to 2003) at Icatu Holding S.A. He served as Monetary Policy Director of the Central Bank (1991 to 1992) and Director of BNDES (1990 to 1991).

He has a Bachelor's and Master's degrees in Economics from PUC-Rio in Brazil and Ph.D. in Economics from the Massachusetts Institute of Technology (MIT) in the United States.

Ricardo Villela Marino (Member) has served Itaú Unibanco Group as Vice President of Itaú Unibanco since August 2010. He served as Executive Officer (September 2006 to August 2010), Senior Managing Director (August 2005 to September 2006), Managing Director (December 2004 to August 2005) at Itaú Unibanco. He has served as Alternate Member of the Board of Directors of Itaúsa since April 2011.

He has served as Alternate Member of the Board of Directors of Duratex S.A., Elekeiroz S.A. and Itautec S.A. since April 2009. He was President of the Latin American Federation of Banks (FELABAN) (2008 to 2010).

He has a Bachelor's degree in Mechanical Engineering from *Escola Politécnica* at USP in Brazil and a Master's degree in Business Administration from MIT Sloan School of Management, Cambridge in the United States.

Board of Officers

The *résumés* of Mr. Roberto Egydio Setubal (Vice Chairman and Chief Executive Officer) and Mr. Candido Botelho Bracher (Member of the Board) are detailed above, in the Board of Directors item.

Eduardo Mazzilli de Vassimon (General Manager) has held several positions within the Itaú Unibanco Group including Vice President of Itaú Unibanco Holding (April 2015 to December 2016); Vice President of Itaú Unibanco since March 2013 and Member of the Board of Directors (November 2004 to April 2015) and Chief Executive Officer (since December 2016) of Banco Itaú BBA S.A.

He also served as Vice President of Banco Itaú BBA S.A. (November 2004 to December 2008), and was responsible for the international, financial institutions, products, client desk and treasury departments. He has served as General Manager of Itaú Unibanco (1980 to 1990). He has served as member of the Board of Directors at Investimentos Bemge S.A. since February 2013. He worked as Deputy Foreign Exchange Director (1990 to 1991) and as International Unit Director (1992 to 2003) of Banco BBA-Creditanstalt S.A.

He has a Bachelor's degree in Economics from the *Faculdade de Economia* at USP (1980) and in Business Administration from FGV (1980). He also has Master's degrees from the São Paulo Business Administration School at FGV (1982) and from *École des Hautes Études Commerciales* (1982) in France.

Márcio de Andrade Schettini (General Manager) has served the Itaú Unibanco Group as General Manager since April 2015 and Vice President (November 2008 to March 2015) of Itaú Unibanco.

He has served as Vice President (April 2004 to April 2009) at Unibanco.

He has a Bachelor's degree in Engineering and a Master's degree in Business Administration from PUC-Rio, where he also specialized in mathematical models. He also attended the Administration program for Owners and Presidents at Harvard University.

Marco Ambrogio Crespi Bonomi (General Manager) has served Itaú Unibanco Group as a General Manager since April 2015 and Vice President (April 2007 to March 2015); Executive Director (April 2004 to April 2007); Senior Managing Director (October 2000 to April 2004); Managing Director (August 1998 to October 2000) of Itaú Unibanco.

He has served as Executive Director (November 2008 to June 2014) of Unibanco; Vice President (April 2004 to April 2011) of ACREFI – National Association of Credit.



He has a Bachelor's degree in Economics from *Fundação Armando Álvares Penteado* (FAAP) (1978), Executive Financial courses at FGV (1982) and Capital Markets at New York University (1984).

André Sapoznik (Vice President) has held several positions within the Itaú Unibanco Group including Vice President of Itaú Unibanco Holding since December 2016; Executive Officer since December 2011 and Officer from April 2009 to December 2011 at Itaú Unibanco. He joined Unibanco in 1998.

He has a Bachelor's degree in Production Engineering from *Escola Politécnica da Universidade de São Paulo* and an MBA from Stanford University Graduate School of Business.

Caio Ibrahim David (Vice President and Chief Financial Officer) has held several positions within the Itaú Unibanco Group including Vice President of Itaú Unibanco Holding since December 2016; Executive Officer from June 2010 to April 2015 and member of the Disclosure and Trading Committee since July 2010.

He has also served as Vice President since July 2013; Executive Officer from August 2010 to July 2013 and was responsible for the area of finance at Itaú Unibanco S.A. He joined the Itaú group in 1987 as a trainee, working in the areas of accounting and control of market and liquidity risks.

He is member of the Board of Directors since April 2012 and Executive Vice President from October 2010 to April 2013 at Investimentos Bemge S.A.; Member of the Board of Directors since July 2010 at Dibens Leasing S.A. – Arrendamento Mercantil; Executive Officer from April 2010 to April 2013 and Chief Executive Officer from May 2013 to March 2015 at Itauseg Participações S.A.; Vice Chairman of the Board of Directors from June 2010 to December 2012 and member of the Board of Directors from May 2010 to December 2012 at Redecard S.A.

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

Claudia Politanski (Vice President) has held several positions within the Itaú Unibanco Group including Vice President since April 2015 at Itaú Unibanco Holding, having been Executive Officer (November 2008 to March 2015); Vice President of Itaú Unibanco since July 2013. She is currently responsible for the Legal, Institutional & People areas and serves as general legal counsel.

She joined Unibanco in 1991 and became Executive Officer (August 2007 to July 2014); Officer (February 2006

to August 2007) and Deputy Officer (July 2003 to February 2006). She was also Executive Officer of Itaú Unibanco (February 2010 to July 2013).

She has a Bachelor's degree in Law from USP and an MBA from Fundação Dom Cabral, in Minas Gerais, both in Brazil. She also has a Master of Laws (L.L.M.) from the University of Virginia in the United States.

Alexsandro Broedel Lopes (Executive Officer) has served the Itaú Unibanco Group as Finance Executive Officer since March 2015 and Chief Accountant and Controller (May 2012 to March 2015).

He has also been Officer at Investimentos Bemge S.A. since June 2012 and Officer at Dibens Leasing S.A. – Arrendamento Mercantil since August 2012.

He is Member of the Board of Directors of CETIP (since May 2013), IRB Brasil Resseguros (since 2015) and IIRC (International Integrated Report Committee since 2014). He has also been a Member of the Accounting Standards Advisory Forum (ASAF) of the International Accounting Standards Board (IASB) since 2010. His academic activities include a part-time Professorship at *Universidade de São Paulo* (Accounting and Law Schools) and a visiting appointment at the London School of Economics (LSE).

Previously, he served as Commissioner at the Securities and Exchange Commission of Brazil (2010 to 2012), Member of the Audit Committee of BMF&Bovespa in 2012 and Consultant at Mattos Filho Advogados (2008 to 2009). Alexsandro is a Chartered Management Accountant (FCMA and CGMA), has a Ph.D. in Accounting and Finance from the Manchester Business School (2008) and degrees in both Accounting (BSc) and Law (LLB) at the *Universidade de São Paulo*.

Fernando Barçante Tostes Malta (Executive Officer) has served the Itaú Unibanco Group as Executive Officer since March 2015 and Operations Area Manager (2008 to March 2015) at Itaú Unibanco.

He served Unibanco – União de Bancos Brasileiros S.A. (1995 to 2008) in charge of managing the Channel, Branch, Institutional Portfolio areas and participated in several projects/initiatives.

He has a Bachelor's degree in Information Technology from PUC Rio de Janeiro; MBA at Fundação D. Cabral and Advance Course in Bank Management at the Swiss Finance Institute.

Leila Cristiane Barboza Braga de Melo (Executive Officer) has held several positions in the Legal Department of Itaú Unibanco Group including the current position of Executive Officer (since April 2015 at Itaú Unibanco) and Officer (February 2010 to March 2015).



She was Deputy Officer at Unibanco (October 2008 to April 2009). She joined Unibanco in 1997 and was initially responsible for providing legal assistance on banking transactions involving banking, credit card, mortgage and vehicles, and projects related to mergers and acquisitions, corporate restructuring and capital markets, among others.

In 2000 and 2001 she worked in the Project Finance and Securities areas at Debevoise & Plimpton in NY. She is also member of W.I.L.L. – Women in Leadership in Latin America, an organization with international coverage that focuses on enhancing the individual and collective value of women in leadership positions in Latin America.

She has a Bachelor's degree in Law from USP, and a specialization in Corporate Law with emphasis in Corporate Finance and Capital Markets from *Instituto Brasileiro de Mercado de Capitais* (IBMEC), and a specialization on the Fundamentals of Business Law from New York University (NYU) (2001).

Paulo Sergio Miron (Executive Officer) has held several positions within PricewaterhouseCoopers in São Paulo, he served as partner (1996 to 2015), being responsible for the audit work for large Brazilian Financial Conglomerates, among them: Unibanco (1997 to 2000), Banco do Brasil (2001 to 2005) and Itaú Unibanco (2009 to 2013); in Brasília he served as partner (2001 to 2008), being in charge of government related services (2004 to 2008) and banking (1997 to 2008). At PricewaterhouseCoopers, he was also the training area coordinator for over 10 years and served as a University professor for a few years on matters related to the financial market.

He is Member of the Brazilian Institute of Accountants and speaker at various seminars related to financial instruments and audit.

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

Adriano Cabral Volpini (Officer) has held several positions within the Itaú Unibanco Group including Corporate Safety Officer since July 2012; Senior Manager of Illicit Act Prevention (August 2005 to March 2012); Manager of Illicit Act Prevention (January 2004 to July 2005); Inspection Manager (June 2003 to December 2003); Inspector (January 1998 to March 2003); Auditor (May 1996 to December 1997); Branch Operational Area (March 1991 to April 1996) of Itaú Unibanco.

He has been Officer since January 2014; Executive Officer (June 2012 to January 2014) at Dibens Leasing S.A.

He has a Bachelor's degree in Social Communications from FAAP (1991-1995); a Postgraduate degree in Accounting and Financial Administration from FAAP (1998-2000); and an MBA in Finance from IBMEC (2000 to 2002).

Álvaro Felipe Rizzi Rodrigues (Officer) has served as Officer since October 2014 at Itaú Unibanco. Before that, he was our Legal Superintendent (July 2008 to October 2014) and Legal Manager (March 2006 to July 2008). He has been working on the coordination and supervision of the Mergers & Acquisitions Legal Department, the Corporate and Corporate Governance Legal Department, the Corporate Affairs Paralegal Department, the Contracts, Intellectual Property and Third Sector Legal Department, as well as the International Legal Department (responsible for the matrix management of the legal teams of the Itaú Unibanco Conglomerate's foreign units and for the monitoring and assessment of the main legal issues related to these units).

Before joining Itaú Unibanco, he practiced Corporate and Contracts Law (August 1998 to February 2005) at Tozzini Freire Advogados.

He has a Bachelor's degree in Law from USP Law School, class of 1999, a specialization diploma in Corporate Law from *Pontifícia Universidade Católica de São Paulo* (PUC-SP) in 2001, and a Master's degree in Law (LL.M.) from Columbia University's School of Law in New York (2004).

Atilio Luiz Magila Albiero Junior (Officer) has held several positions within the Itaú Unibanco Group including as an Officer since June 2015; Senior Manager – Financial Planning (March 2011 to May 2014), having as his principal activities budget preparation, closing of the results for the month, generation of the P&L for several levels; Senior Planning Manager – Retail (May 2008 to February 2011), his principal activities being budget preparation, capacity models, AGIR for the operational and projects area; Senior Manager for Corporate Products (January 2007 to April 2008), having responsibility for the electronic channels for Corporate Entities and Cash Management; Manager for Corporate Products (May 2002 to December 2006); Company Products Analyst (January 2000 to April 2002); Intern (September 1999 to December 1999) at Itaú Unibanco S.A.

He has an undergraduate course in Electronic Engineering from *Instituto Tecnológico de Aeronáutica* (ITA) (1995 to 1999); *Lato-Sensu* postgraduate course in Business Administration from *Fundação Getúlio Vargas* – EAESP (2000 to 2002); MBA with Emphasis on Finance from the Massachusetts Institute of Technology (MIT) (2004 to 2006).

Eduardo Hiroyuki Miyaki (Officer) served the Itaú Unibanco Group as Officer at Itaú Unibanco (August 2010 to August 2011).



He was Compliance Manager and Officer in the Money Laundering Prevention program of Itaú Unibanco (1996 to 2003). He was the manager responsible for the Internal Audit Department of our Asset Management and Treasury units (2003 to 2004). He was also the manager of our Internal Audit, Capital Markets, Insurance and Securities units (2005 to 2010).

He has a Bachelor's degree in Civil Engineering from USP and a Postgraduate degree in Sanitation from Gunma University, in Japan. He also has a Postgraduate degree in Business Administration from FGV. He has an MBA degree in Finance and Foreign Affairs from New York University, Leonard Stern School of Business in the United States.

Emerson Macedo Bortoloto (Officer) joined Itaú Unibanco in July 2003, holding positions in the Internal Audit Department. Since November 2008, he has been responsible for evaluating processes related to market, credit and operational risks, in addition to auditing projects and continuous audit. He was also responsible for audits in the processes of information technology and retail credit analysis and granting. He also worked at Ernst & Young Auditores Independentes (May 2001 to June 2003). He worked at Banco Bandeirantes S.A. (1992 to 2001) and was responsible for performing IT and operational process audits.

He has a Bachelor's degree in Data Processing Technology from *Faculdades Integradas Tiberiça* and Postgraduate degree in Audit and Consultancy in Information Security from *Faculdades Associadas de São Paulo* (FASP). In 2004, he obtained the CISA certification issued by ISACA. He has an MBA degree in Internal Audit from *Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras* (FIECAFI).

Gilberto Frussa (Officer) has held several positions within the Itaú Unibanco Group including as Officer since 2014 at Itaú Unibanco S.A. Between 1989 and 1993 he held the positions of Lawyer and Legal Manager. Since 1993 he holds the position of Legal Manager and Coordinator.

He also served as Officer (June 2006 to February 2016) at Banco Itaú BBA S.A. and is a partner of the law firm Carvalho Pinto, Monteiro de Barros, Frussa e Bohlsen – Advogados.

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

José Virgílio Vita Neto (Officer) has served as Officer since October 2011 at Itaú Unibanco.

He joined Unibanco in January 2001, as a lawyer until June 2003, as a member of the legal team in charge of the wholesale banking legal advisory areas and real estate finance. From June 2003 to December 2005, acted as Legal

Manager, leading the legal team in charge of the legal advisory services to the wholesale bank and project finance; From January 2006 to March 2011, acted as Legal Manager of retail legal advisory services. Since March 2011, as Legal Officer, he has been leading the legal team responsible for litigation, including labor, tax and civil litigation.

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

Marcelo Kopel (Officer) was an Executive Officer at Redecard S.A. (May 2010 to July 2014) and has been Officer at Itaú Unibanco since July 2014. He also worked as Officer at Banco Credicard S.A. (November 2004 to February 2010), Financial Officer at Banco Citibank S.A. (2006 to 2010) and ING Bank in Brazil (1992 to 1998) and for Latin America (1998 to 2002). At Bank of America he worked as Financial Officer accumulating the position of Operations Officer (2002 to 2003). He has served as Investor Relations Officer at Itaú Unibanco Holding S.A. since February 2015.

He has a degree in Business Administration from FAAP in Brazil.

Matias Granata (Officer) has held several positions within the Itaú Unibanco Group including as Officer since July 2014; Senior Manager for Market Risk from October 2010 to April 2014; and Senior Manager for Operational Risk from March 2009 to October 2010 at Itaú Unibanco.

He also served as Senior Treasury Trader – Proprietary Desk São Paulo (August 2007 to March 2009); Senior Treasury Trader – Proprietary Desk London (August 2004 to August 2007), Treasury Trader – Proprietary Desk, São Paulo (April 2003 to August 2004); Senior Economic Research Economist (May 2002 to April 2003).

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

Rodrigo Luís Rosa Couto (Officer) has held several positions within the Itaú Unibanco Group including as Officer since January 2012 and Head of Corporate Risks (February 2008 to December 2011) at Itaú Unibanco Holding and Officer since December 2011 at Itaú Unibanco.

He has served as Officer at Dibens Leasing S.A. – Arrendamento Mercantil since January 2014. He worked as Inspector of the Direct Supervision Department – DESUP at Central Bank (1988 to 2003), Financial Stability Institute of BIS where he carried out an internship during



which he participated in the preparation and lectured in a preparation course for bank supervisors of regulatory authorities worldwide (April to June 2003). He served at McKinsey & Company Associate as Consultant Member of the Risk Management Practice and Specialist in Risk and Finance subjects (September 2005 to February 2008).

He has a Bachelor's degree in Administration, with an emphasis on Finance, from *Universidade Federal do Rio Grande do Sul* (UFRS) (1997) in Brazil and an MBA with honors from The Wharton School, University of Pennsylvania (2005) in the United States.

Sergio Mychkis Goldstein (Officer) has held several positions within the Itaú Unibanco Group including as an Officer since December 2015 at Itaú Unibanco.

He also served as Officer since December 2015; **General Legal Manager for the General Director's Office for Wholesale (2000 to November 2015)**, responsible for the Legal Department for Wholesale providing legal services for the following business areas/lines: **(i) Investment Banking:** coordinating services for fixed income, equity income and M&A operations, as well as structured operations; **(ii) Treasury:** coordinating services for treasury operations, especially funding for the retail sector, private segment and institutional investors; **(iii) Wealth Management Services:** coordinating services for Itaú Group's asset management operations, Private Banking and the activities of custody, administration and management of own and third party funds; **(iv) Restricted Lending Funds and On-Lending:** coordinating services with respect to the demands of the corporate bank in relation to operations involving restricted resources (rural and mortgage lending) and on-lending operations with Development Bank (BNDES) funds and for lines raised abroad; **(v) Debt Restructuring:** coordinating services with respect to the demands of the debt restructuring area both for the major corporations area as well as the larger middle-market companies segment, operating essentially in contractual restructurings – with the exception of court enforced restructuring; **(vi) Cross border-loans/F/X:** coordinating services with respect to the demands for the execution of foreign loans and cross-border lending; **(vii) High Volumes:** coordinating services with reference to the demands involving bank lending products such as simple working capital loans, buying and selling, assignment and discount operations at Banco Itaú BBA S.A.

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

Wagner Bettini Sanches (Officer) has been Officer of the Itaú Unibanco Group and Officer since June 2014 at Itaú Unibanco Holding and Officer since October 2011 at Itaú Unibanco and Officer (November 2012 to June/2014) at Banco Itaú BMG Consignado S.A.

He previously held a number of positions within the Itaú Unibanco Group, including Company Market Consultancy Analyst (1996 to 1999); Coordinator of the Company Market Consultancy (1999 to 2000); Manager of the Company Market Consultancy (2000 to 2001); Manager of the Corporate Credit – Company Market (2003 to 2007); Senior Manager of the Commercial Corporate Real Estate, in charge of the commercial relationship with real estate developers throughout the country (2007 and 2008); Senior Manager of Credit and Collection of Real Estate Lending Operations, in charge of the lending desk to individuals, credit analysis of companies, planning, monitoring of projects, management of collection and operational and litigation collections as from 2009 of Itaú Unibanco.

He has a Bachelor's degree in Production Engineering from *Escola Politécnica* at USP in Brazil; a Post-graduate degree from the University of Michigan; an MBA with high distinction, with an emphasis on Finance and Strategy from the Ross School Business in the United States (2003).

Audit Committee

Antonio Francisco de Lima Neto (Independent Member) served as President (August 2009 to October 2013) at Banco Fibra S.A.

He has worked as President (December 2006 to April 2009); Vice President of Retail and Distribution (July 2005 to December 2006); Vice President of International Business and wholesale (November 2004 to July 2005); Commercial Director (September 2001 to November 2004); Executive Superintendent of the Commercial Board (July 2000 to September 2001); Tocantins State Superintendent (May 1999 to May 2000) and Regional Superintendent of Belo Horizonte (January 1997 to May 1999) at Banco do Brasil S.A.

He has also served as Member of the Board of Directors (2007 to 2009) at Brasilprev Seguros e Previdência S.A.; Member of the Board of Directors (2006 to 2009) at FEBRABAN Brazilian Federation of Banks; Member of the Board of Directors (2004 to 2005) at BB Seguridade e Participações S.A.; Member of the Board of Directors (2003 to 2005) at Brasília Saúde Companhia de Seguros; Member of the Board of Directors (2001 to 2009) at Alliance Insurance Company of Brazil; Member of the Board of Directors (2000 to 2007) at BB Securities Limited Pension Fund.

He is pursuing a Master's degree in Economics at FGV since January 2014. He has a Course for Advisors from the Brazilian Institute of Corporate Governance (2014); a



Postgraduate degree in Marketing from PUC-Rio (2001); Training for Executive MBA from Fundação Dom Cabral (1997). He has a Bachelor's degree in Economics from *Universidade Federal de Pernambuco* (UFPE), 1996.

Diego Fresco Gutierrez (Independent Member and Financial Expert) has served as an independent consultant on complex issues of financial reporting, particularly to companies doubly listed (in Brazil and in the United States) since June 2013. He was a partner at PwC – São Paulo (2000 to June 2013) in the Capital Markets and Accounting Advisory Services area and prior to that held several positions at PwC in Uruguay (1998 to 2000 and 1990 to 1997) and in the United States (1997 to 1998).

He has a Bachelor's degree in Accounting from *Universidad de la Republica Oriental del Uruguay* in 1994. He is a Certified Public Accountant – CPA registered in the State of Virginia (United States) since 2002 (Registration 27,245) and an Accountant registered with the Regional Council of Accountancy of the State of São Paulo. He has also served in the Brazilian Institute of Corporate Governance as Member of the Commission of Governance in Financial Institutions since 2013.

Geraldo Travaglia Filho (Independent Member) served as Executive Officer of Itaú Unibanco and Itaú Unibanco Holding (November 2008 to April 2009) and Executive Officer at Banco Itaú BBA S.A. (November 2008 to January 2010) and as Financial Executive Officer of Redecard S.A. (May 2009 to April 2010). He served as Vice President at Unibanco (September 2004 to April 2009).

He has a Bachelor's degree in Business Administration from USP in Brazil and a specialization in Bank Management from The Wharton School of the University of Pennsylvania in the United States.

Maria Helena dos Santos Fernandes de Santana (Independent Member) has served as Member of the Board of Directors and Chairman of the Corporate Governance Committee at *Companhia Brasileira de Distribuição S.A.* since 2013; Member of the Board of Directors and Coordinator of the Audit Committee at *Totvs S.A.* since 2013; Member of the Board of Directors of *Bolsas y Mercados Españoles – BME* since 2016 and Member of the Board of Trustees of the IFRS Foundation since January 2014. She was Member of the Board of Directors at *CPFL Energia S.A.* (2013 to 2015); Chairperson (July 2007 to July 2012) and Commissioner (July 2006 to July 2007) at *CVM*; Chairperson of the Executive Committee (2010 to 2012) at the International Organization of Securities Commissions, (IOSCO); Vice President (2004 to 2006) at the Brazilian Institute of Corporate Governance (IBGC – *Instituto Brasileiro de Governança Corporativa*). Worked for BOVESPA – São Paulo Stock Exchange (now *BM&FBovespa S.A.*) for 12 years, acting as Head of Listings and Issuer Relations (2000 to June 2006). She was involved, since the beginning,

with the creation of the Novo Mercado and the Corporate Governance Listing Tiers, having been in charge of their implementation.

She has a Bachelor's degree in Economics from *Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo* (FEA-USP) in Brazil.

Rogério Paulo Calderón Peres (Independent Member) has served as Member of the Audit Committee since November 2016; Officer from April 2011 to April 2014; Member of the Disclosure and Trading Committee from June 2009 to April 2014 at Itaú Unibanco Holding and Officer from April 2009 to April 2014 at Itaú Unibanco.

He has also served as CFO for Latin America, Member of the Financial Management Council and Member of the Administrative Committee for Latin America from July 2014 to October 2016 at HSBC Group. He served as Managing Vice-President from June 2012 to April 2013, Chairman of the Board of Directors and CEO from April 2013 to April 2014 at *Investimentos Bemge S.A.*; Officer from April 2013 to April 2014 at *Dibens Leasing S.A. – Arrendamento Mercantil*; Executive Officer from 2007 to 2009 at *Unibanco – União de Bancos Brasileiros S.A.*; Executive Vice President from 2003 to 2006 at *Bunge Group – Bunge Brasil S.A.*; Member of the Board of Directors at *Fosfertil, Ultrafertil and Fertifos*; Member of the Audit Committee at *Bunge Foundation, Bungeprev and Fosfertil* and Active partner in the divisions of Audit, Tax and Consultancy for *Agribusiness and Consumer and Retail Products at PricewaterhouseCoopers* from 1981 to 2003.

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

Fiscal Council

Alkimar Ribeiro Moura (Independent Member) has served as Member of the Fiscal Council since April 2016, being its Chairman since August 2016; Member of the Audit Committee (May 2010 to July 2015) at Itaú Unibanco Holding.

He is a retired Economics Professor at *Escola de Administração de Empresas de São Paulo – Fundação Getúlio Vargas* – São Paulo; Independent Member of the Supervisory Board (October 2007 to September 2010) at BM&FBovespa S.A.; Member of the Board of Directors at Banco Nossa Caixa S.A. (May 2006 to February 2007); Telemar Participações S.A. (May 2001 to January 2003); Cia. Brasil de Seguros (May 2001 to February 2003); Banco Bandeirantes S.A. (May 1999 to December 2000); President of the Investment Bank (April 2001 to January 2003) and Vice President of Finance and Capital Markets (April 2001 to January 2003) at Banco do Brasil S.A.; Officer of the National Financial System for Norms and Organization (February 1996 to September 1997), Officer of Monetary Policy (February 1994 to February 1996) and Officer of Public Debt and Open Market Operations (January 1987 to January 1988) at Central Bank of Brazil; Officer (March 1988 to March 1993) at Banco Pirelli-Fintec.

He has a Bachelor's degree in Economics, *Universidade Federal de Minas Gerais*, Belo Horizonte in 1963, a Master's degree from the University of California, Berkeley, California in 1966, PhD in Applied Economics from the University of Stanford, California in 1978.

Carlos Roberto de Albuquerque Sá (Independent Member) has served as Member of the Fiscal Council since April 2016; Alternate Member of the Fiscal Council (April 2015 to April 2016) at Itaú Unibanco Holding.

He was Alternate Fiscal Councilor (March 2011 to October 2012) at Marfrig S.A.; Officer (March 2003 to December 2010) at KPMG Auditores Independentes; Risk Officer (March 1999 to December 2002) at Net Serviços de Comunicação S.A.; Finance and Administration Officer (March 1995 to December 1998) at Sobremetal; Finance Officer (March 1991 to December 1994) at Castrol do Brasil Ltda.; Financial Controller (March 1986 to December 1988) at Schlumberger Serviços de Petróleo Ltda. and Financial Manager (March 1979 to December 1981) at Det Norske Veritas.

He graduated in Economics from *Universidade Candido Mendes* in 1973 and graduated in Accounting Sciences from *Faculdade Moraes Júnior* in 1981. He also holds a Postgraduate degree in Finance from *Pontifícia Universidade Católica* – Rio de Janeiro in 1995.

José Caruso Cruz Henriques (Independent Member) has served as Alternate Member of the Fiscal Council since August 2011, having been made a full Member on May 03, 2016 at Itaú Unibanco Holding.

He has also served as Executive President since 2003 at Corhen Serviços Ltda.

He was Managing Officer (1988 to August 2003) at Itaú Unibanco; Officer (1997 to July 2003) at BFB Leasing

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

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

Directors' and senior management's compensation GRI 102-35

Our Compensation Policy, applicable to directors and officers in Brazil (constituting a majority of the management of Itaú Unibanco Group), is in accordance with guidelines provided under applicable Brazilian regulation and is built upon our principles and practices and is intended to better align the interests of our stockholders and our management. Regarding variable compensation, the purpose of our Compensation Policy is to attract, retain and reward management achievements, as well as to stimulate the adoption of prudent levels of risk exposure in the short, medium and long term.

Accordingly, our Compensation Policy sets forth that of the total aggregate variable compensation paid, at least 50% must be paid in shares or share-based instruments, and at least 50% must be deferred for future payment in a minimum period of three years. If the institution or business unit records a significant decrease in the realized recurring profit or a negative result during the deferral period, the deferred and unpaid portions of the compensation will be reversed proportionally to the decrease in result (malus).

Our governance structure for the establishment of compensation sets forth clear and transparent processes, and is overseen by the Compensation Committee. Among others, its responsibilities comprise the formulation of our Compensation Policy, which must be submitted to the annual approval of the Board of Directors. Additionally, our Compensation Committee acts as an important liaison with the Central Bank, increasing the accuracy and transparency of information provided to this regulatory body. Please refer to [website](#) for further information.

We have established a variable compensation plan pursuant to which each beneficiary is assigned annually a base amount for computation of payments. The final payment amount to an individual is calculated by the multiplication of the individual's base amount and key performance indicators such as the consolidated results of the Itaú Unibanco Group, the results of the business



unit to which the individual belongs and the individual's performance. The performance of directors and senior management is measured by financial and non-financial metrics, with 80% linked to financial metrics and 20% linked to non-financial metrics, on a median basis within Commercial areas. Back-office areas have 25% of their metrics linked to financial results and 75% to non-financial results, also on a median basis. Commercial areas have their objectives mainly set to Managerial Operational Results (similar to net profit), banking products, costs and client satisfaction's survey results. The objectives for back-office employees are mainly related to client satisfaction's survey and costs.

We also have an institutional program called Partners Program, comprised of members of management and employees approved by the Personnel Committee as having provided an outstanding performance. The beneficiaries are entitled to use part or their total annual variable compensation to purchase our preferred shares (Own Shares). If they hold the ownership of these own shares for three and five-year terms as from the initial investment, the return on investment will be through the receipt of our preferred shares (Partners Shares) also for three and five-year terms. These partners' shares will subsequently remain unavailable for five and eight-year terms as from the initial investment in own shares. The Partners Program may also consider instruments derived from shares rather than actual shares.

In 2016, we recorded expenses at Itaú Unibanco Group for our management compensation, including long-term incentives plans (except Stock Option Plan) in the amount of approximately R\$622 million. Our long-term incentive plans take into consideration amounts granted in the past but that are still being recorded. Management compensation also considers contributions to pension plans of approximately R\$11.8 million and other benefits, such as health and dental care, of approximately R\$2.8 million. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 35 – Related Parties – \(b\) Compensation of the Key Management Personnel](#), for further details.

Brazilian legislation does not require the disclosure of individual compensation of our management, except for the highest and lowest amount received, and it is not necessary to identify those individuals. The Brazilian Institute of Finance Executives of Rio de Janeiro (*Instituto Brasileiro de Executivos de Finanças*, or IBEF Rio de Janeiro) filed, on behalf of its members, a lawsuit challenging the legality of this disclosure requirement, and an injunction was granted to suspend such requirement. We do not intend to make this disclosure until the matter is finally determined. Please refer to [section Our risk management, item Regulatory environment, Compensation of directors and Officers of financial institutions](#), for further information.

Our Compensation Policy provides post-employment benefits for our management, including medical benefits such as health plan and annual medical check-up. Except for the benefits established by our Compensation Policy, we do not have service contracts with our management providing for benefits upon termination of employment.

Stock option plan

We have a stock option plan through which our employees and management receive stock options. These options enable employees and management to share the risk of price fluctuations of our preferred shares with other stockholders and is intended to integrate the beneficiaries of our Stock Option Plan into the development process of our group in the medium and long term.

Our Personnel Committee manages the Stock Option Plan, including matters such as strike prices, vesting periods and effectiveness of options, in compliance with the rules set forth in the Stock Option Plan.

Options may only be granted to beneficiaries if there is net income sufficient for the distribution of mandatory dividends. Please refer to [section Our profile, item Information for the investor, Stockholders' payment](#), for further information on the payment of dividends. Also, to avoid the dilution of stockholders, the sum of shares to be used for compensation of management and options to be granted each year will not exceed the limit of 0.5% of total shares outstanding at the closing balance sheet date of the same year. In the event the number of shares delivered and options granted is below the 0.5% limit, the difference may be added for purposes of share-based compensation or granting of options in any one of the seven subsequent fiscal years.

In view of the effects related to Article 33 of Law No. 12,973/2014, the amounts granted under the Partners Program and not yet paid, which used to be under our Stock Option Plan, are now recognized as compensation. As a result, on April 29, 2015, our stockholders approved, among other modifications, to exclude from our Stock Option Plan the provisions on the granting of partner options (related to our prior Partners Program), so that the Stock Option Plan will provide only the granting of simple options.

In 2016, no simple options were granted pursuant to our Stock Option Plan. On December 31, 2016, we still had 38,033,506 options to be exercised by the beneficiaries. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 22 – Share-based Payment, I – Stock Options Plan](#).



Main differences between Brazilian and U.S. corporate governance practices

In the United States, we have listed our ADSs on NYSE as a foreign private issuer and, as a result, NYSE allows us to comply with certain corporate governance requirements established by applicable Brazilian legislation in lieu of those under NYSE's corporate governance listing standards applicable to U.S. companies with securities listed on NYSE.

Under the NYSE rules, we are required to: (i) have an audit committee or an audit board that meets certain requirements, as discussed below; (ii) provide notice by our chief executive officer to NYSE with respect to any non-compliance by us with any applicable NYSE corporate governance listing standards; (iii) provide NYSE with annual and interim written affirmations of our compliance with NYSE corporate governance listing standards; and (iv) provide a statement of the significant differences between our corporate governance practices and practices required by NYSE to be followed by U.S. listed companies. Except for those requirements, we are permitted to manage our corporate governance in accordance with applicable Brazilian legislation.

The description of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below. Our main rules and policies can be found at our [website](#).

Majority of independent directors

NYSE rules require that the majority of board members be independent. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. However, under NYSE rules, controlled listed companies (whether U.S. or foreign) of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with the majority independence requirement.

Brazilian legislation does not have a similar requirement. Nevertheless, our Board of Directors has five directors considered independent pursuant to the criteria established in our Corporate Governance Policy. For further information on the composition of our Board of Directors, see [section Our governance, item Management structure, Our Directors and Executive Officers](#).

Additionally, Brazilian Corporate Law, the Central Bank and CVM have established rules that address the duties and responsibilities of companies' officers and directors and their professional qualification, so as to ensure the proper operation of the board.

Executive sessions

NYSE rules require that non-management directors meet at regularly scheduled executive sessions without the presence of directors who are also officers of the company.

Brazilian legislation does not have a similar requirement. However, we hold such executive sessions at least once a year. Currently, three quarters of the members of our Board of Directors are non-management directors.

Nomination and Corporate Governance Committee and Compensation Committee

NYSE rules require that listed companies have a nominating or corporate governance committee and also a compensation committee, each entirely comprised of independent directors and governed by a charter on the purposes and responsibilities of such committee. However, under NYSE rules, controlled listed companies (whether U.S. or foreign) of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with such requirement.

Brazilian legislation does not require us to have a nominating or corporate governance committee. However, we have elected to form a Nomination and Corporate Governance Committee responsible for stimulating and overseeing discussions of matters related to the company's governance. Currently, one out of five members of our Nomination and Corporate Governance Committee is considered independent under our Corporate Governance Policy. Also, one out of five members of our Compensation Committee is not a director or officer of Itaú Unibanco Holding, as required by Brazilian banking regulation.

CVM rules do not require listed companies to have a compensation committee. Nonetheless, we are required to establish a Compensation Committee pursuant to Brazilian banking regulation. In accordance with such regulation, our Compensation Committee reports to the Board of Directors and members of the Compensation Committee are not required to be independent. However, currently, three out of five members of our Compensation Committee are considered independent under our Corporate Governance Policy.

Please refer to [section Our governance, item Management structure](#), for further information about our Nomination and Corporate Governance Committee and our Compensation Committee.



Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of at least three independent members who are financially literate; (ii) complies with SEC rules related to the audit committee of companies registered with NYSE; (iii) has at least one member who has accounting or financial management expertise; and (iv) is governed by a charter that expressly sets out the purposes and responsibilities of the committee and that establishes annual performance assessments.

The applicable Brazilian banking rules regulate independent audit services rendered to financial institutions and requires the establishment of an audit committee composed of at least three independent members, pursuant to the independence criteria of such rules. Our Audit Committee, formed on April 28, 2004, meets applicable Brazilian legal requirements, is elected annually by the Board of Directors and is composed of professionals with proven technical qualification compatible with the responsibilities of this committee.

Under SEC rules, we are not required to have an Audit Committee constituted or operated in accordance with NYSE rules if we meet specified SEC requirements. We believe that our Audit Committee is compliant with the requirements of Rule 10A-3(c)(3) under the Exchange Act and that it is able to act independently when performing its responsibilities. Our Audit Committee, to the extent permitted by Brazilian legislation, performs all functions required to be performed by an audit committee by Rule 10A-3 under the Exchange Act.

In line with applicable Brazilian legislation, hiring independent auditors is the responsibility of the Board of Directors, whereas the recommendation for hiring and removing independent auditors is the responsibility of the Audit Committee. Thus, our Board of Directors acts in lieu of the Audit Committee, as permitted by Rule 10A-3(c)(3) (v) under the Exchange Act, for the purpose of hiring our independent auditors.

Stockholders' approval of management members' compensation and stock option plans

NYSE rules require that stockholders have the opportunity to vote on all share-based compensation plans and significant changes thereto, including significant increases in the number of shares available to the plan, with a few exceptions.

Brazilian legislation sets forth a comparable requirement, as it establishes the need for approval of the aggregate annual compensation of management members (including shares) and stock option plans at General Stockholders' Meetings.

Please refer to [section Our governance, items Directors' and Senior management's compensation](#).

Corporate governance guidelines

NYSE rules require that listed companies adopt and disclose their corporate governance guidelines.

Brazilian legislation does not establish a similar requirement. However, we have a Corporate Governance Policy that consolidates the corporate governance principles and practices that we adopt. We believe such corporate governance principles and practices, consistent with Brazilian legislation, are compatible with the guidelines established by NYSE. We have adopted stricter rules than those required by Brazilian legislation, since we voluntarily adhere to BM&FBovespa's Level 1 of Corporate Governance and have granted tag-along rights to all stockholders, regardless of their voting rights. Please refer to [section Our governance, item Our practices](#), for further information.

Code of Ethics

NYSE rules require that listed companies adopt and disclose a code of business conduct and ethics for their directors, officers and employees. NYSE also requires that listed companies promptly disclose any waiver of the code provisions for directors or executive officers.

Brazilian legislation does not have a similar requirement. However, we have a Code of Ethics that, among other matters, governs the conduct of all directors, officers and employees of the Itaú Unibanco Group, detailing the principles that guide our attitudes and practices.

Internal Audit GRI G4-DMA Audit (former FS9)

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and internal control systems.

Brazilian banking legislation establishes a similar requirement, since it requires that financial institutions have an internal audit function. Our internal audit function is responsible for assessing the sufficiency and effectiveness of our operating and management controls, as well as the adequacy of our risk identification and risk management processes. In addition, our internal audit function is independent from management in carrying out its activities and has access to all places, information and people deemed necessary for it to carry out its duties. The internal audit function is administratively subordinated to the Chairman of the Board of Directors, and its activities are supervised by the Audit Committee.





4_ Our risk management

We believe risk management is an essential tool to optimize the use of resources and selecting the best business opportunities to maximize value creation for shareholders

Our risk management GRI 102-15

Risk factors

This section addresses the risks we consider material to our business and to investment in our securities. Should any of the events described in such risks occur, our business and financial condition, as well as the value of the investments made in our securities, may be adversely affected. Accordingly, investors should carefully assess the risk factors described below and the information disclosed in this document.

Other risks that we currently deem immaterial or we are not aware of may give rise to effects similar to those discussed below should they actually occur.

Macroeconomic risks

Changes in economic conditions may adversely affect us.

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, Latin American countries in particular. 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, Latin American countries in particular, may affect our operations.

After a period of accelerated economic expansion, Brazil's growth rates began to slow down in 2011 and by 2015 the country was in recession. In 2016, GDP decreased by 3.6%. Growth has been impacted by high interest rate, low commodities price, and high corporate leverage. In the long term, growth may be limited by a number of factors, including structural factors, such as inadequate infrastructure, which entail risks of potential energy shortages and deficiencies in the transportation sector, among others, and lack of qualified professionals, which can reduce the country's productivity and efficiency levels. Low levels of national savings require relatively large financial flows from abroad, which may falter if political and fiscal instability is perceived by foreign investors. Depending on their intensity, these factors could lead to decreasing employment rates and to lower income and consumption levels, which could result in increased default rates on loans we grant for individuals and non-financial corporations and, therefore, have a material adverse effect on us.

Brazilian authorities exercise influence on the Brazilian economy. Changes in monetary, fiscal and foreign exchange policies may adversely affect us.

Brazilian authorities intervene from time to time in the Brazilian economy, through changes in fiscal, monetary, and foreign exchange policies, which may adversely affect us. These changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our clients' ability to pay and, consequently, affecting us. Uncertainty regarding future economic policies may, in the future, contribute to an increase in the volatility of the Brazilian capital markets, which, in turn, may have an adverse impact on us. Other political, diplomatic, social and economic developments in Brazil and abroad that affect Brazil may also affect us.

Inflation and fluctuations in interest rates may have a material adverse effect on us.

Sudden increases in prices and long periods of high inflation may cause, among other effects, loss of purchasing power and distortions in the allocation of resources in the economy. Measures to combat high inflation rates include a tightening of monetary policy, with an increase in the SELIC interest rate, resulting in restrictions on credit and short-term liquidity, which may have a material adverse effect on us. Changes in interest rates may have a material effect on our net margins, since they impact our funding and credit granting costs.

In addition, increases in the SELIC interest rate could reduce demand for credit and increase the costs of our reserves and the risk of default by our clients. Conversely, decreases in the SELIC interest rate could reduce our gains from interest-bearing assets, as well as our net margins.

Instability of foreign exchange rates may negatively affect us.

Brazil has a floating foreign exchange rate system, pursuant to which the market establishes the value of the Brazilian *real* in relation to foreign currencies. However, the Central Bank may intervene in the purchase or sale of foreign currencies for the purpose of easing variations and reducing volatility of the foreign exchange rate. In spite of those interventions, the foreign exchange rate may significantly fluctuate. In addition, in some cases, interventions made with the purpose of avoiding sharp



fluctuations in the value of the Brazilian *real* in relation to other currencies may have the opposite effect, leading to an increase in the volatility of the applicable foreign exchange rate.

Instability in foreign exchange rates could negatively impact our business. A potential depreciation of the Brazilian *real* could result in (i) losses on our liabilities denominated in or indexed to foreign currencies; (ii) a decrease in our ability to pay for obligations denominated in or indexed to foreign currencies, as it would be more costly for us to obtain the foreign currency required to meet such obligations; (iii) a decrease in the ability of our Brazilian borrowers to pay us for debts denominated in or indexed to foreign currencies; and (iv) negative effects on the market price of our securities portfolio. On the other hand, an appreciation of the Brazilian *real* could cause us to incur losses on assets denominated in or indexed to foreign currencies. For further information on how the effects of these variables may affect us, please see "Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy and have a negative impact on our operations" below.

Government fiscal accounts deterioration may affect us.

If the government fiscal accounts deterioration continues, it could generate a loss of confidence by local and foreign investors. Regional governments are also facing fiscal concerns due to their high debt burden, declining revenues and inflexible expenditures. In 2017, the spotlight will remain on fiscal reforms. The Lower House of the Brazilian Congress may approve the proposed Social Security reforms, which are critical for achieving future compliance with the spending limits, by the end of the second quarter. Diminished confidence in government fiscal circumstances could lead to the downgrading of the Brazilian sovereign debt by credit rating agencies, and negatively impact the local economy, causing a depreciation of the Brazilian *real*, an increase in inflation and interest rates and a deceleration of economic growth, thus adversely affecting our business, results of operations and financial condition.

Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy and have a negative impact on our operations.

The 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 to be emerging markets, including ours, may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which may have a material adverse impact on their operations. In particular, the availability of credit to financial institutions operating in emerging markets is significantly influenced by aversion to global risk. In addition, any factor impacting investors' confidence, such as a downgrade in credit ratings, since the ratings of financial institutions, including ours, tend to be subject to a ceiling based on the sovereign credit rating, or an intervention by a government or monetary authority in one of such markets, may affect the price or availability of resources for financial institutions in any of these markets, which may affect us.

The disruptions and volatility in the global financial markets may also have significant consequences in the countries in which we operate, such as volatility in the prices of equity securities, interest rates and foreign exchange rates. Higher uncertainty and volatility may result in a slowdown in the credit market and the economy, which, in turn, could lead to higher unemployment rates and a reduction in the purchasing power of consumers. In addition, such events may significantly impair our clients' ability to perform their obligations and increase overdue or non-performing loan operations, resulting in an increase in the risk associated with our lending activity. Thus, global financial crises, in addition to the Brazilian macroeconomic environment, may also affect in a material and adverse way the market price of securities of Brazilian issuers or lead to other negative effects in Brazil and in the countries in which we operate and have a material adverse effect on us.

The UK exit from the European Union could adversely impact our business, results of operations and financial condition.

On June 23, 2016, the U.K. electorate voted in a general referendum in favor of the U.K. exiting from the European Union (so-called "Brexit"). Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial markets and impact the operations of Itau BBA International. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate. The effects of Brexit, and others we cannot anticipate, could have an adverse effect on our business, results of operations or financial condition.



Please refer to [section Context, item Macroeconomic context, Global context](#) and [Brazilian context](#) for further details about data and economic indicators.

Ongoing high profile anti-corruption investigations in Brazil may affect the perception of Brazil and domestic growth prospects.

Certain Brazilian companies in the energy and infrastructure sectors are facing investigations by CVM, SEC, the U.S. Department of Justice (DOJ), the Brazilian Federal Police and other Brazilian public entities which are responsible for corruption and cartel investigations, in connection with corruption allegations (so called Lava Jato investigations) and, depending on the outcome of such investigations and the time it takes to conclude them, they may face (as some of them already faced) downgrades from credit rating agencies, experience (as some of them already experienced) funding restrictions and have (as some of them already had) a reduction in revenues, among other negative effects. Such negative effects may hinder the ability of those companies to timely honor their financial obligations bringing losses to us as a number of them are our clients. The companies involved in the Lava Jato investigations, a number of which are our clients, may also be (as some of them already have been) prosecuted by investors on the grounds that they were misled by the information released to them, including their financial statements. Moreover, the current corruption investigations have contributed to reduce the value of the securities of several companies. The investment banks (including Itaú BBA Securities) that acted as underwriters on public distributions of securities of such investigated companies are also parties to certain law suits in the United States and may be parties to other legal proceedings yet to be filed. We cannot predict how long the corruption investigations may continue, or how significant the effects of the corruption investigations may be for the Brazilian economy and for the financial sector that may be investigated for the commercial relationships it may have held with companies and persons involved in Lava Jato investigations. Other high profile investigation, besides Lava Jato, ongoing in Brazil is the so called Zelotes operation. If the allegations of such investigations are confirmed they may also affect some of our clients and their credit trustworthiness. In March 2016, the Brazilian IRS (Internal Revenue Services) summoned us to account for certain tax proceedings related to BankBoston Brazil which came under investigation in relation to the Zelotes operations. We acquired BankBoston Brazil's operation from Bank of America in 2006. On December 1, 2016, the Brazilian Federal Police conducted searches at Itaú Unibanco's premises, to look for documents related to those proceedings, and documents related to payments made to lawyers and consultants that acted on those proceedings. We clarify that the agreement with Bank of America for the acquisition of BankBoston Brazil's

operations included a provision whereby the seller would remain liable and responsible for the conduct of BankBoston's tax proceedings, including with regard to the retention of lawyers and consultants. Therefore, according to such agreement, any and all payments made by Itaú Unibanco to lawyers and consultants were made strictly on behalf of Bank of America. These investigations have not yet been concluded, and we remain fully available and will cooperate with the authorities should any further clarification be needed. After reviewing our control procedures and our monitoring systems, we believe we are in compliance with the existing standards, especially related to anti-money laundering standards; notwithstanding, due to the size and breadth of our operations and our commercial relationship with investigated companies or persons, and due to the several banks, both publicly and privately owned, that Itaú Unibanco acquired throughout the last 15 years, we may also come within the scope of investigations, which may ultimately result in reputational damage, civil or criminal liability. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may also lead to lower economic growth.

Legal and regulatory risks

Changes in applicable law or regulations may have a material adverse effect on our business.

Changes in the law or regulations applicable to financial institutions in Brazil may affect our ability to grant loans and collect debts in arrears, which may have an adverse effect on us. Our operations could also be adversely affected by other changes, including with respect to restrictions on remittances abroad and other exchange controls as well as by interpretations of the law by courts and agencies in a manner that differs from our legal advisors' opinions.

In the context of economic or financial crises, the Brazilian government may also decide to implement changes to the legal framework applicable to the operation of Brazilian financial institutions. For example, in response to the global financial crisis which began in late 2007, Brazilian national and intergovernmental regulatory entities, such as the Basel Committee on Banking Supervision, proposed regulatory reforms aiming to prevent the recurrence of similar crises, which included a new requirement to increase the minimum regulatory capital (Basel III). Please refer to [section Our risk management, item Regulatory environment, Basel III framework and implementation of Basel III in Brazil](#) for further details about regulatory capital requirements. Once the implementation of the Basel III framework is completed for Brazilian banks and its effects fully evaluated, we may need to reassess our funding strategy for regulatory capital should additional regulatory



capital be required to support our operations under the new standards.

Moreover, the Brazilian Congress is considering enacting new legislation that, if signed into law as currently drafted, could have an adverse effect on us. For example, a proposed law to amend the Brazilian consumer protection code would allow courts to modify terms and conditions of credit agreements in certain circumstances, imposing certain difficulties for the collection of amounts from final consumers. In addition, local or state legislatures may, from time to time consider bills intending to impose security measures and standards for customer services, such as limits in queues and accessibility requirements, that, if signed into law, could affect our operations. More recently, certain bills have passed (and others were proposed) in certain Brazilian states or municipalities that impose, or aim to impose, restrictions on the ability of creditors to include the information about insolvent debtors in the records of credit protection bureaus, which could also adversely affect our ability to collect credit outstanding.

We also have operations outside of Brazil, including, but not limited to, Argentina, Chile, Colombia, Paraguay, United Kingdom, United States, Uruguay and Switzerland. Changes in the laws or regulations applicable to our business in the countries where we operate, or the adoption of new laws, and related regulations, may have an adverse effect on us.

Increases in compulsory deposit requirements may have a material adverse effect on us.

Compulsory deposits are reserves that financial institutions are required to maintain with the Central Bank. Compulsory deposits generally do not provide the same returns as other investments and deposits because a portion of these compulsory deposits does not bear interest; instead, these funds must be held in Brazilian federal government securities and used to finance government programs, including a federal housing program and rural sector subsidies. The Central Bank has periodically changed the minimum level of compulsory deposits. 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.

We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention on a consolidated basis.

We operate in a number of credit and financial services related sectors through entities under our control. For regulation or supervision purposes, the Central Bank treats us and our subsidiaries and affiliates as a single financial institution. While our consolidated capital base provides

financial strength and flexibility to our subsidiaries and affiliates, their individual activities could indirectly put our capital base at risk. Any investigation or intervention by the Central Bank, particularly in the activities carried out by any of our subsidiaries and affiliates, could have a material adverse impact on our other subsidiaries and affiliates and, ultimately, on us.

If we or any of our financial subsidiaries become insolvent, the Central Bank may carry out an intervention or liquidation process on a consolidated basis rather than conduct such procedures for each individual entity. In the event of an intervention or a liquidation process on a consolidated basis, our creditors would have claims on our assets and the assets of our consolidated financial subsidiaries. In this case, claims of creditors of the same nature held against us and our consolidated financial subsidiaries would rank equally in respect of payment. If the Central Bank carries out a liquidation or intervention process with respect to us or any of our financial subsidiaries on an individual basis, our creditors would not have a direct claim on the assets of such financial subsidiaries, and the creditors of such financial subsidiaries would have priority in relation to our creditors in connection with such financial subsidiaries' assets. The Central Bank also has the authority to carry out other corporate reorganizations or transfers of control under an intervention or liquidation process.

Our insurance operation is subject to regulatory agencies.

Insurance companies are subject to SUSEP intervention and/or liquidation. In case of insufficient resources, technical reserves, or poor economic health with respect to a regulated entity, SUSEP may appoint an inspector to act within the relevant company. If such intervention does not remedy the issue, SUSEP will forward to CNSP proposal to withdraw the applicable insurance license.

In addition, insurance companies are subject to pecuniary penalties, warnings, suspension of authorization of activities and disqualification to engage in business activities as set in Law.

With respect to health insurance companies that are deemed to have financial imbalances or serious economic-financial or administrative irregularities, the Brazilian Regulatory Agency for Private Health Insurance and Pains (ANS) may order the disposal of the applicable health insurance company's portfolio, or take other measures such as fiscal or technical direction regime for a period not exceeding 365 days, or extrajudicial liquidation.

The penalties established for violations committed by health insurance companies and their directors and officers are: (i) warnings; (ii) pecuniary penalties; (iii) suspension of company's activities; (iv) temporary disqualification for the exercise of management positions in health insurance



companies; (v) permanent disqualification for the exercise of management positions in health insurance companies as well as in open private pension funds, insurance companies, insurance brokers and financial institutions; and (vi) the cancellation of the company's authorization to operate and sale of its portfolio.

In this sense, the risks of our insurance operation may be affected negatively by the penalties applied by SUSEP or ANS, as described above.

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 shareholders' equity distributed to their stockholders for purposes of calculating the minimum mandatory dividends. The calculation of net income pursuant to the Brazilian Corporate Law may significantly differ from our net income calculated under IFRS.

Brazilian Corporate Law also allows the suspension of the payment of the mandatory dividends in any particular year if our Board of Directors informs our general stockholders' meeting that such payment would be incompatible with our financial condition. Therefore, upon the occurrence of such event, the holders of our shares and ADSs may not receive any dividends. If this happens, the dividends that were not paid in the particular fiscal year shall be registered as a special reserve and, if not used to cover any losses of subsequent years, the amounts of unpaid dividends still available under such reserve shall be distributed when the financial condition of the corporation allows for such payment.

Furthermore, pursuant to its regulatory powers provided under Brazilian law and banking regulations, the Central Bank may at its sole discretion reduce the dividends or determine that no dividends will be paid by a financial institution if such restriction is necessary to mitigate relevant risks to the Brazilian financial system or the financial institution.

Please refer to [section Our profile, item Our shares, Stockholders' payment](#) and [section Our risk management, item Regulatory environment, Basel III framework, Implementation of Basel III in Brazil](#) for further details about CMN's capital requirements and to [section Performance, item Complete Financial Statements \(IFRS\), Note 2.4t and Note 21](#), for further details about dividends and interest on capital.

Tax reforms may adversely affect our operations and profitability.

The Brazilian government regularly amends tax laws and regulations, including by creating new taxes, which can be temporary, and changing tax rates, the basis on which taxes are assessed or the manner in which taxes are calculated, including in respect of tax rates applicable solely to the banking industry. Tax reforms may reduce the volume of our transactions, increase our costs or limit our profitability.

Decision on lawsuits due to government monetary stabilization plans may have a material adverse effect on us.

We are a defendant in lawsuits for the collection of understated inflation adjustment for savings resulting from the economic plans implemented in the 1980s and 1990s by the Brazilian Federal Government as a measure to combat inflation.

Itaú Unibanco Holding is a defendant in lawsuits filed by individuals, as well as class actions filed by: (i) consumer protection associations; and (ii) public attorneys' office (*Ministério Público*) on behalf of holders of savings accounts. In connection with these class actions, Itaú Unibanco Holding establishes provisions upon service of the individual claim requiring the enforcement of a judgment handed down by the judiciary, using the same criteria used to determine the provisions of individual actions.

The Brazilian Federal Supreme Court (*Supremo Tribunal Federal*, or STF) has issued a number of decisions in favor of the holders of savings accounts, but has not ruled regarding the constitutionality of economic plans and their applicability to savings accounts. Currently, the appeals on this issue are suspended by order of the Supreme Court, until there is a definitive statement of this Court regarding the constitutional issue.

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

Please refer to [section Performance, item Financial performance, Liabilities, Litigation](#) for further information.

Tax assessments may adversely affect us.

As part of the normal course of business, we are subject to inspections by federal, municipal and state tax authorities. These inspections, arising from the divergence in the understanding of the application of tax laws may generate tax assessments which, depending on their results, may have an adverse effect on our financial results.



Risks associated with our business

Market risk factor

The value of our securities and derivatives is subject to market fluctuations due to changes in Brazilian or international economic conditions and, 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. If, for example, we enter into derivative transactions to hedge against decreases in the value of the Brazilian *real* or in interest rates and the Brazilian *real* appreciates or interest rates increase, we may incur financial losses and such financial losses could have a material adverse effect on us. In addition, we may incur losses from fluctuations in the market value of positions held, including risks associated with transactions subject to variations in foreign exchange rates, interest rates, price indexes, and equity and commodity prices, along with various indexes on these risk factors.

We cannot predict the amount of realized or unrealized gains or losses for any future period. Gains or losses on our investment portfolio may not contribute to our net revenue in the future or may cease to contribute to our net revenue at levels consistent with more recent periods. We may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or in any assets of such portfolio.

Operational risk factor

Failures, deficiency or inadequacy of our internal processes and human error or misconduct may adversely affect us.

Although we have in place information security controls, policies and procedures designed to minimize human error, 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 wider 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 error or fraud, not only increase our costs and cause losses, but may also give rise to conflicts with our clients, lawsuits, regulatory fines, sanctions, interventions, reimbursements and other indemnity costs, all of which may have a material adverse effect on our business, reputation and results of operations.

Operational risk also includes legal risk associated with inadequacy or deficiency in contracts signed by us, as well as penalties due to noncompliance with laws and punitive damages to third parties arising from the activities undertaken by us.

Cyberattacks may cause loss of revenue and reputational harm through data security breaches that may disrupt our operations or result in the dissemination of proprietary or confidential information.

We manage and store certain proprietary information and sensitive or confidential data relating to our clients and to our operations. We may be subject to breaches of the information technology systems we use for these purposes. We are strongly dependent on technology and thus are vulnerable to viruses, worms and other malicious software, including "bugs" and other problems that could unexpectedly interfere with the operation of our systems. We also rely in certain limited capacities on third-party data management providers whose possible security problems and security vulnerabilities may have similar effects on us.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities before or after a cyber incident could be significant and the lack of remediation may result in interruptions, delays and may affect clients and partners.

Competition risk factor

We face risks associated with the increasingly competitive environment and recent consolidations in the Brazilian banking industry.

The Brazilian market for financial and banking services is highly competitive. We face significant competition from other Brazilian and international banks, in addition to other companies competing in markets we operate. Competition has increased as a result of recent consolidations among financial institutions in Brazil and of regulations that increase the ability of clients to switch business between financial institutions. Please refer to [section Our risk management, item Regulatory environment, Antitrust regulation](#) for further information



about the competition in the Brazilian markets. Such increased competition may adversely affect us by, among other things, limiting our ability to retain or increase our current client base and to expand our operations, or by impacting the fees and rates we adopt, which could reduce our profit margins on banking and other services and products we offer.

We rely on third party services.

We have essential services for the proper functioning of our business and technology infrastructure, such as call centers, networks, internet and systems, among others, provided by external or outsourced companies. Impacts on the provision of these services, caused by these companies due to the lack of supply or the poor quality of the contracted services, can affect the conduct of our business as well as our clients.

Credit risk factors

Changes in the profile of our business may adversely affect our loan portfolio.

Our historical loan loss experience may not be indicative to our future loan losses. While the quality of our loan portfolio is associated with the default risk in the sectors in which we operate, changes in our business profile may occur due to our organic growth or merger and acquisition activity, 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. Any changes affecting any of the sectors to which we have significant lending exposure may adversely affect our loan portfolio. For example, in recent years, Brazilian banks have experienced an increase in loans to consumers, particularly in the automotive sector. However, this increased demand for vehicle loans has been followed by a significant rise in the level of consumer indebtedness, leading to high nonperforming loan rates. As a result, many financial institutions recorded higher loan losses due to an increased volume of provisions and a decrease in loans for vehicle acquisition.

Additionally, changes in the economy and in political conditions, a slowdown in customer demand, an increase in market competition, and changes in regulation and other related changes in countries in which we operate could also adversely affect the growth rate and the mix of our loan portfolio. Past performance of our loan portfolio may not be indicative of future performance.

The value of any collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The market value of any collateral related to our loan portfolio may fluctuate, from the time we required it to the evaluation time, due to the factors related to changes in economic, political or sectorial factors beyond our control. Changes in the value of the collateral securing our loans may result in a reduction in the value we realize from collateral and may have an adverse impact on our results of operations and financial condition.

We may incur losses associated with counterparty exposure risks.

We may incur losses if any of our counterparties fail to meet their contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to our counterparties. This counterparty risk may arise, for example, from our entering into reinsurance agreements or credit agreements pursuant to which counterparties have obligations to make payments to us and are unable to do so, or from our carrying out transactions in the foreign currency market (or other markets) that fail to be settled at the specified time due to non-delivery by the counterparty, clearing house or other financial intermediary. We routinely conduct transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients, and their failure to meet their contractual obligations may adversely affect our financial performance.

We have significant exposure to Brazilian federal government debt.

Like most Brazilian banks, we invest in debt securities issued by the Brazilian government. As of December 31, 2016, approximately 16.4% of all our assets and 66.7% of our securities portfolio were comprised of these debt securities. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, could negatively affect our results of operations and financial condition.

Underwriting risk factor

Inadequate pricing methodologies for insurance, pension plan and premium bond products may adversely affect us.

Our insurance and pension plan subsidiaries establish prices and calculations for our insurance and pension products based on actuarial or statistical estimates. The pricing of our insurance and pension plan products is based on models that include a number of assumptions



and projections that may prove to be incorrect, since these assumptions and projections involve the exercise of judgment with respect to the levels and timing of receipt or payment of premiums, contributions, provisions, benefits, claims, expenses, interest, investment results, retirement, mortality, morbidity and persistency. We could suffer losses due to events that are contrary to our expectations directly or indirectly based on incorrect biometric and economic assumptions or faulty actuarial bases used for contribution and provision calculations.

Although the pricing of our insurance and pension plan products and the adequacy of the associated reserves are reassessed on a yearly basis, we cannot accurately determine whether our assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for the payment of benefits, claims, and expenses. Accordingly, the occurrence of significant deviations from our pricing assumptions could have an adverse effect on the profitability of our insurance and pension products. In addition, if we conclude that our reserves and future premiums are insufficient to cover future policy benefits and claims, we will be required to increase our reserves and record these effects in our financial statements, which may have a material adverse effect on us.

Management risk factors

Our policies, procedures and models related to risk control may be ineffective and our results may be adversely affected by unexpected losses.

Our risk management methods, procedures and policies, including our statistical models and tools for risk measurement, such as value at risk (VaR), and default probability estimation models, may not be fully effective in mitigating our risk exposure in all economic environments or against all types of risks, including those that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based on our observations of the historical market behavior. In addition, due to limitations on information available in Brazil, to assess clients' creditworthiness, we rely largely on credit information available from our own databases, on certain publicly available consumer credit information and other sources. We apply statistical and other tools to these observations and data to quantify our risk exposure. These tools and metrics may fail to predict all types of future risk exposures. These risk exposures, for example, could arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses, therefore, could be significantly greater than indicated by historical measures. In addition, our quantified modeling may not take all risks into account. Our qualitative approach to managing those risks could prove insufficient, exposing us to material unexpected losses.

Our results of operations and financial position depend on our ability to evaluate losses associated with risks to which we are exposed and on our ability to build these risks into our pricing policies. We recognize an allowance for loan losses aiming at ensuring an allowance level compatible with the expected loss, according to internal models credit risk measurement. The calculation also involves significant judgment on the part of our management. Those judgments may prove to be incorrect or change in the future depending on information as it becomes available. These factors may adversely affect us.

Damages to our reputation could harm our business and outlook.

We are highly dependent on our image and credibility to generate business. A number of factors may tarnish our reputation and generate a negative perception of the institution by our clients, counterparties, stockholders, investors, supervisors, commercial partners and other stakeholders, such as noncompliance with legal obligations, making irregular sales to clients, dealing with suppliers with questionable ethics, unauthorized disclosure of client data, inappropriate behavior by our employees, and third-party failures in risk management, among others. In addition, certain significant actions taken by third parties, such as competitors or other market participants, may indirectly damage our reputation with clients, investors and the market in general. Damages to our reputation could have a material adverse effect on our business and prospects.

Strategy risk factors

Our controlling stockholder has the ability to direct our business.

As of January 31, 2017, IUPAR, our controlling stockholder, directly owned 51.00% of our common shares and 25.96% of our total share capital, giving it the power to appoint and remove our directors and officers and determine the outcome of any action requiring stockholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of dividends.

In addition, IUPAR is jointly controlled by Itaúsa, which, in turn, is controlled by the Egydio de Souza Aranha family, and by Cia. E. Johnston, which in turn is controlled by the Moreira Salles family. The interests of IUPAR, Itaúsa and the Egydio de Souza Aranha and Moreira Salles families may be different from the interests of our other stockholders.

In addition, some of our directors are affiliated with IUPAR and circumstances may arise in which the interests of IUPAR and its affiliates conflict with the interests of our other stockholders. To the extent that these and other conflicting interests exist, our stockholders will depend on our directors duly exercising their fiduciary duties as



members of our Board of Directors. Notwithstanding, according to Brazilian Corporation Law the controlling stockholders should always vote in the interest of the Company. In addition, they are prohibited from voting in cases of conflict of interest in the matter to be decided.

The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us.

As part of our growth strategy in the Brazilian and Latin America financial sector, we have engaged in a number of mergers, acquisitions and partnerships with other companies and financial institutions in the past and may pursue further such transactions in the future. Any such transactions involve risks, such as the possible incurrence of unanticipated costs as of result of difficulties in integrating systems, finance, accounting and personnel platforms, fail in diligence or the occurrence of unanticipated contingencies, as well as the breach of the transaction agreements by counterparties. In addition, we may not achieve the operating and financial synergies and other benefits that we expected from such transactions.

There is also the risk that antitrust and other regulatory authorities may impose restrictions or limitations on the transactions or on the businesses that arise from certain combinations or impose fines or sanctions due to the interpretation of the authorities of irregularities with respect to a corporate merger, consolidation or acquisition, even if the institution has done this legally and transparently.

If we are unable to take advantage of business growth opportunities, cost savings, operating efficiencies, revenue synergies and other benefits we anticipate from mergers and acquisitions, or if we incur greater integration costs than we have estimated, then we may be adversely affected.

Social and environmental risk factors

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

Environmental and social factors are considered one of the most relevant topics for the business, since they can affect the creation of shared value in the short, medium and long terms, from the standpoint of the organization and its main stakeholders. In addition, we understand social and environmental risk as the risk of potential losses due to exposure to social and environmental events arising from the performance of our activities. For more information about our Social and environmental risk management, please refer to [section Risk and capital management](#).

We understand that environmental and social issues may affect our activities and the revenue of our clients, causing delays in payments or default, especially in the case of significant environmental and social incidents. The way these risks may affect us becomes more evident where we finance projects in sectors with higher environmental and social impacts, such as mining, and large hydroelectric plants, which require comprehensive environmental and social due diligence as well as mitigating measures.

We recognize that climate change is one of the major challenges for us because climate events may affect our activities in our administrative buildings, network of branches and data processing centers, and are taken into consideration for all geographical regions in which we operate in Brazil.

Financial reporting risks

We make estimates and assumptions in connection with the preparation of our financial statements, and any changes to those estimates and assumptions could have a material adverse effect on our operating results.

In connection with the preparation of our financial statements, we use certain estimates and assumptions based on historical experience and other factors. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, our reported operating results could be materially adversely affected.

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

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file with or submit to SEC under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, including related accounting controls, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls.



Any failure by us to maintain effective internal control over financial reporting may adversely affect investor confidence in our company and, as a result, the value of investments in our securities.

We are required under the Sarbanes-Oxley Act of 2002 to furnish a report by our management on the effectiveness of our internal control over financial reporting and to include a report by our independent auditors attesting to such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent auditors determine that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market prices of our shares and ADSs could decline, and we could be subject to sanctions or investigations by SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies subject to SEC regulation, also could restrict our future access to the capital markets.

Risk and capital management

GRI 103-2 | 103-3 Risk and capital management

We regard risk management as an essential instrument to optimize the use of our resources and to assist us in selecting business opportunities in order to maximize value creation to stockholders.

Our risk management process includes:

- identification and measurement of existing and potential risks in our operations;
- alignment of risk management and control of institutional policies, procedures and methodologies according to the guidelines of the Board of Directors and our corporate strategies; and
- management of our portfolio seeking optimal risk-return ratios.

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

The risk management processes permeate the entire institution and are aligned with the Board of Directors and senior management directives, which, through the committees described below, define overall objectives by setting targets and limits for risk management. The capital management and control units support our management

through monitoring and analyzing risk and capital processes. Please refer to [section Our governance, item Management structure, Board of Directors and Board of Officers](#) for further details about our Board of Directors responsibilities.

In compliance with CMN and Central Bank regulations, we have implemented a capital management structure and the Internal Capital Adequacy Assessment Process (ICAAP), taking a prospective stance in relation to capital management.

Our risk management organizational structure complies with current Brazilian and international regulation in place and is aligned with best market practices. Risk management responsibilities are structured according to the concept of three lines of defense, namely:

- In the first line of defense, the business and corporate support areas have the role of managing the risks they give rise to, by identifying, assessing, controlling and reporting the risks;
- In the second line of defense, an independent unit provides central control, so as 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, in order to optimize and speed up corporate decisions; and
- The role of the third line of defense, internal audit, is to provide an independent assessment of the institution's activities, to ensure that senior management can see that risk controls are adequate, risk management is effective and internal controls and regulatory requirements are complied with.

During the whole risk management process we apply adequate information technology (IT) systems, in accordance with Central Bank's regulation and requirements in place. We also monitor adherence to the qualitative and quantitative regulators' minimum capital and risk management requirements.

Risk management principles

To assume and manage risks is the essence of our activities and, for this reason, we must have well established objectives towards risk management. In this context, risk appetite defines the nature and the level of the risks that are acceptable for our organization and the culture of risks guides the necessary attitudes to manage them. We pursue sound risk management processes that permeate throughout the entire organization and are the basis of strategic decisions so as to ensure the sustainability of our business.

The principles below establish the fundamentals of risk management, risk appetite and the way our employees work on a daily basis for decision making:

- 1. Sustainability and customer satisfaction:** We want to be a leading bank with a sustainable performance and customer satisfaction. We are concerned about creating shared value for employees, customers, stockholders and society, ensuring the longevity of our business. We will only do business that is good for the customer and the bank.
- 2. Risk culture:** Our risk culture goes beyond policies, procedures and processes and strengthens the individual and collective responsibility of all employees so that they can do the right thing, at the right time and in the right way, respecting our ethical way of doing business. Please refer to item Risk Culture below for further information about our Risk Culture.
- 3. Price for risk:** We operate and take risks in business that we know and understand and we avoid risks that we do not know or in which we do not have a competitive advantage, carefully assessing risk-adjusted return.
- 4. Diversification:** We have a low appetite for volatility in our results and, for this reason, we work with a diversified client, product and business base, seeking the diversification of the risks to which we are exposed and prioritizing lower-risk business.
- 5. Operational excellence:** We want to be an agile bank, with a robust and stable infrastructure so as to offer a high-quality service.
- 6. Ethics and respect for regulation:** For Itaú Unibanco, ethics are non-negotiable. We promote a fair institutional environment, guiding employees to cultivate ethics in relationships and business, and the respect for rules, taking care to protect our reputation.

In 2016, we reviewed our risk appetite policy, which was established and approved by the Board of Directors and guides our business strategy. Our risk appetite is based on the following statement of the Board of Directors:

"We are a universal bank, operating predominantly in Latin America. Supported by our risk culture, we operate based on rigorous ethical and regulatory compliance standards, seeking high and growing results, with low volatility, by means of the long-lasting relationship with clients, correctly pricing risks, well-distributed fund-raising and proper use of capital."

Based on this statement, we have implemented five dimensions to our policy, each of them composed of a set of metrics associated with the main risks involved, combining additional forms of measurement and seeking a broad view of our exposures:

- **Capitalization:** it establishes that we must have enough capital to protect us against a severe recession or a stress event without the need to adapt our capital structure in unfavorable circumstances. This is monitored through the follow up of our capital ratios, in normal and stress situations, and of our debt issuer ratings.
- **Liquidity:** it establishes that our liquidity must support long periods of stress. This is monitored through the follow up of our liquidity ratios.

- **Composition of results:** it determines that our business will be focused mainly on Latin America, where we will have a diversified variety of customers and products, with low appetite for volatility of results and for high risks. This dimension comprises aspects of business and profitability, market and credit risks. Metrics monitored seek to ensure, by means of limits of exposure concentration, such as industry sectors, quality of counterparties, countries and geographical regions, and risk factors, the proper composition of our portfolios, aimed at the low volatility of our results and the sustainability of our business.
- **Operational risk:** it focuses on the control of operational risk events that may negatively affect our business and operational strategy, and it is monitored through the follow up of the main operational risk events and losses incurred.
- **Reputation:** it addresses risks that may affect the value of our brand and our reputation with customers, employees, regulators, investors and the general public. The risks in this dimension are monitored through the follow up of client satisfaction or dissatisfaction, our exposure in the media, in addition to the observance of our conduct.

The Board of Directors is responsible for approving the guidelines and limits of risk appetite, performing its duties with the support of the Risk & Capital Management Committee (CGRC) and our CRO.

Risk appetite is regularly monitored, analyzed and reported to executive levels and to the Board of Directors. In case the monitoring of some metric point to a level above the risk appetite, in normal or projected situations, there is a pre-established governance with authority of reporting, including to the Board of Directors, which organizes necessary discussions and actions to be made to retake the exposures to the desirable levels of risk appetite.

Risk Culture



With the aim of strengthening our values and aligning our employees' behavior with the guidelines established in risk management, we have adopted a number of

initiatives to disseminate the risk culture. Our Risk Culture is based on four basic principles illustrated on the right side of this text.

These principles are our guidance, which aim to help our employees to understand, identify, measure, manage and mitigate risks in a conscious way.



In addition to policies, procedures and processes, risk culture strengthens the individual and collective responsibility of employees in the management of risks inherent in the activities performed individually, respecting the ethical way of managing business.

We promote a risk culture, stressing behavior which will help people at every level of the organization to consciously assume and manage risk. With these principles disseminated throughout the institution, there is an incentive for risk to be understood and openly debated, to be kept within the levels indicated by the risk appetite, and to be taken as the individual responsibility of each employee of Itaú Unibanco, irrespective of their position, area or function.

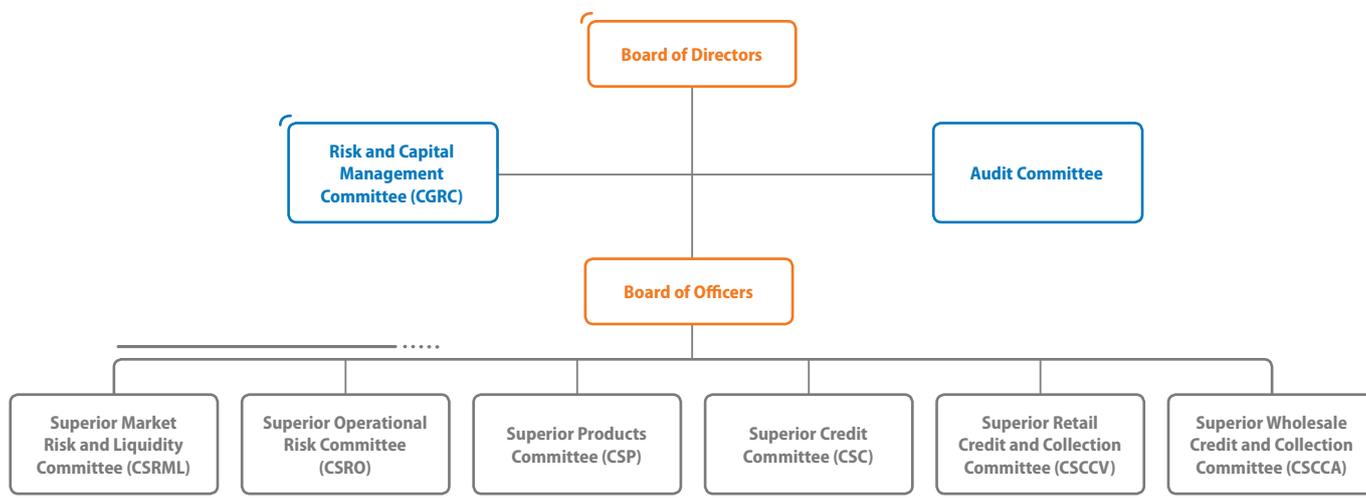
We also provide channels to report operating failures, internal or external fraud, workplace concerns or

cases that may cause disorders and/or losses to us or prejudice clients. All employees or third parties have the responsibility to communicate problems timely, as soon as they taken knowledge of the situation.

Risk and capital governance

GRI 103-2 | 103-3 Risk and capital management

As previously mentioned, the CGRC is responsible for supporting the Board of Directors in performing its duties related to our capital and risk management. At the executive level we established subcommittees, chaired by our CEO, that are responsible for risk and capital management and report directly to the Risk and Capital Management Committee. The Board of Directors is the main authority with respect to risk and capital management decisions. The following committees are part of our risk and capital management governance structure:



Risk & Capital Management Committee (CGRC):

supports the Board of Directors in performing its duties related to our risk and capital management by meeting, at least, four times annually, and submitting reports and recommendations to assist the Board of Directors in its decision-making with respect to:

- Decisions regarding the risk appetite of the institution, in terms of capital, liquidity, results, operational risk and reputation, ensuring these aspects are in alignment with our strategy and including: acceptable levels of capital and liquidity; types of risk to which we could be exposed as well as aggregate limits for each type of risk; tolerance with respect to volatility of results and risk concentrations; and general guidelines on tolerance regarding risks that may have an impact on the value of our brand (i.e., image risk);
- Supervision of our risk management and control activities in order to ensure their suitability to the risk levels assumed and to the complexity of the operations as well as compliance with regulatory requirements;
- Review and approval of policies and strategies for

capital management, which establish mechanisms and procedures for maintaining capital compatible with the risks that are taken by us;

- Establishing our minimum expected return on capital as a whole and for our lines of business as well as monitoring performance;
- Supervision of our incentive structures, including compensation, seeking to ensure their alignment with risk control and value creation objectives; and
- Fostering improvement in our Risk Culture.

Please refer to the [section Our governance, item Management structure](#) for further details about the Audit Committee responsibilities and for complementary information about the CGRC.

Superior Market Risk and Liquidity Committee (CSRML):

meets on a monthly basis and is responsible for setting guidelines and governance for investments and market and liquidity risks regarding our consolidated positions and business lines.

Superior Operational Risk Committee (CSRO): meets on a bimonthly basis and is responsible for understanding the risks of our processes and business, defining guidelines for operational risks management and assessing the results achieved by our Internal Controls and Compliance System.

Superior Products Committee (CSP): meets on a weekly basis and is responsible for evaluating products, operations, services and processes that are beyond the authority of the Products Committees that report to it or that involve image risk to us.

Superior Credit Committee (CSC): meets on a weekly basis and is responsible for analyzing and deciding on credit proposals that are beyond the authority of the Credit Committees that report to it, and analyzing decisions which were not made due to a lack of consensus at the committee immediately subordinate to it or cases where, due to the relevance or characteristics of the topic or other features, these Credit Committees decide to submit to its review.

Superior Retail Credit and Collection Committee (CSCCV): meets on a monthly basis and is responsible for approving credit policies and assessing the performance of Retail Credit and Collection portfolios and strategies.

Superior Wholesale Credit and Collection Committee (CSCCA): meets on a monthly basis and is responsible for approving credit policies and assessing the performance of Wholesale Credit and Collection portfolios and strategies.

Additionally, we have subcommittees, chaired by our CRO and CFO, which are also responsible for risk and capital management. They can report directly to the Risk and Capital Management Committee or to the subcommittees mentioned above.

To support this structure, we have the Risks & Finance Control and Management Area, structured with specialized departments and subordinated to our CRO and CFO, intending to independently and in a centralized manner to ensure that the institution's risks and capital are managed in accordance with established policies and procedures.

Risk management

Credit risk [GRI 103-2](#) | [103-3 Credit and insolvency](#)

We define credit risk as the risk of loss associated with: failure by a borrower, issuer or counterparty to fulfill their respective financial obligations as defined in the contracts; value loss of a credit agreement resulting from a deterioration of the borrower's, issuer's or counterparty's credit rating; reduction of profits or income; benefits granted upon subsequent renegotiation; or debt recovery costs.

Our credit risk management is the primary responsibility of all Business Areas and is aimed at maintaining the quality of the credit portfolio at levels that are consistent with our risk appetite, for each market segment in which we operate. Our credit risk governance is managed through subcommittees, which report to the Board of Directors or to our executive structure, and act primarily by assessing the competitive market conditions, setting our credit limits, reviewing control practices and policies, and approving these actions at the respective authority levels. This includes the risk communication and reporting processes, including disclosure of institutional and supplementary policies, and other information, on credit risk management, are responsibility of this structure. We manage the credit risk to which it is exposed during the entire credit cycle, from before approval, during the monitoring process and up to the collection or recovery phase.

Our credit risk management and control structure is centralized and independent of the business units and defines operational limits, risk mitigation mechanisms and processes, and instruments to measure, monitor and control credit risk inherent to all products, portfolio concentrations and potential changes in the economic environment. Our portfolio, policies and strategies are continuously monitored so as to ensure compliance with the rules and laws in effect in each country.

The key assignments of the business areas are (i) monitoring the portfolios under their responsibility, (ii) granting credit, taking into account approval levels, market conditions, macroeconomic prospects, changes in markets and products and the effects of sector and geographical concentration, and (iii) credit risk management aimed at making the business sustainable.

Our credit policy is based on internal factors, such as: client ratings, performance and evolution of our portfolio, default levels, return rates, economic capital, among others; and on external factors such as: interest rates, market default indicators, inflation and changes in consumption, among others. Policies and products' evaluation process enables us to identify potential risks in order to ensure that credit decisions make sense from an economic and risk perspective.

With respect to our individuals, small and middle market companies, credit ratings are assigned based on two statistical models: (i) application (in the early stages of our relationship with a customer) and (ii) behavior score (used for customers with whom we already have a relationship) models. Extraordinarily, an individual analysis of specific cases may be performed, in which case credit approval follows applicable authority levels.

For large companies, classification is based on information such as the counterparty's economic and financial



situation, its cash-generating capacity, the economic group to which it belongs and the current and the prospective situation of the economic sector in which it operates. Credit proposals are analyzed on a case-by-case basis through the approval governance.

We have a structured process to maintain a diversified portfolio, which is considered appropriate by our institution. The concentrations are monitored continuously for economic sectors, and largest debtors, allowing preventive measures to be taken to avoid the violation of the established limits.

We rate government securities and other debt instruments according to their credit quality parameters with the purpose of managing the exposures.

We also strictly control our credit exposure to clients and counterparties, acting to reverse occasional limit breaches. We may use contractual covenants for these purposes, such as the right to demand early payment or require additional collateral.

To measure credit risk, we take into account the probability of default by the borrower, issuer or counterparty, the estimated amount of exposure in the event of default, past losses from default and concentration of borrowers. Quantifying these risk components is part of the lending process, portfolio management and definition of limits. Models are used as tools to quantify these factors, and contribute to more exact decision-making.

The models used by us are independently validated, to ensure that the databases used in constructing the models are complete and accurate, and that the method of estimating parameters is adequate, so as to reduce the modeling risk and keep the models calibrated, to that they reflect risk parameters more accurately.

We rely on a specific structure and processes aimed at ensuring that the country is managed and controlled, including: (i) establishment of country ratings; (ii) determination of limits for countries; and (iii) monitoring of limits.

In line with the principles of CMN regulation, our credit risk management structure and institutional policy are approved by our Board of Directors and are applicable to all companies and subsidiaries in Brazil and abroad.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 36 – Management of Financial Risks](#) for further details about credit risk.

Loan approval process

Extensions of credit are approved based on policies at the business unit level, determined in accordance with the assumptions of each department and our bank's risk appetite. The decision to extend credit may be granted by means of a pre-approval process or the traditional approval mechanism, which is applied on a client by client basis. In both cases, the decisions are made based on principles of credit quality such as credit rating supported by statistical models, percentage of income committed by/ leverage of the client and credit restrictions determined by us and the market.

The business units prepare and keep updated the policies and procedures of the credit cycle.

The credit granting process contemplates the use of credit protection services with the purpose of checking whether a client's credit history includes information that could be considered an obstacle to granting a loan, such as assets blocked by court orders, invalid tax payer identification numbers, prior or pending debt restructuring or renegotiation processes and checks not honored due to insufficient funds.

The policy assessment process allows for the identification of potential risks and is intended to ensure that credit decisions make sense from both an economic and a risk perspective.

Individuals

Credit products offered at our branch network and through our electronic channels include, among others, overdraft protection, credit cards, personal loans, payroll loans, vehicle financing and mortgage loans.

In all cases, an internal credit score is applied and a cut-off threshold is defined for each product line. Documentation required at the moment the client decides to open an account with us or when we grant a loan includes an application form with the client's signature, personal identification and proof of income.

In the case of pre-approved credit, if a client's risk profile is within the cut-off threshold and parameters established under our credit policy, the credit is considered pre-approved and is automatically available to the client. In the cases where credit is not pre-approved, credit review is carried out through a traditional process under which proposals are assessed on an individual basis by a credit expert. Under this process, approvals are decided by a credit desk, since commercial managers do not have authority to approve individual applications.



Credit cards

Our credit card business is comprised of Itaucard and Hipercard credit cards as well as credit cards from associations and commercial agreements with significant retailers. Our credit cards are available to account-holding or non-account holding clients, and can be applied for by telephone, internet or points of service at our partner institutions.

The credit granting process for credit cards includes a pre-qualification phase in which internal or market restrictive filters are applied. For eligible clients, the maximum credit amount offered takes into consideration the client's risk, based on statistical models specifically designed for credit cards (application score) and on the applicants' income. A fixed interest rate is applied to revolving credit transactions.

Personal loans

Our decision on whether to grant loans to our account holders takes into account the client's income level and our internal client credit rating, which is based on internally developed statistical models. Through these models, we determine which clients will receive credit offers and in which amounts, the maximum number of installments and the maximum amount for monthly installments, based on fixed interest rates.

Payroll loans

Our payroll loan products are available to account-holding or non-account holding clients. Fixed installments are directly deducted from the borrower's payroll to the bank's account without being recorded in the debtor's account.

The maximum percentage of installments to income is defined by law and is limited to 35% of a payroll loan borrower's net income (public sector employees), of which 5% should be devoted exclusively to credit cards. For private sector employees, the maximum percentage is 30%, with no additional limit for credit cards.

Documentation required to receive a payroll loan includes personal identification, proof of payroll and residence and proof of the bank account where the client receives payroll benefits. If the salary is deposited with us, this documentation is not necessary.

Vehicle financing

Vehicle financing proposals are submitted through (i) partner car dealers throughout Brazil for all types of clients (whether account holders or not) or (ii) directly at our branches or through electronic channels for account holders.

A client's internal credit rating and the terms and conditions of the proposed transaction are taken into account before approving the proposal. If the proposed transaction meets all of our credit policy requirements, which determine maximum installment amounts, loan to value, or LTV, and maturity, and the client's personal information is validated by credit protection services, the loan is automatically approved.

A fixed interest rate is set based on the credit rating and the characteristics of the transaction. All vehicle financing transactions are secured by the asset itself, and the maximum LTV is defined to support any possible stress periods.

Mortgage loans

In addition to real estate loans provided through our branch network, we have entered into partnerships with large real estate brokers in Brazil, which originate real estate financing, transactions for us on an exclusive basis and in different cities across the country.

The approval of real estate loans is based on assumptions involving the portion of a client's income to be committed to loan repayments, the client rating according to our internal rating system and the maximum LTV, so that even under a stress scenario LTV is kept at adequate levels. Interest rates are fixed.

The data included in the financing proposal is analyzed, validated and confirmed by supporting documentation provided by the client. The proposal may be rejected if the information provided to us is found to be inconsistent, the proposal fails to meet our current policy requirements or any requested information fails to be provided.

Credit to very small and small companies

We offer products such as working capital financing and discount of trade receivables to very small and small companies.

Credit limits to very small and small companies are assigned according to a client's revenues and are based on a business risk assessment, as well as on other criteria such as the financial condition of the company's stockholders or partners, the identification of possible credit restrictions and an evaluation of the economic sector in which the company operates. Documentation required includes the company's governing documents, proof of revenues and information on the partners or stockholders.

Similarly to our procedures for granting of loans to individuals, credit may be granted to very small and small companies pursuant to a pre-approved limit or subject to an individual analysis by a credit desk.



Much of the credit we extend to for companies in this segment requires the provision of collateral or guarantees. Transactions to finance the production of goods usually require machinery and equipment as collateral. Working capital financing may be collateralized by trade receivables, checks receivable or credit cards receivable or may be collateralized by the company's partners or stockholders and/or third parties.

Interest rates can be fixed or variable depending on the product that is chosen by the client.

Credit to middle-market and large companies

The credit analysis process for middle-market and large companies is carried out based on the financial condition of such companies and any corporate groups to which they belong. The credit analysis takes into account the company's history, financial capacity and adequacy of the requested transaction to the client's needs. This analysis is based on the company's financial statements (balance sheet, statement of income, statement of cash flows), on-site meetings with the company, market conditions, analysis of the economic sector in which the company operates and inquiries into credit protection services.

A commensurate environmental and social assessment is undertaken for every company with whom we keep a credit relationship. As appropriate, an action plan may be created as a result of this analysis in order to bring the client into compliance with our internal policies. A recommendation for credit denial may also be issued as an outcome of such assessment.

The proposed maximum credit amount extended and the client internal rating, with a defined cut-off, are submitted to the appropriate credit authorization levels depending on the amount involved, term of the transaction and available security or guarantees, in accordance with our governance policies. Interest rates can be fixed or variable depending on the product that is chosen by the client within the credit limit approved.

Foreign units

The individual and legal entities of foreign units follow procedures similar to those applied to individuals and the corporate segments mentioned above. For the individuals segment, lending is mainly based on income level, internal credit score and internal credit rating. In the corporate segment, the granting of credit is based on the economic and financial analysis of the client.

Credit granting in our subsidiaries operating outside of Brazil follows the same corporate governance and policies described above. All subsidiaries are subject to a corporate

monitoring of credit portfolios, in Brazil, as well as credit granting rules according to the characteristics of each subsidiary, including appropriate approval authority levels in Brazil, and is responsible for the corporate governance related to credit granting.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 36 – Management of financial risks, Credit risk, 3](#). Collateral and policies for mitigating credit risk, for further details about our risk mitigating instruments.

Market risk

Market risk is the possibility of losses resulting from fluctuations in the market value of positions held by a financial institution, including the risk subject to variations in foreign exchange rates, interest rates, price indexes, equity and commodity prices, with various indexes based on these risk factors.

Market risk management is the process by which our management monitors and controls risk of variations in the value of financial instruments due to market movements, while aiming to optimize the risk-return ratio through an adequate limits structure, alerts, effective risk management models and tools.

Our policies and general market risk management framework are in line with the principles contained in the regulation of CMN and the Central Bank. These principles guide the institution's approach to market risk control and management across all business units and legal entities of the Itaú Unibanco Group.

Our market risk management strategy is aimed at balancing corporate business goals, taking into account, among other things:

- political, economic and market conditions;
- the profile of our portfolio; and
- capacity to act in specific markets.

Our market risk management framework is subject to the governance and hierarchy of committees and to a structure of limits and alerts, with specific limits assigned to different levels and classes of market risk (such as interest rate risk, foreign exchange risk, among others). This structure of limits and alerts covers from aggregated risk indicators at the portfolio level, to more granular limits at the individual desk level. The market risk limits framework extends to the risk factor level, with specific limits and is aimed at improving the process of risk monitoring and understanding, as well as preventing risk concentration. Limits and alerts are calibrated based on projections of future balance sheets, stockholders' equity, liquidity,



complexity and market volatility, as well as our risk appetite. Limits are monitored on a daily basis and both breaches and potential breaches of limits are reported and discussed in accordance with the following procedure:

- within one business day, for management of responsible business units and executives in the risk control area and business areas; and
- within one month, for the competent committees.

Daily risk reports, used by the business and control areas, are also distributed to the executive responsible for managing the risks. In addition, our market risk management and control process is subject to periodic reviews, to ensure it reflects alignment with best market practices, and continues to improve over time.

Our structure of limits and alerts follows the guidelines provided by the Board of Directors. These are approved by the relevant committees. The process for defining limit levels and reporting violations is subject to our institutional governance policies of approval. The established information flow is intended to provide this information to various executive levels of the institution, including members of the Board of Directors through the committees responsible for risk management. This structure of limits and alerts increases control effectiveness and coverage, and is reviewed at least once a year.

The key principles underlying our market risk control structure are as follows:

- provide visibility and comfort for all senior management levels that market risks assumed must be in line with our risk-return objectives;
- provide disciplined and informed dialogue on the overall market risk profile and its evolution over time;
- increase transparency as to how the business works to optimize results;
- provide early warning mechanisms to facilitate effective risk management, without obstructing the business objectives; and
- monitor and avoid concentration of risks.

Market risk is controlled by an area independent from business units, which is responsible for the daily activities: (i) measuring and assessing risk; (ii) monitoring stress scenarios, limits and alerts; (iii) applying, analyzing and testing stress scenarios; (iv) reporting risk to the executives responsible in the business units, in compliance with our governance; (v) monitoring the measures needed to adjust positions and/or levels of risk to make them viable; and (vi) supporting the secure launch of new financial products. For this, we have a structured process of communication

and information flow, which provides information to our committees and ensures compliance with the requirements of Brazilian and foreign regulatory agencies.

We hedge transactions with clients and proprietary positions, including foreign investments, in order to mitigate risks arising from fluctuations in market risk factors and maintain positions on the limits. Derivatives are commonly used for these hedging activities. When these transactions are considered as hedges for accounting purposes, specific supporting documentation is provided, including ongoing follow up of the hedge effectiveness (retrospective and prospective) and other changes in the accounting process. The accounting and managerial hedging procedures are governed by our internal institutional policies.

Our market risk framework categorizes transactions as part of either part of our trading book ("Trading Book") or banking book ("Banking Book"), in accordance with general criteria established by specific regulation.

Our Trading Book is composed of all trades with financial and commodity instruments (including derivatives) undertaken with the intention of trading.

Our Banking Book is predominantly characterized by portfolios originated from the banking business and operations related to balance sheet management. As a general rule, this book's portfolios are intended to be either held to maturity, or sold in the medium or long term.

Market risk exposures inherent in various financial instruments, including derivatives, are composed of various risk factors that refer to a market parameter whose variation impacts a position's valuation. The main risk factors measured by us are:

- Interest rates: risk of loss on transactions subject to changes in interest rate, foreign currency coupons or price-index coupons;
- Currencies: risk of loss on transactions subject to currency variations;
- Equities: risk of loss on transactions subject to changes in the price of equities; and
- Commodities: risk of loss on transactions subject to changes in commodities prices.

CMN has regulations establishing the segregation of market risk exposure at a minimum into the following categories: interest rates, FX rates, equities and commodities. Brazilian inflation indexes are treated as a group of risk indicators and receive the same treatment of the other risk indicators, such as interest rates and FX rates, and follows the governance and risk limits framework adopted for market risk management.



Market risk is analyzed based on the following key metrics:

- Value at Risk (VaR): a statistical metric that quantifies the maximum potential economic loss expected in normal market conditions, considering a defined holding period and confidence level;
- Losses in Stress Scenarios (Stress Testing): a simulation technique to evaluate the impact, in the assets, liabilities and derivatives of the portfolio, of various risk factors in extreme market situations (based on prospective and historic scenarios);
- Stop Loss: metrics that trigger a management review of positions, if the accumulated losses in a given period reach specified levels;
- Concentration: cumulative exposure of certain financial instruments or risk factors calculated at market value (mark to market); and
- Stressed VaR: a statistical metric derived from VaR calculation, aimed at capturing the biggest risk in simulations of the current portfolio, taking into consideration the observable returns in historical scenarios of extreme volatility.

In addition to the risk metrics described above, sensitivity and loss control measures are also analyzed. They include:

- Gap Analysis: accumulated exposure of cash flows by risk factor, which are marked-to-market and positioned by settlement dates;
- Sensitivity (DV01 – Delta Variation Risk): impact on the market value of cash flows when a one basis point change is applied to current interest rates or on the index rates; and

- Sensitivities to Various Risk Factors (Greek): partial derivatives of a portfolio of options on the prices of the underlying assets, implied volatilities, interest rates and time.

Please refer to our Complete Financial Statements (IFRS), Note 36 – Management of financial risks for further details about Market risk.

VaR – Consolidated Itaú Unibanco Holding

Our consolidated VaR is calculated through the Historical Simulation methodology, which fully reflects all positions based on the historical series of asset prices.

Since the first quarter of 2016, we opted for including the exposures of each foreign unit in the calculation of the Consolidated VaR, so as to take into account the risk factors of these units, thus improving the methodology used.

As from the third quarter of 2016, we have been calculating VaR for the regulatory portfolio (exposure of the trading portfolio and exposure to foreign currency and commodities of the banking portfolio) according to internal models approved by the Central Bank. Thus, details of risk factors (shown in the VaR – Consolidated and VaR and Stressed VaR Internal Model tables – Regulatory Portfolio) have been standardized to comply with the Central Bank's rules.

The Consolidated Total VaR table provides an analysis of our portfolio exposure to market risk.

Global VaR (Historical Simulation approach) ⁽¹⁾	Average	Minimum	Maximum	December 31, 2016	Average	Minimum	Maximum	December 31, 2015
(In millions of R\$)								
Group of Risk Factor								
Interest rate	482.5	323.7	607.4	607.4	363.5	314.2	606.4	347.1
FX rate	18.4	6.8	33.2	17.0	47.1	11.3	118.6	12.3
Equities	45.2	34.0	63.3	44.3	16.9	6.9	57.2	46.9
Commodities	1.7	0.7	4.0	0.8	1.8	0.8	8.5	2.1
Diversification effect ⁽²⁾				(339.7)				(204.4)
Total	236.6	155.1	341.5	329.8	207.0	152.3	340.7	204.0

(1) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

(2) Reduction of risk due to the combination of all risk factors.

On December 31, 2016, our average global VaR (Historical Simulation) was R\$236.6 million, or 0.18% of our consolidated stockholders' equity on December 31, 2016, compared to our average global VaR (Historical Simulation) of R\$207.0 million on December 31, 2015, or 0.18% of our consolidated stockholders' equity on December 31, 2015.



VaR – Trading Portfolio

The following table presents risks arising from all positions with the intention of trading, following the criteria defined above for our Trading Portfolio. Our total average Trading Portfolio VaR was R\$38.6 million on December 31, 2016, compared to R\$23.6 million on December 31, 2015 and to R\$25.7 million on December 31, 2014.

Trading Portfolio VaR ⁽¹⁾	Average	Minimum	Maximum	December 31, 2016	Average	Minimum	Maximum	December 31, 2015
(In millions of R\$)								
Group of Risk Factor								
Interest rate	41.0	15.6	69.5	49.1	26.4	11.2	48.9	22.4
FX rate	8.9	3.5	20.8	11.0	39.9	8.9	107.7	9.2
Equities	7.9	3.3	23.8	4.0	4.1	2.3	7.3	5.0
Commodities	1.6	0.5	5.3	0.8	1.8	0.8	6.7	1.5
Diversification effect ⁽²⁾				(18.3)				(17.3)
Total	38.6	16.2	69.4	46.6	23.6	10.6	49.4	20.8

(1) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

(2) Reduction of risk due to the combination of all risk factors.

Sensitivity analyses (Trading and Banking Portfolios)

As required by Brazilian regulation, we conduct sensitivity analysis for market risk factors considered important. The highest resulting losses are presented below, with impact on result, by risk factor, in each such scenario and are calculated net of tax effects, providing a view of our exposure under different circumstances.

The sensitivity analyses of the Trading Portfolio and Banking Portfolio presented here are based on a static

assessment of the portfolio exposure. Therefore, such analyses do not consider the dynamic response capacity of management (e.g., treasury and market risk control unit) to initiate mitigating measures, whenever a situation of high loss or risk is identified, minimizing the possibility of significant losses. In addition, the analysis is intended to assess risk exposure and the respective protective actions, taking into account the fair value of financial instruments, regardless of whether or not financial instruments are accounted for on an accrual basis.

Exposures	Risk Factors	Risk of change	Trading Portfolio ⁽¹⁾ December 31, 2016			Trading and Banking Portfolios ⁽¹⁾ December 31, 2016		
			Scenario I	Scenario II	Scenario III	Scenario I	Scenario II	Scenario III
(In thousands of R\$)								
Interest Rate	Fixed Income Interest Rates in reais		(955)	(228,625)	(435,116)	(7,345)	(2,057,375)	(3,995,498)
Foreign Exchange Linked	Foreign Exchange Linked Interest Rates		46	(1,951)	(4,175)	(2,464)	(337,588)	(634,962)
Foreign Exchange Rates	Prices of Foreign Currencies		2,914	(17,787)	(5,666)	3,013	(45,554)	(67,157)
Price Index Linked	Prices Indexes Linked Interest Rates		(169)	(22,931)	(48,586)	(1,450)	(84,699)	(341,304)
TR	TR Linked Interest Rates		-	(6)	(11)	615	(160,773)	(375,571)
Equities	Prices of Equities		(377)	(30,311)	(120,993)	4,056	(139,583)	(339,535)
Other	Other relevant market rates or prices		(13)	(314)	549	(27)	(523)	625
Total			1,446	(301,925)	(613,998)	(3,602)	(2,826,095)	(5,753,402)

(1) Amounts net of tax effects.

- Scenario I: Addition of one basis point to fixed interest rates, currency coupon, inflation and interest rate indexes and one percentage point to currency and equity prices;
- Scenario II: Shocks of 25 percent in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor; and
- Scenario III: Shocks of 50 percent in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor.



Interest rate sensitivity

Interest rate sensitivity is the relationship between market interest rates and net interest income arising from the maturity or the characteristics of the renegotiation of prices of interest-bearing assets and liabilities.

Our strategy for interest rate sensitivity considers the return rates, the underlying risk level and the liquidity requirements, including our minimum regulatory cash reserves, mandatory liquidity ratios, withdrawals and maturity of deposits, capital costs and additional demand for funds.

The pricing structure is matched when equal amounts of these assets or liabilities mature or are renegotiated. Any mismatch of interest-bearing assets and liabilities is known as a gap position. The interest rate sensitivity may vary in the renegotiation periods presented due to the different renegotiation dates within the period. Also, variations among the different currencies in which the interest rate positions are denominated may arise.

These relationships are material for a particular date, and significant fluctuations may occur on a daily basis as a result of both the market forces and management decisions. Our Superior Market Risk and Liquidity Committee (CSRML) analyzes Itaú Unibanco Group's mismatch position on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions.

Please refer to [section Performance, item Complete Financial Statements in IFRS, Note 36 – Management of Financial Risks](#) for further details about the position of our interest-bearing assets and liabilities as of December 31, 2016. Note 36 to our complete financial statements provides a snapshot view, and accordingly, does not reflect the interest rate gaps that may exist at other times, due to changing asset and liability positions, and management's actions to manage the risk in these changing positions.

Exchange rate sensitivity

Most of our banking operations are denominated in or indexed to Brazilian *reais*. We also have assets and liabilities denominated in foreign currency, mainly in U.S. dollars, as well as assets and liabilities that, although denominated in Brazilian *reais*, are indexed to U.S. dollars and, therefore, expose us to exchange rate risk. The Central Bank regulates our foreign currency positions. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 36 – Management of financial risks](#) for further details.

The gap management policy adopted by the Superior Market Risk and Liquidity Committee (CSRML) takes into consideration the tax effects with respect to our foreign exchange positions. Since the gains from the foreign exchange rate variation on investments abroad are not taxed, we set up a hedge (a liability in foreign currency derivative instruments) in an amount sufficient so that our total foreign exchange exposure, net of tax effects, is consistent with our low risk exposure strategy.

Our foreign exchange position on the liability side is composed of various elements, including the issuance of securities in international capital markets, credit from foreign banks used to finance import and export transactions, dollar-linked on-lendings from government financial institutions and deposits in currencies from Latin America countries. The proceeds of these financial operations are usually invested in loans and in the purchase of dollar-linked securities.

The following information was prepared on a consolidated basis, eliminating transactions between related parties. Our investments abroad, which are eliminated when we consolidate the accounting information, represented R\$72.4 billion as of December 31, 2016, under the gap management policy adopted, as mentioned above. Note that we apply either economic hedges or hedge accounting to those net investments abroad.



As of December 31, 2016

Exchange rate sensitivity	Brazilian currency	Denominated in foreign currency ⁽¹⁾	Indexed to foreign currency ⁽¹⁾	Total	% of amounts denominated in and indexed to foreign currency of total
(In millions of R\$, except percentages)					
Assets	1,049,362	279,132	24,747	1,353,241	22,5
Cash and deposits on demand	5,946	11,464	1,132	18,542	67,9
Central Bank compulsory deposits	80,331	5,369	-	85,700	6,3
Interbank deposits	6,044	16,648	-	22,692	73,4
Securities purchased under agreements to resell	264,080	971	-	265,051	0,4
Held-for-trading financial assets	191,250	10,745	2,653	204,648	6,5
Financial assets designated at fair value through profit or loss	1,191	-	-	1,191	-
Derivatives	10,710	8,887	4,634	24,231	55,8
Available-for-sale financial assets	52,859	34,748	670	88,277	40,1
Held-to-maturity financial assets	27,436	13,059	-	40,495	32,2
Loan operations and lease operations portfolio	318,621	162,006	9,739	490,366	35,0
Allowance for loan and lease losses	(21,828)	(4,654)	(490)	(26,972)	19,1
Other financial assets	41,683	6,003	6,231	53,917	22,7
Investments in associates and joint ventures	5,071	2	-	5,073	0,0
Goodwill	3,085	6,590	-	9,675	68,1
Fixed assets, net	7,285	757	-	8,042	9,4
Intangibles assets, net	5,510	1,871	-	7,381	25,3
Tax assets	42,334	1,940	-	44,274	4,4
Assets held for sale	547	84	-	631	13,3
Other assets	7,207	2,642	178	10,027	28,1
Percentage of total assets	77,6%	20,6%	1,8%	100,0%	
Liabilities and Stockholders' Equity	1,049,276	286,829	17,136	1,353,241	22,5
Deposits	192,447	136,485	482	329,414	41,6
Securities sold under repurchase agreements	328,226	20,938	-	349,164	6,0
Financial liabilities held for trading	-	519	-	519	100,0
Derivatives	13,389	7,480	3,829	24,698	45,8
Interbank market debt	90,848	43,042	1,593	135,483	32,9
Institutional market debt	31,651	64,005	583	96,239	67,1
Other financial liabilities	57,426	7,639	6,767	71,832	20,1
Reserves for insurance and private pension	153,995	81	-	154,076	0,1
Liabilities for capitalization plans	3,147	-	-	3,147	-
Provisions	20,700	209	-	20,909	1,0
Tax liabilities	4,774	1,062	-	5,836	18,2
Other liabilities	17,859	5,369	3,882	27,110	34,1
Non-controlling interests	12,232	-	-	12,232	-
Total stockholders' equity attributed to the owners of the parent Company	122,582	-	-	122,582	-
Percentage of total liabilities and stockholders' equity	77,5%	21,2%	1,3%	100,0%	

(1) Predominantly U.S. dollar.

Note that the information presented in the table above is not prepared on the same basis as presented in the Consolidated Financial Statements.

Backtesting

The effectiveness of the VaR model is validated by the use of backtesting techniques, which compares hypothetical and effective daily results with the estimated daily VaR. The number of exceptions to the VaR pre-established limits should be consistent, within an acceptable margin, with the hypothesis of 99% confidence level considering a period of 250 business days. Confidence levels of 97.5% and 95%, and periods of 500 and 750 business days are also considered. The backtesting analysis presented below considers the ranges suggested by the Basel Committee on banking supervision. The ranges are divided into:

- Green (0 to 4 exceptions): corresponds to backtesting results that do not suggest any problems with the quality or accuracy of the adopted models;
- Yellow (5 to 9 exceptions): refers to an intermediate range group, which indicates an early warning and/or monitoring and may indicate the need of reviewing the model; and
- Red (10 or more exceptions): demonstrate the need for an improvement action.

Context



Our profile



Our governance



Our risk management A-99



Performance



Sustainability



Attachments



According to Central Bank Circular No. 3,646, hypothetical testing consists of applying market price variations for a specific day to the portfolio balance at the end of the preceding business day. The effective test is the variation in the portfolio value up to the end of the day, including intraday transactions and excluding amounts not related to market price variations, such as fees, brokerage fees and commissions.

The Backtesting with Confidence level of 99%, and period of 250 business days, did not show failures in relation to effective and hypothetical results in the period.

Operational risk

Operational risk is defined as the possibility of losses arising from failure, deficiency or inadequacy of internal processes, people or systems or from external events that affect the achievement of strategic, tactical or operational objectives. It includes legal risk associated with inadequacy or deficiency in contracts signed by us, as well as penalties due to noncompliance with laws and punitive damages to third parties arising from the activities undertaken by us.

Internally, we classify its risks events in:

- Internal fraud;
- External fraud;
- Labor claims and deficient security in the workplace;
- Inadequate practices related to clients, products and services;
- Damages to our own physical assets or assets in use;
- Interruption of our activities;
- Failures in information technology systems; and
- Failures in the performance, compliance with deadlines and management of our activities.

In line with CMN and Central Bank regulations, we have an operational risk management structure and institutional policy, which are annually approved by the Board of Directors and are applicable to our local and foreign companies and subsidiaries.

We have a governance process that is structured through forums and subcommittees composed of senior management, which, in turn, report to the Board of Directors, and by well-defined roles and responsibilities in order to reinforce the segregation of the business and management and control activities, ensuring independence between the areas and, consequently, well-balanced decisions with respect to risks. This is reflected in the risk management process carried out on a decentralized basis under the responsibility of the business areas and by a centralized control carried out by the internal control, compliance and operational risk department.

The objective of managing operational risk is to support decision-making, seeking always to identify and assess risks correctly, to create value for the shareholders and to protect our assets and our image. The managers of the executive areas use corporate methods constructed and made available by the internal control, compliance and operational risk area, so as to guarantee the quality of the control environments and comply with internal guidelines and current regulations.

Among the methodologies and tools used are the self-evaluation and the map of our prioritized risks, the approval of processes, products, and system development products and projects, the monitoring of key risk indicators that and the database of operational losses, guaranteeing a single conceptual basis for managing processes, systems, projects and new products and services.

Operational risk management includes conduct risk, which is subject to mitigating procedures to assess product design (suitability) and incentive models. The inspection area is responsible for fraud prevention. Irrespective of their origin, specific cases may be handled by risk committees and integrity and ethics committees.

Within the governance of the risk management process, the consolidated reports on risk monitoring, controls, action plans and operational losses are regularly presented to the business area executives.

It is worth noting that the dissemination of the risk and control culture to the employees by means of training is an important pillar, aimed at providing a better understanding of the matter and playing a relevant role in its mitigation.

Cyber Security [GRI 103-2](#) | [103-3 Information technology](#)

We have structured solutions in an effort to mitigate the main threats posed by cyberattacks at different levels of our organization, through the definition of policies, processes and procedures that support the entire chain of information.

We monitor and address all types of attacks and security incidents. We have a certified IT staff with knowledge of various technologies. We control the access to our systems and digital resources, while constantly updating our registry to maintain a high level of security and avoid breaches and unauthorized access. We employ state-of-the-art technology in seeking to secure our network and data, as well as other barriers such as restricted access to our servers, facilities, and virtual environments, through the use of firewalls, password-protection and encryption.

Our Corporate Security area works together with our business, IT, internal controls and internal audit teams to keep our systems always up-to-date, seeking to reduce



financial losses and reputational damages in Brazil and abroad that could result from cyber attacks.

Crisis management and business continuity

The purpose of our Business Continuity Program is to protect our employees, ensure the continuity of the critical functions of our business lines, safeguard revenue and sustain both a stable financial market in which we operate and the trust of our clients and strategic partners in providing our services and products.

Our Business Continuity Program is composed of procedures for relocating and/or recovering operations in response to a variety of interruption levels and can be divided into two key elements:

- **Crisis Management:** centralized communication and response processes to manage business interruption events and any other types of threats to our image and reputation of its identity before its employees, clients, strategic partners and regulators. Our structure has a command center that constantly monitors daily operations, as well as the media channels in which we are mentioned. Our success of crisis management takes place through the focal agents, who are the representatives appointed by the business areas and that work in the monitoring of potential problems, resolution of crisis, resumption of business, improvement of processes and search for prevention actions; and
- **Business Continuity Plans (BCP):** document with procedures and information, developed, consolidated and maintained available for use during possible incidents, allowing the resumption of critical activities in acceptable terms and conditions. For the quick and safe resumption of operations, we have established, in our BCP, corporate wide and customized actions for our lines of business by means of:
 - **Disaster Recovery Plan:** focused on the recovery of our primary data center, ensuring the continuity of the processing of critical systems within minimum pre-established periods;
 - **Workplace Contingency Plan:** employees responsible for carrying out critical business functions have alternative facilities from which to perform their activities in the event the buildings in which they usually work become unavailable. There are approximately 2,000 contingency dedicated seats that are fully equipped to meet the needs of critical business units in emergency situations;
 - **Emergency Plan:** procedures aimed at minimizing the effects of emergency situations that may impact our facilities, with a preventive focus; and
 - **Processes Contingency Plan:** alternatives (Plan B) to carry out the critical processes identified in the business areas.

In order to keep the continuity solutions aligned with the business requirements the program applies the following tools to understand the institution:

- **Business Impact Analysis (BIA):** evaluates how critical it is to resume processes that support the delivery of products and services. Through this analysis, the business' resumption priorities are defined; and
- **Threats and Vulnerabilities Analysis (AVA):** identification of threats to the locations where our buildings are located. The controls' efficiency is evaluated against potential threats in order to identify vulnerabilities so that controls are adjusted or implemented to enhance the resilience level of our critical facilities.

Please [click here](#) for further details about our Corporate Business Continuity Policy.

Liquidity risk

Liquidity risk is defined as the likelihood that an institution will not be able to effectively honor its expected and unexpected obligations, current and future, including those from guarantees commitment, without affecting its daily operations or incurring significant losses.

Our liquidity risk control is carried out by an independent group of our business units that is responsible for determining the composition of our reserves, proposing assumptions for the performance of cash flows, identifying, assessing, monitoring, controlling and reporting on a daily basis the exposure to liquidity risk, in different timeframes, proposing liquidity risk limits in accordance with the group risk appetite, communicating any mismatches, considering liquidity risk on an individual basis in the countries where we operate, simulating the behavior of cash flows in stress conditions, assessing and reporting in advance the risks inherent to new products and operations, as well as reporting on the information required by the regulatory agencies. All activities are subject to assessment by our independent validation, internal controls and audit departments.

The liquidity risk measurement comprises all financial trades of our companies, as well as possible contingent and unexpected exposures, such as those derived from settlement services, provision of sureties and guarantees, and credit lines contracted and not used.

Our liquidity policies and associated limits are established based on prospective scenarios, reviewed periodically and based on definitions from senior management.

We manage and control liquidity risk on a daily basis, through governance approved at subcommittees, which provides, among other activities, the adoption of minimum liquidity limits, sufficient to absorb possible cash losses under situations of stress, measured by means of both in-house and regulatory methodologies.



Additionally, and pursuant to the requirements of CMN and Central Bank regulations, we are required to deliver on a monthly basis our Liquidity Risk Statements (DLR) to the Central Bank and the following items are regularly prepared and submitted to the senior management for monitoring and decision support:

- different scenarios for liquidity projections;
- contingency plans for crisis situations;
- reports and charts to enable monitoring risk positions;
- assessment of funding costs and alternatives; and
- tracking, monitoring and continuously control of funding sources considering counterparty type, maturity and other aspects.

Please refer to [section performance, item Financial Performance, Results](#), for further details about liquidity and capital resources.

As from the second quarter of 2016, we started to report the average of our liquidity coverage ratio (LCR) for the period, which is calculated based on the methodology defined by Central Bank regulation, which is in line with the international guidelines. In 2016, the minimum required by the Central Bank is 70%. The average ratio for the fourth quarter was 212.8%. We have diversified sources of funding, of which a significant portion comes from the retail segment. Our principal sources of funds are deposits, savings, issuance of securities and funds from acceptances.

Please refer to [section performance, item Financial Performance, Liabilities](#), for further details about funding and results and [item Complete Financial Statements \(IFRS\), Note 17 – Deposits, Note 19 – Securities sold under Repurchase agreements and Interbank and institutional market debts](#), and [Note 36 – Management of financial risks](#) for further details.

Please refer to [section Our risk management, item Regulatory environment](#), for further details about the implementation of Basel III in Brazil.

Social and environmental risk [GRI 102-11](#)

We see social and environmental risk as the risk of potential losses due to exposure to social and environmental events arising from the performance of our activities.

Mitigation actions of social and environmental risk are carried out through processes mappings, internal controls, monitoring new regulations on the subject, and recording occurrences in internal databases.

In addition, risks identified, prioritized and actions taken are reported to our management of social and environmental risk.

Please [click here](#) for further details about our Sustainability and Social Environmental Responsibility Policy.

The social and environmental risk management is carried out by the first line of defense in its daily operations, supplemented by a technical support of our legal and risk control area, which has a team specialized in social and environmental management. Business units also have their criteria for the approval of new products, including assessing the social and environmental risks, which ensures compliance in all new products and processes employed by the institution. Governance with respect to these risks also includes the Social and Environmental Risk Committee, which is primarily responsible for emitting institutional views of social and environmental risk exposure related to our activities and operations.

Our efforts to improve the assessment of social and environmental risks have been recognized as a benchmark in Brazil and abroad, as shown by our recurring presence in the major sustainability indexes abroad, such as the Dow Jones Sustainability Index, and the Euronext Vigeo – Emerging 70. In Brazil, we are included in the Corporate Sustainability Index. We have also been awarded numerous prizes on the subject.

Reputational risk [GRI 103-2](#) | [103-3 Ethics and transparency](#) | [GRI 103-2](#) | [103-3 Brand and reputation](#)

We define reputational risk as the risk arising from internal practices, risk events and external factors that may generate a negative perception of our bank among clients, counterparties, stockholders, investors, supervisors, commercial partners, among others, which could affect the value of our brand and financial losses, in addition to adversely affecting our capability to maintain our existing commercial relations, start new businesses and continue to have access to financing sources.

We believe that our reputation is extremely important in achieving our long-term goals which is why the institution tries to align its speech with ethical and transparent practice and work, which is essential to raise the confidence of Itaú Unibanco's stakeholders. Itaú Unibanco's reputation depends on its strategy (vision, culture and skills) and derives from direct or indirect experience of the relationship between Itaú Unibanco and its stakeholders.

Since reputational risk directly or indirectly permeates all of our operations and processes, we have an infrastructure governance that seeks to ensure that potential reputational risks are identified, analyzed and managed while in the initial phases of its operations and the analysis of new products.



The treatment given to reputational risk is structured by means of many processes and internal initiatives, which, in turn, are supported by internal policies, which seek to provide mechanisms for the monitoring, management, control and mitigation of the main reputational risks. Among them are (i) risk appetite statement; (ii) process for the prevention and fight against the use of Itaú Unibanco in unlawful acts; (iii) crisis management processes and business continuity procedures; (iv) processes and guidelines with respect to governmental and institutional relations; (v) corporate communication processes; (vi) brand management processes; (vii) ombudsman offices initiatives and commitment to customer satisfaction; and (viii) ethics guidelines and the prevention of corruption.

Regulatory risk

We consider regulatory risk as the risk arising from losses due to fines, sanctions and other penalties applied by regulatory agencies resulting from lack of compliance with regulatory requirements. The regulatory risk is managed through a structured process aimed at identifying changes in the regulatory environment, analyzing their impacts on the institution and monitoring the implementation of actions to comply with regulatory requirements.

We have a structure flow established in internal policies to recognize, distribute, monitor and comply with regulatory requirements. This structure involves various areas of the institution, and consists of: (i) lines of defense; (ii) monitoring draft legislation, public notices and public hearings; (iii) monitoring new rules and definition of action plans; (iv) relationship with regulators and professional organizations; (v) monitoring action plans; (vi) controlling compliance with legal decisions and TAC (conduct adjustment agreements), executed in public civil actions. In addition, the institution's risks are classified and prioritized according to our internal control methodology.

Model risk

Our risk management already has proprietary models for risk management that are continuously monitored and reviewed whenever necessary, which aim at ensuring effective strategic and business decisions.

Model risk is defined as the risk that arises from the models used by us not correctly reflecting, on a consistent basis, the relationships of variables of interest, which can create results that systematically differ from actual results. This risk may materialize due the application of models to situations that differ from those originally modeled for or as a result of methodological inadequacies during their development.

The best market practices are used to manage the modeling risks to which the institution is exposed during the entire lifetime of each model utilized. Best

market practice can be classified into four main steps: development, implementation, validation and use. The best practices used by the institution with respect to model risk control include: (i) certification of the quality of the database used; (ii) application of a checklist of essential steps to be taken during the model in question's development; (iii) the use of conservative estimates in judgmental models; (iv) use of external benchmarks; (v) approval of results generated in model implementation; (vi) independent technical validation of models; (vii) validation of use of models; (viii) assessments of the impact in the use of models; (ix) monitoring of performance of models; and (x) monitoring of the distribution of the explanatory variables and final score with respect to a model.

Country risk

Country risk is defined as the risks of losses arising from noncompliance with the financial obligations in the terms agreed upon by borrowers, issuers, counterparties or guarantors as a result of actions taken by the government of the country where the borrower, issuer, counterparty or guarantor is located or of political, economic and social events related to the country.

We operate in many other countries in addition to Brazil. In addition to our foreign units, we have a relationship with borrowers, issuers, counterparties and guarantors from many places in the world, regardless of whether we have a foreign unit in the place where the borrower, issuer, counterparty or guarantor is located.

We have a specific structure for the management and control of country risk, consisting of commissions and committees and dedicated teams, with responsibilities defined in policies. The institution has a structured and consistent procedure for managing and controlling country risk, including: (i) the establishment of country ratings; (ii) the determination of limits for specific countries; and (iii) the monitoring of limits.

Business and strategy risk

We define the business and strategy risk as the risk of a negative impact on our financial results or capital as a consequence of a faulty strategic planning, making adverse strategic decisions, our inability to implement the proper strategic plans and/or changes in its business environment. Since business and strategic risk can directly affect the performance of our bank, we have implemented various mechanisms to ensure that both the business and the strategic decision making processes follow proper governance standards, have the active participation of officers and the Board of Directors, are based on market, macroeconomic and risk information and are aimed at optimizing the risk-return ratio. Decision-making and the establishment of business and strategy guidelines count



on the full engagement of the Board of Directors, primarily through the Strategy Committee, and of the executives, through the Executive Committee. In order to handle risk adequately, we have governance and processes that involves the Risks & Finance Control and Management Area in business and strategy decisions, so as to ensure that risk is managed and decisions are sustainable in the long term. They are: (i) the qualifications and incentives of board members and executives; (ii) the budgetary process; (iii) product assessment; (iv) the evaluation and prospecting of proprietary mergers and acquisitions; and (v) a risk appetite framework which, for example, restricts the concentration of credit and exposure to specific and material risks.

Insurance products, pension plan and premium bonds risks

Products that compose portfolios of our insurance companies are related to life and elementary insurance, as well as pension plans and premium bonds. Accordingly, we understand that the main risks inherent to these products are:

- Underwriting risk is the possibility of losses arising from insurance products, pension plans and premium bonds that go against our expectations, directly or indirectly associated with technical and actuarial bases used for calculating premiums, contributions and technical provisions;
- Market risk is the possibility of losses resulting from fluctuations in market value of assets and liabilities that comprise technical actuarial reserves;
- Credit risk is the possibility of noncompliance, by a given debtor, with obligations related to the settlement of operations that involve the trading of financial assets or reinsurance;
- Operational risk is the possibility of the occurrence of losses arising from the failure, deficiency or inadequacy of internal processes, people and systems, or from external events that affect the achievement of the strategic, tactical or operational objectives of the insurance, pension and premium bonds operations; and
- Liquidity risk in insurance operation is the possibility of the institution not be able to timely honor its obligations to policyholders and beneficiaries due to the lack of liquidity of the assets comprising actuarial technical reserves.

In line with good national and international practices and to ensure that risks arising from insurance products, pension plans and premium bonds are properly identified, measured, assessed, reported and approved in relevant forums, we have a risk management framework, whose guidelines are established in institutional guidelines, approved by our Board, applicable to companies and subsidiaries exposed to risk from insurance products, pension plans and premium bonds, in Brazil and abroad.

The process of risk management for insurance, pensions and premium bonds plans is based on defined responsibilities distributed between the control and business areas, ensuring that they are independent of each other and focusing on the special nature of each risk, as per the guidelines established by us.

As part of the risk management process, there is a governance structure where decisions may be escalated to subcommittees, thus ensuring compliance with several regulatory and internal requirements, as well as balanced decisions relative to risks.

Our objective is to ensure that assets serving as collateral for long-term products, with guaranteed minimum returns, are managed according to the characteristics of the liabilities, so that they are actuarially balanced and solvent over the long term.

Each year, liabilities for long-term products, which result in projected future benefits flows, are mapped using actuarial assumptions. This mapping enables Asset Liability Management models to be created, and these are used to define the best composition of the asset portfolio to neutralize the risk of this type of product, taking into account their economic and financial viability over the long term. Portfolios of collateral assets are rebalanced periodically according to changes in market prices, our liquidity requirements and the changes in the characteristics of the liabilities.

Capital management

The Board of Directors is the main body responsible for our capital management and is responsible for approving the institution's capital management policies and guidelines. The Board is also responsible for approving the ICAAP report, a process which is intended to assess our capital adequacy by identifying material risks; by defining the need for additional capital for such risks and the internal means of quantifying it; by preparing a capital plan, both for normal and stress situations; and by structuring a capital contingency plan.

At the executive level, committees are responsible for approving risk assessment and capital calculation methodologies, as well as reviewing, monitoring and recommending capital-related documents and topics to the Board of Directors. As for the subcommittees, we have a dedicated structure for capital management, which consolidates information and coordinates related processes, all of which subject to verification by the independent validation, internal controls and audit areas.

In order to provide the necessary information for supporting decision making by the Executives and the Board of Directors, management reports are prepared and presented at subcommittees, informing about our capital



adequacy, as well as about the projections of future capital levels in normal and stress situations.

For our annual assessment of capital adequacy, our procedure is as follows:

- identification of the risks to which we are exposed and analysis of their materiality;
- assessment of the need for capital to cover the material risks;
- development of methods for quantifying additional capital;
- quantification of capital and internal capital adequacy assessment; and
- submission of report on capital adequacy to the Central Bank of Brazil (BACEN).

The ICAAP is the fundamental component of our internal capital management, and its most important element is stress testing. This process lets us assess our capital under adverse scenarios, and its purpose is to measure and confirm that, even in severe adverse conditions, we would have levels of capital adequate to ensure no restrictions on our operations or income distribution.

The result of the last ICAAP – dated as of December 2015 – showed that, in addition to having enough capital to face all material risks, we have a significant cushion, thus ensuring the soundness of its equity position.

Please refer to [section Our risk management, item Regulatory environment](#), for further details about the implementation of Basel III in Brazil.

Minimum requirements

Our minimum capital requirements follow the set of resolutions and circulars disclosed by the Central Bank that implemented, in Brazil, the global capital requirement standards known as Basel III. These are expressed as ratios of the capital available stated by the Referential Equity (PR), or Total Capital, composed by the Tier I Capital (which comprises the Common Equity and Additional Tier I Capital) and Tier II Capital, and the risk-weighted assets, or RWA.

For purposes of calculating these minimum capital requirements, the total RWA is determined as the sum of the risk-weighted asset amounts for credit, market, and operational risks. Itaú Unibanco uses the standardized approaches to calculate credit and operational risk-weighted asset amounts.

From September 1, 2016, the Central Bank has authorized our institution to use internal market risk models to determine the total amount of regulatory capital, using the portion RWA_{MINT} for our daily calculation, replacing the portion RWA_{MPAD} as set out in BACEN Central Bank Circular No. 3,646.

The standardized approach continues to be used for units which are not considered significant in calculating regulatory capital for market risk. Accordingly, use of the internal models does not apply to the following units: Argentina, Chile, Itaú BBA International, Itaú BBA Colombia, Paraguay and Uruguay.

From January 1, 2016 to December 31, 2016, the minimum Total Capital ratio required was 9.875%. The required minimum Total Capital ratio was 11% between October 1, 2013, and December 31, 2015. The required minimum Total Capital ratio is scheduled for a gradual reduction to 8% on January 1, 2019.

Additionally, the Central Bank rules call for Additional Common Equity Tier I Capital (ACP), corresponding to the sum of the components $ACP_{Conservation}$, $ACP_{Countercyclical}$ and $ACP_{Systemic}$, which, in conjunction with the requirements mentioned, increase capital requirements over time. Under CMN Resolution, the values of the components $ACP_{Conservation}$ and $ACP_{Countercyclical}$ will increase gradually from 0.625%, as from January 1, 2016, to 2.5% as from January 1, 2019. However, the countercyclical capital buffer is triggered during the credit cycle expansion phase, and currently, according to Central Bank rules, the required amount for the countercyclical capital buffer portion is zero. Further, if this portion should increase, the new percentage takes effect only 12 months after the announcement. In the case of component $ACP_{Systemic}$, the current requirement applicable under Central Bank rules is 0%, increasing gradually from 0.25%, as from January 1, 2017, to 1% as from January 1, 2019.

Capital composition

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

- Common Equity Tier 1: sum of social capital, reserves and retained earnings, less deductions and prudential adjustments;
- Additional Tier 1 Capital: consists of instruments of perpetual nature, which meet certain eligibility requirements. Together with Common Equity Tier I it makes up Tier I capital; and
- Tier 2 Capital: consists of subordinated debt instruments with defined maturity dates, that meet certain eligibility requirements. Together with Common Equity Tier I and Additional Tier I Capital, it makes up Total Capital.

In accordance with applicable Brazilian regulations, we must maintain our Regulatory Capital, Tier 1 Capital and Common Equity Tier 1 Capital ratios above the minimum regulatory requirements established at all times. The RWA used for assessing these minimum



regulatory requirements can be determined by adding the following portions:

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

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

RWA_{MINT} = portion related to the market risk capital requirement, calculated using internal approach, according to Central Bank rules, it includes units which are not considered significant, which follow standardized model; and

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

Capital adequacy

Through our Internal Capital Adequacy Assessment Process (ICAAP), we assess the adequacy of our capital to face the incurred risks. For ICAAP, capital is composed by regulatory capital for credit, market and operational risks, and by the necessary capital to face other risks.

In order to ensure our capital soundness and availability to support business growth, we maintain Referential Equity levels above the minimum levels, according to the Common Equity Tier I, Additional Tier I Capital, and Basel ratio. On December 31, 2016, our Regulatory Capital reached R\$139,477 million, an increase of R\$11,012 million when compared to December 31, 2015, mainly impacted by the result and the effect of foreign exchange variations during the period.

Capital Composition	As of December 31,				
	Prudential Conglomerate		Financial Conglomerate		Variation
	2016	2015	2014	2016-2015	2015-2014
	(In millions of R\$)			(%)	
Tier 1 Capital ⁽¹⁾	115,940	101,001	96,232	14.8	5.0
Common Equity Tier 1 Capital ⁽²⁾	115,408	100,955	96,212	14.3	4.9
Additional Tier 1 Capital ⁽³⁾	532	46	20	1,056.5	130.0
Tier 2 Capital ⁽⁴⁾	23,537	27,464	33,559	(14.3)	(18.2)
Referential Equity	139,477	128,465	129,790	8.6	(1.0)
Minimum Referential Equity Required	72,210	79,471	84,488	(9.1)	(5.9)
Surplus Capital in relation to the Minimum Referential Equity Required	67,267	48,994	45,302	37.3	8.1
Additional Common Equity Tier I requirement	4,570				
Referential equity calculated for covering the interest rate risk on operations not classified in the trading portfolio (RBAN)	2,264	1,275	1,846	77.6	(30.9)
Risk weighted assets (RWA)	731,240	722,468	768,075	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.

Our BIS ratio (calculated as the ratio between our Regulatory Capital and the total amount of RWA) reached 19.1%, on December 31, 2016, an increase compared to December 31, 2015, mainly explained by an increase in Regulatory Capital. Our BIS ratio on December 31, 2016 consisted of 15.9% of Tier 1 Capital and 3.2% of Tier 2 Capital.

Capital Ratios	As of December 31,		
	Prudential Conglomerate		Financial Conglomerate
	2016	2015	2014
	(%)		
BIS ratio	19.1	17.8	16.9
Tier 1 Capital	15.9	14.0	12.5
Common Equity Tier 1 Capital	15.8	14.0	12.5
Additional Tier 1 Capital	0.1	-	-
Tier 2 Capital	3.2	3.8	4.4

Our Regulatory Capital, Tier 1 Capital and Common Equity Tier 1 Capital ratios were calculated on a consolidated basis, applied to the financial institutions included in our Financial Conglomerate, up to December 31, 2014. From January 1, 2015, instead of calculating ratios for our Financial Conglomerate we calculated at the Prudential Conglomerate level, which is comprised of not only financial institutions but also of collective financing plans (*consórcios*), payment entities, factoring companies or companies that directly or indirectly assume credit risk, and investment funds in which our Itaú Unibanco Group retains substantially all risks and rewards.

Please refer to [section Our risk management, item Regulatory environment, Implementation of Basel III in Brazil](#), for further details about minimum capital ratios.



Please refer to [section Performance, item Complete Financial Statements in IFRS, Note 33 – Regulatory Capital](#) for further details about regulatory capital.

Please refer to section [Our risk management, item Regulatory environment, Basel III framework, Implementation of Basel III in Brazil](#).

Money laundering prevention

GRI 103-2 | 103-3 Combat of corruption and illegal activities

Financial institutions play a key role in preventing and fighting illicit acts, which includes money laundering, terrorism financing and fraud.

The challenge is to identify and prevent increasingly sophisticated operations that seek to conceal the source, ownership and transfer of goods and assets, derived from illegal activities.

Itaú Unibanco established a corporate policy to prevent its involvement in illicit activities, protecting its reputation and image among employees, customers, strategic partners, suppliers, service providers, regulators and the society, through a governance structure focused on transparency, strict compliance with the rules and regulations and cooperation with police and judicial authorities. It also continuously seeks to align itself with the local and international best practices to prevent and fight illicit acts, through investments and training its employees on ongoing basis.

In order to be compliant with the corporate policy guidelines, Itaú Unibanco established a program to prevent and fight illicit acts, which includes the following pillars:

- Customer Identification Process;
- “Know Your Customer” Process (KYC);
- “Know your Partner” Process (KYP);
- “Know Your Supplier” Process (KYS);
- “Know Your Employee” Process (KYE);
- Risk Assessment on New Products and Services;
- Transaction Monitoring;
- Reporting Suspicious Transactions to Regulators and Authorities; and
- Training.

This program is applicable to Itaú Unibanco and its controlled entities in Brazil and abroad. The oversight of prevention and detection of illegal activities is carried out by the Board of Directors, the Audit Committee, the Compliance and Operational Risk Committee, the Internal Operational Risk Committee, and the Anti-Money Laundering Committee.

Please refer to [section Our risk management, item Regulatory environment](#) for further details about money laundering regulation and to [link](#), for more details about our Illicit Acts Prevention and Combat Corporate Policy.

Politically exposed persons

Our commitment to the compliance with applicable law and to the adoption of the best practices for prevention and detection of money laundering activity is also reflected in the identification, assessment and monitoring of Politically Exposed Persons (PEPs), whether as individuals or entities.

As per our policies related to PEPs, we apply enhanced due diligence with respect to these customers and we require a higher level of approval (at a minimum at the director level), prior to establishing any relationship with such PEPs.

Please refer to [section Our risk management, item Regulatory environment](#) for further details about politically exposed persons.

Regulatory environment

We are subject to regulation by, and supervision of, several entities, in the countries and for the segments in which we operate. The supervisory activities of these entities are essential to the structure of our business, and they directly impact our growth strategies. Below we describe the main entities that regulate and supervise our activities in Brazil:

- CMN: the highest authority responsible for establishing monetary and financial policies in Brazil, overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies, for regulating the conditions for organization, operation and inspection of financial institutions, as well as supervising the liquidity and solvency of these institutions. CMN is also responsible for the general guidelines to be followed in the organization and operation of the securities market and the regulation of foreign investments in Brazil;
- Central Bank: responsible for implementing the policies established by CMN, authorizing the establishment of financial institutions and supervising financial institutions in Brazil. It establishes minimum capital requirements, limits for permanent assets, credit limits and requirements for compulsory deposits, in accordance with the policies established by CMN;
- CVM: responsible for regulating, sanctioning and inspecting the Brazilian securities market (which in Brazil includes derivatives) and its participants, as well as overseeing exchange and organized over-the-counter markets;
- CNSP: responsible for establishing the guidelines and directives for insurance and premium bond companies and open private pension entities;



- SUSEP: responsible for regulating and supervising the insurance, open private pension funds and premium bond in Brazil and their participants; and
- ANS: responsible for regulating and supervising the health insurance market in Brazil and its participants.

Outside of Brazil, we have main operations subject to oversight by local regulatory authorities in the following jurisdictions: South America, in particular Argentina, Colombia, Chile, Uruguay and Paraguay; Europe, in particular, the United Kingdom and Switzerland; Central America in particular Panamá, and the Caribbean, in particular Bahamas and Cayman Islands; and the United States of America.

Financial institutions are subject to a number of regulatory requirements and restrictions, among which the following are noteworthy:

- prohibition against operating in Brazil without the prior approval of the Central Bank;
- prohibition against acquiring real estate that are not for the financial institution's own use, except real estate received for settlement of loan losses, in which case such real estate must be sold within one year, extendable by the Central Bank;
- prohibition against acquiring interests in companies without the prior approval of the Central Bank, except for ownership interest typical of investment portfolios held by investment banks or universal banks with investment portfolios;
- prohibition against granting loans that represent more than 25% of the financial institution's regulatory capital to only one person or group;
- restrictions on borrowing and lending, as well as granting advances and guarantees, to certain related individuals and legal entities. Please refer to [section Our risk management, item Regulatory environment, item Lending limits](#) for more information about these individuals and legal entities;
- obligation to deposit a portion of the deposits received from clients with the Central Bank (compulsory deposit); and
- obligation to maintain sufficient capital reserves to absorb unexpected losses, pursuant to the rules proposed by the Basel Committee and implemented by the Central Bank.

Basel III framework

The Basel III framework increases minimum capital requirements, creates new conservation and countercyclical buffers, changes risk-based capital measures, and introduces a new leverage limit and new liquidity standards in comparison to the former framework. The new rules will be phased in gradually and each country is expected to adopt such recommendations in laws or regulations applicable to local financial institutions.

The Basel III framework requires banks to maintain minimum capital levels corresponding to the following percentages of risk-weighted assets: (i) a minimum common equity capital ratio of 4.5%, composed of common shares; (ii) a minimum Tier 1 Capital ratio of 6.0%; and (iii) a minimum total capital ratio of 8.0%. In addition to the minimum capital requirements, Basel III requires a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. Basel III also introduces a new leverage ratio, defined as Tier 1 Capital divided by the bank's total exposure.

Basel III implemented a Liquidity Coverage Ratio (LCR), and a Net Stable Funding Ratio (NSFR). The LCR requires affected banks to maintain sufficient high-quality liquid assets to cover the net cash outflows that could occur under a potential liquidity disruption scenario over a thirty-day period. The NSFR establishes a minimum amount of stable sources of funding that banks will be required to maintain based on the liquidity profile of the banks' assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year period.

Additional requirements apply to non-common equity Tier 1 Capital or Tier 2 Capital instruments issued by internationally active banks. To be included in Additional Tier 1 Capital or Tier 2 Capital, an instrument must contain a provision that requires that, at the discretion of the relevant authority, such instrument be either written-off or converted into common shares upon a "trigger event." A "trigger event" is the decision of a competent authority pursuant to which, for a bank to remain a feasible financial institution, it is necessary (i) to write-off an instrument, or (ii) to inject government funds, or equivalent support, into such bank, whichever occurs first. The requirements are applicable to all instruments issued after January 1, 2013. The instruments qualified as capital issued before that date that do not comply with these requirements will be phased out of banks' capital over a 10-year period, beginning on January 1, 2013.

Additional regulatory capital requirements apply to Global Systemically Important Financial Institutions (G-SIFIs). The Basel Committee's assessment methodology to determine which financial institutions are G-SIFIs is based on indicators that reflect the following aspects of G-SIFIs: (i) size; (ii) interconnectedness; (iii) lack of readily available substitute or financial institution infrastructure for the services provided; (iv) global or cross-jurisdictional activity; and (v) complexity. Each of these factors receives an equal weight of 20.0% in the assessment.

The Basel Committee has also issued a framework for the regulation of Domestic Systemically Important Banks (D-SIBs), which supplements the G-SIFI framework by focusing on the impact that the distress or failure of systemically important banks would have on the domestic economy of each country.

Implementation of Basel III in Brazil

Brazilian banks' minimum total capital ratio is calculated as the sum of two components: Regulatory Capital (*patrimônio de referência*); and Additional Core Capital (*adicional de capital principal*).

Brazilian banks' Regulatory Capital is comprised of Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is further divided into two elements: Common Equity Tier 1 Capital (common equity capital and profit reserves, or *capital principal*) and Additional Tier 1 Capital (hybrid debt and equity instruments authorized by the Central Bank, or *capital complementar*).

In order to qualify as Additional Tier 1 Capital or Tier 2 Capital, all instruments issued after October 1, 2013 by a Brazilian bank must contain loss-absorbency provisions, including a requirement that such instruments be automatically written off or converted into equity upon a "trigger event". A "trigger event" is the earlier of: (i) Common Equity Tier 1 Capital being less than 5.125% of the risk-weighted assets for Additional Tier 1 Capital instruments and 4.5% for Tier 2 Capital instruments; (ii) the execution of a firm irrevocable written agreement for the government to inject capital in the financial institution; (iii) the Central Bank declaring the beginning of a temporary special administration regime (*Regime de Administração Especial Temporária*, or RAET) or intervention in the financial institution; or (iv) a decision by the Central Bank, according to criteria established by the CMN, that the write-off or conversion of the instrument is necessary to maintain the bank as a viable financial institution and to mitigate relevant risks to the Brazilian financial system. Specific procedures and criteria for the conversion of shares and the write-off of outstanding debt related to funding instruments eligible to qualify as regulatory capital are established by CMN regulation. The legal framework applicable to financial bills (*letras financeiras*) was adapted to allow Brazilian financial institutions to issue Basel III-compliant debt instruments in the Brazilian market.

Existing hybrid instruments and subordinated debt previously approved by the Central Bank as eligible capital instruments may continue to qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, provided that they comply with the above requirements and a

new authorization from the Central Bank is obtained. Instruments that do not comply with these requirements will be phased out as eligible capital instruments by deducting 10.0% of their book value per year from the amount that qualifies as Additional Tier 1 Capital or Tier 2 Capital. The first deduction occurred on October 1, 2013, and subsequent deductions will take place annually starting January 1, 2014 until January 1, 2022.

The Additional Core Capital requirement is subdivided into three elements: the capital conservation buffer (*Adicional de Capital Principal Conservação*), the countercyclical capital buffer (*Adicional de Capital Principal Contracíclico*) and the higher loss absorbency requirement for domestic systemically important banks (*Adicional de Capital Principal Sistêmico*). The capital conservation buffer is aimed at increasing the loss absorption ability of financial institutions. The countercyclical capital buffer can be imposed within a range by the Central Bank if it judges that credit growth is increasing systematic risk. The higher loss absorbency requirement for domestic systemically important banks seeks to address the impact that the distress or failure of Brazilian banks may have on the local economy. In the event of non-compliance with the Additional Core Capital requirement, certain restrictions will apply, including the inability of the financial institution to: (i) pay officers and directors their share of variable compensation; (ii) distribute dividends and interest on equity to stockholders; and (iii) repurchase its own shares and effect reductions in its share capital.

From October 1, 2015, a minimum LCR in a standardized liquidity stress scenario is required for banks with total assets in excess of R\$100 billion, individually or at the consolidated enterprise level (*conglomerado prudencial*), as the case may be. The calculation of the LCR follows the methodology set forth by the Central Bank which is aligned with international guidelines. During periods of increased need for liquidity, banks may report a lower LCR than the minimum required ratio, provided that they also report to the Central Bank the causes for not meeting the minimum requirement, the contingent sources of liquidity they have available, and the measures they plan to adopt to be in compliance with the LCR requirement. Banks will also be required to effect public disclosures of their LCR on a quarterly basis after April 1, 2016.

In January 2017, the Central Bank enacted a new rule amending the provisions regarding calculation methods and procedures for the disclosure of LCR information. The new regulation establishes a new possible stress scenario and indicates that, for LCR purposes, cash and time deposits are considered retail funding components.



The following table presents the schedule for phased-in implementation by the Central Bank of the capital adequacy and liquidity coverage ratio requirements under Basel III, as applicable to Itaú Unibanco Holding. The figures presented below refer to the percentage of our risk-weighted assets.

Basel III – Schedule	From January 1,				
	2015	2016	2017	2018	2019
	(%)				
Common equity Tier 1	4.5	4.5	4.5	4.5	4.5
Tier 1 Capital	6.0	6.0	6.0	6.0	6.0
Total regulatory capital	11.0	9.875	9.25	8.625	8.0
Additional common equity Tier 1 (ACP)	-	0.625	1.5	2.375	3.5
Capital conservation buffer	-	0.625	1.25	1.875	2.5
Countercyclical capital buffer ⁽¹⁾	-	-	-	-	-
Systemic	-	-	0.25	0.5	1.0
Common equity Tier 1 + ACP	4.5	5.1	6.0	6.9	8.0
Total regulatory capital + ACP	11.0	10.5	10.8	11.0	11.5
Liquidity coverage ratio	0.6	0.7	0.8	0.9	1.0
Prudential adjustments deductions	40	60	80	100	100

(1) According to Circular No. 3,769 of Central Bank, the ACP countercyclical requirement is zero.

The Central Bank has also established the calculation methodology for the leverage ratio. However, it has not yet determined a minimum ratio. Banks are required to prepare public disclosures of their leverage ratios on a quarterly basis after October 1, 2015.

CMN regulation also defines the entities that compose the consolidated enterprise level (*conglomerado prudencial*) of a Brazilian financial institution, and establishes the requirement that a financial institution prepare and file with the Central Bank monthly complete financial statements at the consolidated enterprise level (*conglomerado prudencial*) pursuant to the parameters defined therein. Such financial statements should also be audited by external auditors on a semi-annual basis. As of January 1, 2015, minimum capital and ratio requirements apply at the consolidated enterprise level (*conglomerado prudencial*).

In addition to the rules issued in accordance with the criteria set forth in Basel III, in July, 2013, Law No. 12,838 was issued, allowing the determination of deemed credit based on deferred tax assets arising from temporary differences resulting from allowances for loan losses, which, in practice, exempts financial institutions from deducting this type of credit from its core capital. The law also changes the rules for the issue of subordinated debt, requiring the inclusion of clauses for the suspension of the stipulated compensation and the extinction of the credit right or its conversion into shares, and conditions stockholders' remuneration to compliance with the prudential requirements established by CMN.

Brazilian financial institutions are also required to implement a capital management structure compatible with the nature of its transactions, the complexity of the products and services it offers, as well as with the extent of its exposure to risks. Capital management is defined as a process that includes: (i) monitoring and controlling the financial institution's capital; (ii) assessing capital needs in light of the risks to which the financial institution is subject; and (iii) setting goals and conducting capital planning in order to meet capital needs due to changes in market conditions. Financial institutions should publish a report describing the structure of their capital management at least on an annual basis. Disclosure and reporting of risk management matters, risk-weighted asset calculation, and adequate compliance with regulatory capital requirements are regulated by the Central Bank and reflect the so-called "Pillar 3" of regulatory capital recommended under Basel III, aimed at improving governance and disclosure.

G-SIFI assessment in Brazil

The Central Bank has adopted the same indicators set out by the Basel Committee to determine if Brazilian financial institutions qualify as G-SIFIs. Please refer to [section Our risk management, item Regulatory environment, Basel III framework](#), for further details. This assessment is required of banks with total exposure – the denominator for the leverage ratio – in excess of R\$500 billion, individually or at the consolidated enterprise level (*conglomerado prudencial*), as the case may be. However, no additional loss absorbency requirements for Brazilian G-SIFIs have been established. We were not included on the latest list of G-SIFIs issued on November 21, 2016. The next update is expected in November 2017.

Recovery plans for systematically important financial institutions

On June 30, 2016, CMN enacted a rule providing stricter guidelines for recovery plans (Planos de Recuperação) for Brazil's systemically important financial institutions. The new rule, which incorporated recommendations from the Financial Stability Board, requires financial institutions to prepare recovery plans that aim to re-establish adequate levels of capital and liquidity and to preserve the viability of such institutions under stress scenarios. The guidelines require, among other things, that subject financial institutions must identify their critical functions for the National Financial System (*Sistema Financeiro Nacional*) and their core business lines, monitor indicators and their critical levels, adopt stress-testing scenarios, predict recovery strategies, assess possible risks and barriers related to the strategies and define clear and transparent governance procedures, as well as effective communication plans with key stakeholders. The rule provides for a phase-in implementation period from October 2016 to December 2017 to allow the relevant



financial institutions to adapt their recovery plans to the new requirements.

Segmentation for the proportional application of the prudential regulation

On January 30, 2017, the CMN enacted a resolution establishing segmentation for financial institutions, financial institution groups and other institutions authorized to operate by the Central Bank for proportional application of the prudential regulation, considering the size, international activity and risk profile of members of each segment. According to such resolution, the segments are qualified as follows:

- (i) Segment 1 is composed of multiservice banks, commercial banks, investment banks, foreign exchange banks and savings banks that (a) have a size equivalent or superior to 10% of its internal gross domestic product (GDP); or (b) perform relevant international activities, independently from the magnitude of the institution;
- (ii) Segment 2 is composed of multiservice banks, commercial banks, investment banks, foreign exchange banks and savings banks with (a) size below 10% of its internal GDP; and (b) other institutions of same magnitude equivalent or superior to 1% of its internal GDP;
- (iii) Segment 3 is composed of institutions with a size below 1% and equivalent or superior to 0.1% of its internal GDP;
- (iv) Segment 4 is composed of institutions of size below 0.1% of its internal GDP; and
- (v) Segment 5 is composed of (a) institutions with a size below 0.1% of its internal GDP that applies a simplified optional method for the verification of reference equity's minimum requirements, except for multiservice banks, commercial banks, investment banks, foreign exchange banks and savings bank; and (b) institutions not subject to the verification of reference equity.

Secured real estate bill

In January 2017, the Central Bank enacted a public consultation regarding the secured real state bill (*Letra Imobiliária Garantida – LIG – Brazilian covered bond*), which aims to regulate the provisions of Law No. 13,097 of January 19, 2015. The secured real state bill would provide the sector with an alternative source of funding in an attempt to expand the real estate credit market in the next few years.

Passive provision for financial guarantees

On July 28, 2016, CMN enacted a new rule, establishing specific accounting procedures for the assessment and registration of passive provisions (*provisão passiva*) that financial institutions must create in respect of financial guarantees. The accounting procedures established by this regulation seek to align the Brazilian standards with IFRS. Such resolution is effective since January 1, 2017.

Foreign currency transactions and exposure

Transactions involving the sale and purchase of foreign currency in Brazil may only be conducted by institutions authorized to do so by the Central Bank. There are no limits for long or short positions in foreign currency for banks authorized to carry out transactions on the foreign exchange market. The compulsory deposit requirement rate on the foreign currency short position held by financial institutions is currently 0%.

In accordance with CMN regulation, financial institutions in Brazil may raise funds abroad, either through direct loans or through the issuance of debt securities. Funds raised accordingly may be freely invested in Brazil, including but not limited to on-lending to Brazilian companies and financial institutions. Brazilian banks authorized to operate in foreign currency markets which hold regulatory capital higher than R\$5 billion may also use these funds to grant loans abroad to Brazilian companies, their offshore subsidiaries and to foreign companies controlled by Brazilians or to acquire securities issued or guaranteed by such companies in the primary market. Cross-border loans, in which one party is in Brazil and the other party is abroad, require previous registration with the Central Bank, which may establish limits on the conditions of such foreign currency loan transactions. Please refer to item Taxation for further details about tax on foreign exchange transactions.

Financial institutions may also grant loans in or indexed to a foreign currency to their clients' trade-related activities, such as by granting advances on foreign exchange contracts (*Adiantamento sobre Contrato de Câmbio*), advances on delivered export register (*Adiantamento sobre Cambiais Entregues*) or export or import prepayment agreements (*Pré-Pagamento de Exportação e Financiamento à Importação*), all in accordance with Brazilian regulations on foreign exchange markets and international capital flows.

The Central Bank and the Brazilian government frequently change rules and regulations applicable to foreign currency borrowing and loans in accordance with the economic scenario and Brazilian monetary policy.



Besides that legislation sets forth that the total exposure in gold and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions (including their offshore branches), and their direct and indirect subsidiaries, on a consolidated basis, may not exceed 30.0% of their regulatory capital.

Liquidity and fixed assets investment regime

In accordance with CMN regulation, financial institutions may not hold, on a consolidated basis, permanent assets, including investments in unconsolidated subsidiaries, real estate, equipment and intangible assets, exceeding 50.0% of the adjusted regulatory capital.

Lending limits

Furthermore, we are legally prevented from granting loans or advances, and guarantees, including derivative transactions, underwriting or holding in our investment portfolio securities of any clients or group of affiliated clients that, in the aggregate, give rise to exposure to such client or group of affiliated clients that exceeds 25.0% of our regulatory capital.

Credit exposure limits

For the purpose of this limit, the following public sector entities are to be considered as separate customers: (i) the Brazilian government, (ii) an entity controlled directly or indirectly by the Brazilian government which is not financially dependent on another entity controlled directly or indirectly by the Brazilian government, (iii) entities controlled directly or indirectly by the Brazilian government which are financially dependent among themselves, (iv) a State or the Federal District, jointly with all entities directly or indirectly controlled by it, and (v) a municipal district, jointly with all entities directly or indirectly controlled by it.

Risk weighted asset calculation

The calculation of risk exposure is based on several factors set forth by the Central Bank regulations and impacts the capital requirements. The components take into consideration the type of risk and include the parameters and procedures for calculation of the risk weighted asset (RWA) to determine the capital requirements resulting from each risk exposure. The Central Bank has been frequently changing and updating the rules and regulations for calculation of RWA.

Financial bills

Law No. 12,838 of July 9, 2013 adapted financial bills (*letras financeiras*) to the Basel III framework and granted the Central Bank power to limit the payment of dividends

and interest on capital by financial institutions that do not comply with CMN capital requirements. With the changes enacted by Law No. 12,838, Brazilian financial institutions will likely issue Basel III-compliant hybrid or subordinated debt instruments under the regulatory framework of financial bills. The main characteristics of financial bills changed by Law No. 12,838 are:

- Possibility of issuance of financial bills convertible into equity. The conversion may not be requested by the investor or the issuer financial institution;
- Suspension of payment of interest in case of non-compliance with capital requirement rules in case the financial bills are part of the regulatory capital of the financial institution. Additionally, in order to preserve the regular functioning of the Brazilian financial system, the Central Bank may determine that financial bills be converted into equity or written-off. These determinations will not be considered a default by the financial institution and will not accelerate the maturity of its other debts; and
- Financial bills may include, as early maturity events, default on the payment of the interest of the financial bill or the dissolution of the financial institution.

Principles and institutional policy

On November 24, 2016, CMN enacted a new rule establishing principles and institutional policies that must be observed by financial institutions and other institutions authorized to operate by the Central Bank with respect to their relationship with clients and users of financial products and services. In addition to ethical principles, responsibility, transparency and diligence, other measures are required such as: (i) promoting an organizational culture that incentivizes a cooperative and balanced relationship with clients and users; (ii) granting fair and equitable treatment to clients and users; and (iii) promoting legitimacy and compliance of products and services provided by financial institutions. The regulation will become effective on November 24, 2017.

Establishment of a succession policy

On November 24, 2016, CMN enacted a new resolution requiring that financial institutions and other institutions authorized to operate by the Central Bank establish a succession policy for their management. The new regulation requires that the Board of Directors of the institutions approves, supervises and controls the process of planning such policy, which must expressly assign the positions conditioned to the succession policy, taking into consideration the institution's structure, risk profile and business model. The succession policy shall cover recruiting, promotion, retention election and withholding processes, based on rules that regulate the identification, evaluation and training of senior management positions considering the following aspects: (i) conditions required



by Brazilian law to exercise such positions; (ii) technical capacity; (iii) management capacity; (iv) interpersonal skills; (v) legislation and regulation knowledge regarding liability for their actions; and (vi) experience. The regulation provides for a phase-in implementation period from November 2016 to May 2017.

Code of Corporate Governance

In 2016, the Code of Corporate Governance for publicly-held companies (*Código Brasileiro de Governança Corporativa – Companhias Abertas*) was edited. It sets forth corporate governance-related principles, guidelines and actions applicable to publicly-held companies and determines that companies adopt the “apply or explain” model in respect of their principles, guidelines and actions. As a result of the edition of this Code, in December 2016 CVM submitted to public consultation the draft of a new ruling amending the current disclosure related ruling to adapt to the guidelines of the new Code. The new ruling probably will be applicable as from the end of the first semester of 2018.

Anti-corruption law [GRI 205-2](#) | [GRI 103-2](#) | [103-3 Combat of corruption and illegal activities](#)

In January 2014, a new Brazilian anti-corruption law came into force which establishes that legal entities will have strict liability (regardless of fault or willful misconduct) if they are involved in any form of bribery. Although known as an anti-corruption law, it also encompasses other injurious acts contrary to the Brazilian or foreign public administration including bid rigging and obstruction of justice. The law provides for heavy penalties, both through administrative and judicial proceedings including determination of dissolution of a company, prohibition against undertaking financing with public entities and prohibition against participating in public biddings.

In addition, the law authorizes the public administrative authorities responsible for the investigation to enter into leniency agreements. The self-disclosure of violations and cooperation by legal entities may result in the reduction of fines and other sanctions as determined by the new federal regulation issued in March 2015.

The new regulation also provides parameters for the application of the anti-corruption law including with respect to penalties and compliance programs. Please refer to:

- access further details about our [Anti-corruption Corporate Policy](#).

- access further details about our [Integrity and Ethics Corporate Policy](#) and guidelines for situations of conflicts of interests.

Compensation of directors and officers of financial institutions

According to rules set forth by CMN, Brazilian financial institutions are required to have a compensation policy. If variable compensation is to be paid to management, at least 50% of the total compensation should be paid in shares or share-based instruments and at least 40% of the total compensation should be deferred for future payment for at least three years. If the institution records a significant decrease in the realized recurring profit or a negative result during the deferral period, the deferred and unpaid portions of the compensation should be reversed proportionally to the decrease in result, in order to minimize the loss incurred by the financial institutions and their stockholders.

Our compensation policy, applicable to directors and officers in Brazil (constituting the major part of the management population of the Itaú Unibanco Group), complies with CMN's regulatory requirements. Our compensation principles and practices worldwide comply with each local regulation and seek to increase alignment between the interests of our stockholders and our management.

For further information, see [section Our governance, item Corporate governance, Directors' and senior management's compensation](#).

Antitrust regulation

The Brazilian Antitrust Law requires that transactions resulting in economic concentration should be submitted for prior approval to CADE, the Brazilian antitrust authority, if the transactions meet the following criteria: (i) the economic group of any of the parties to a transaction recorded, in the fiscal year prior to that of the transaction, minimum gross revenues of R\$750 million; and (ii) at least one of the other economic groups involved in the transaction recorded, for the same time period, minimum gross revenues of R\$75 million. The closing of a transaction prior to CADE's approval subjects the parties to fines ranging from R\$60,000 to R\$60 million, the nullity of the relevant agreement and potential administrative proceedings. In addition to submitting such transactions to CADE's approval, financial institutions are required by Circular No. 3,590/2012 of the Central Bank (updated by Circular No. 3,800/2016) to submit to the Central Bank's antitrust approval any concentration acts involving two or more financial institutions in the following cases: (i) acquisition of corporate control, (ii) a merger, (iii) transfer



of the business to another financial institution, and (iv) other transactions which result in increased market share in the market segments they operate.

With respect to the conflict of jurisdiction to review and approve concentration acts involving financial institutions, the matter remains undefined. The uncertainty concerning whether CADE or the Central Bank should review and approve concentration acts involving financial institutions has resulted in financial institutions submitting for antitrust approval concentration acts in the banking sector not only to the Central Bank but also to CADE.

Please [click here](#) for further details about our Antitrust Corporate Policy.

Treatment of past due debts

Brazilian financial institutions are required to classify their credit transactions (including leasing transactions and other transactions characterized as credit advances) at different levels and recognize provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the clients the terms and conditions of the transaction and the period of time during which the transaction is past due, if any. For purposes of Central Bank requirements, transactions are classified as level AA, A, B, C, D, E, F, G or H, with AA being the highest classification. Credit classifications must be reviewed on a monthly basis and, apart from additional provisions required by the Central Bank which are deemed necessary by the management of financial institutions, each level has a specific allowance percentage that is applied to it and which we use to calculate our allowance for loan losses, as specified in more detail in the following table:

Classification ⁽¹⁾	AA	A	B	C	D	E	F	G	H
Allowance (%)	0	0.5	1	3	10	30	50	70	100
Past due (in days)	-	-	15 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	Over 180

(1) Our credit classification also takes into account the client's credit profile, which may negatively impact the past due classification.

Under IFRS, the allowance for loan losses is based on our internally developed incurred loss models, which calculate the allowance for loan losses by multiplying the probability of default by the clients or counterparty (PD) by the potential for recovery on defaulted credits (LGD) for each transaction, as described in Note 2.4(d) X to our complete financial statements under IFRS. The risk levels are categorized as "lower risk", "satisfactory", "higher risk", and "impaired" based on the probability of default, following an internal scaling, as set out in Note 36 to our complete financial statements under IFRS.

Bank insolvency

The insolvency of financial institutions is handled pursuant to applicable laws and regulations by the Central Bank, which initiates and monitors all applicable administrative proceedings. There are three types of special regimes that may be imposed to either private-sector financial institutions or state-owned (other than federal government-owned) financial institutions or similar institutions: (i) temporary special administration regime (RAET), (ii) intervention, and (iii) extrajudicial liquidation. Financial institutions may also be subject to the bankruptcy regime.

In the course of the special regimes described below, the steering committee, the intervenor, and the liquidator may, when authorized by the Central Bank: (i) dispose of assets and rights of the financial institution to third parties and (ii) proceed with corporate restructuring processes in the financial institution or its subsidiaries, among other possible measures of similar effect.

RAET

RAET is a less severe special regime which allows financial institutions to continue to operate. Its main effect is that the whole management loses its offices and is replaced by a steering committee appointed by the Central Bank with broad management powers. Its duration is limited and its main objective is the adoption of measures aimed at the resumption of the financial institution's regular activities. If resumption is not possible, this regime may be turned into an extrajudicial liquidation.

Intervention

Under this regime, the Central Bank appoints an intervenor that takes charge of the financial institution's management, suspending its regular activities and dismissing the financial institution's management. In general, the intervention is aimed at preventing the continuation of certain irregularities and the aggravation of the financial situation of the financial institution, which can put assets at risk and harm the financial institution's creditors. The intervention is also time-limited and may be followed by the resumption of the financial institution's regular activities or the declaration of extrajudicial liquidation or bankruptcy.

The intervention suspends all actions related to payment obligations of the financial institution, prevents the early settlement or maturity of its obligations and freezes pre-existing deposits.



Extrajudicial liquidation

Extrajudicial liquidation generally corresponds to the process of dissolution of the company in cases of unrecoverable insolvency or severe violations of the rules that regulate a financial institution's activities. The extrajudicial liquidation aims at promoting the liquidation of the existing assets for the payment of creditors, with the return of any amounts left to stockholders. Controlling stockholders may be held responsible for remaining liabilities.

The extrajudicial liquidation (i) suspends actions and executions related to the financial institution, (ii) accelerates the maturity of the financial institution's obligations; and (iii) interrupts the statute of limitations of the financial institution's obligations. In addition, the debt of the estate under liquidation will no longer accrue interest until all obligations to third parties are settled.

Deposit insurance

In the event of intervention, extrajudicial liquidation or liquidation of a financial institution in a bankruptcy proceeding, the Credit Insurance Fund, or FGC, a deposit insurance system, guarantees the maximum amount of R\$250,000 for certain deposits and credit instruments held by an individual, a company or another legal entity with a financial institution (or financial institutions of the same economic group). The resources of the FGC come primarily from mandatory contributions from all Brazilian financial institutions that receive deposits from clients, currently at a monthly rate of 0.0125% of the amount of the balances of accounts corresponding to the financial instruments that are the subject matter of the ordinary guarantee, even if the related credits are not fully covered by FGC, and certain special contributions. Deposits and funds raised abroad are not guaranteed by the FGC. As from February 2016, credits of financial institutions and other institutions authorized to operate by the Brazilian Central Bank, complementary welfare entities, insurance companies, capitalization companies, investment clubs and investment funds, as well as those representing any interest in or financial instrument held by such entities, are not protected by the ordinary guarantee of FGC.

Payment of creditors in liquidation

In the event of extrajudicial liquidation of a financial institution or liquidation of a financial institution in a bankruptcy proceeding, the salaries of employees and the related labor claims up to a certain amount, secured credits and tax charges have priority in any claims against the entity in liquidation. The payment of unsecured credits, including deposits from regular retail clients that are not guaranteed by FGC, is subject to the prior payment of preferred credits. Additionally, upon the payment of the deposits guaranteed by FGC, FGC becomes an unsecured creditor of the estate in liquidation.

Insurance regulation

With governmental approval, insurance companies in Brazil may offer all types of insurance, except for workers' compensation insurance, directly to clients or through qualified brokers.

Insurance companies must set aside reserves to be invested in specific types of securities. As a result, insurance companies are among the main investors in the Brazilian securities market and subject to CMN regulations regarding the investment of technical reserves.

In the event an insurance company is declared bankrupt, the insurance company will be subject to a special procedure administered by SUSEP or by ANS. If an insurance company is declared bankrupt and (i) its assets are not sufficient to guarantee at least half of the unsecured credits or (ii) procedures relating to acts that may be considered bankruptcy-related crimes are in place, the insurance company will be subject to ordinary bankruptcy procedures.

There is currently no restriction on foreign investments in insurance companies in Brazil.

Brazilian legislation establishes that insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under the rules of the regulatory body (CNSP and SUSEP), and reinsurance contracts may be entered into through a direct negotiation between the insurance and reinsurance companies or through a reinsurance broker authorized to operate in Brazil.

Insurance companies, until December 31, 2016, when transferring their risks in reinsurance, must transfer 40.0% of each facultative or automatic contract to local reinsurers (companies domiciled in Brazil).

From January 1, 2017, this percentage reduces to 30%, and will reduce annually until it reaches 15% on January 1, 2020.

In addition, until December 31, 2016, risk assignment between insurers and reinsurers belonging to the same economic group is limited to 20.0% of the premiums pertaining to each facultative or automatic contract. From January 1, 2017, this percentage has increased to 30%, and annually will increase until it reaches 75% on January 1, 2020.

Anti-money laundering regulation

The Brazilian anti-money laundering law establishes the basic framework to prevent and punish money laundering as a crime. It prohibits the concealment or dissimulation of origin, location, availability, handling or ownership of assets, rights or financial resources directly



or indirectly originated from crimes, subjecting the agents of these illegal practices to imprisonment, temporary disqualification from managing enterprises up to 10 years and monetary fines.

The Brazilian anti-money laundering law also created the Financial Activities Control Council, or COAF, which is the Brazilian financial intelligence unit that operates under the jurisdiction of the Ministry of Finance. COAF performs a key role in the Brazilian anti-money laundering and counter-terrorism financing system, and its legal responsibility is to coordinate the mechanisms for international cooperation and information exchange.

In compliance with the Brazilian anti-money laundering law and related regulations enacted by the Central Bank, including the rules applicable to procedures that must be adopted by financial institutions to prevent and combat money laundering and terrorism financing, as well as in response to the recommendation of the Financial Action Task Force – FATF and United Nations Security Council, financial institutions in Brazil must establish internal control and procedures aiming at:

- identifying and knowing their clients, which includes determining if they are PEPs, and also identifying the ultimate beneficial owners (UBO) of the transactions. These records should be kept up-to-date;
- checking the compatibility between the movement of funds of a client and such client's economic and financial capacity;
- checking the origin of funds;
- carrying out a prior analysis of new products and services, under the perspective of money laundering prevention;
- keeping records of all transactions carried out or financial services provided on behalf of a certain client or for that client;
- reporting to COAF, within one business day, any transaction deemed to be suspicious by the financial institution, as well as all transactions in cash equivalent to or higher than R\$100,000, without informing the involved person or any third party;
- applying special attention to (i) unusual transactions or proposed transactions with no apparent economic or legal bases; (ii) transactions involving PEPs, (iii) indication of evading client identification and transaction registering procedures; (iv) client and transactions for which the UBO cannot be identified; (v) transactions originated from or destined to countries that do not fully comply with the recommendations of the Financial Action Task Force (FATF); and (vi) situations in which it is not possible to keep the clients' identification records duly updated;
- determining criteria for hiring personnel and offering anti-money laundering training for employees;
- establishing procedures to be complied with by all branches and subsidiaries of a Brazilian

financial institutions located abroad with respect to anti-money laundering;

- establishing that, any institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify whether the foreign financial institution is physically located in the jurisdiction where it was organized and licensed, and that it is subject to effective supervision;
- monitoring transactions and situations which could be considered suspicious for anti-money laundering purposes;
- reporting to COAF the occurrence of suspicious transactions, as required under applicable regulations, and also, at least once a year, whether or not suspicious transactions are verified, in order to certify the non-occurrence of transactions subject to reporting to COAF (negative report);
- requiring clients to inform the financial institution, at least one business day in advance, of their intention to withdraw amounts equal to or exceeding R\$100,000;
- ensuring that policies, procedures and internal controls are commensurate with the size and volume of transactions; and
- unavailability of goods, values and rights of possession or ownership and all other rights, real or personal, owned, directly or indirectly, of natural or legal persons subject to sanctions by the resolutions of the United Nations Security Council.

Non-compliance with any of the obligations above subjects the financial institution and its officers to penalties ranging from: (i) formal notice, (ii) fines (from 1.0% to 200.0% of the amount of the transaction, 200.0% of the profit generated thereby, or a fine of up to R\$20,000,000), (iii) rendering executive officers ineligible for holding any management position in financial institutions, to (iv) the cancellation of the financial institution's license to operate.

In August 2013, the Brazilian Association of Banks (*Federação Brasileira de Bancos*, or FEBRABAN) enacted an anti-money laundering and terrorism financing self-regulation. The purpose of the document is to improve the contribution of the Brazilian financial system to the prevention of money laundering and make consistent the practices adopted by all banks, encouraging them to reinforce their preventive procedures.

Politically Exposed Persons (PEPs)

PEPs are public agents who hold or have held a relevant public position, as well as their representatives, family members or other close associates, over the past five years, in Brazil or other countries, territories and foreign jurisdictions. It also includes their legal entities. Financial institutions must develop and implement internal procedures to identify PEPs and obtain special approval from a more senior staff member, such as an



officer, than otherwise would be required to approve relationships prior to establishing any relationship with those individuals. They should also adopt reinforced and continuous surveillance actions regarding transactions with PEPs and report all suspicious transactions to COAF.

Portability of credit transactions

The portability of credit transactions is regulated by the Central Bank since 2013. Portability consists of the transfer of a credit transaction from the original creditor to another institution, at the request of the debtor, maintaining the same outstanding balance and payment conditions. The regulation establishes standard procedures and deadlines for the exchange of information and the mandatory use of an electronic system authorized by the Central Bank for the transfer of funds between financial institutions, prohibiting the use of any alternative procedure to produce the same effects of the portability, including so-called "debt purchases".

Rules governing the charge of fees on banking and credit card operations

Banking fees and credit card operations are extensively regulated by the CMN and the Central Bank. According to Brazilian legislation, we must classify the services we provide to individuals under pre-determined categories and are subject to limitations on the collection of fees for such services.

Brazilian financial institutions are generally not authorized to charge fees from individuals for providing services classified as "essential" with respect to checking and saving accounts, such as supplying debit cards, check books, withdrawals, statements and transfers, among others.

Brazilian legislation also authorizes financial institutions to charge fees related to "priority services", a standard set of services defined by Central Bank regulation. Financial institutions must offer to their individual clients "standard packages" of priority services. Clients may also choose between these or other packages offered by the financial institution, or to use and pay for services individually instead of selecting a package.

Current rules also authorize financial institutions to charge fees for specific services called "additional services" (*serviços diferenciados*), provided that the account holder or user is informed of the use and payment conditions relating to such services, or that fees and collection methods are defined in the contract.

CMN also establishes rules applicable to credit cards, determining the events that allow for the collection of

fees by issuers, as well as the information that must be disclosed in credit card statements and in the credit card agreement. There is also a list of priority services. The rules define two types of credit cards: (i) basic credit cards, with simpler services, without rewards programs and (ii) "special credit cards", with benefits and reward programs. A minimum of 15% of the total outstanding credit card balance must be paid monthly by credit card holders.

A minimum 30-day prior notice to the public must precede the creation or increase of a fee, whereas fees related to priority services may only be increased 180 days after the date of a previous increase (while the reduction of a fee can take place at any time). With respect to credit cards, a 45-day prior notice to the public is required for any increase or creation of fees, and such fees may only be increased 365 days after a previous increase. The period of 365 days is also subject to changes in the rules applicable to benefit or reward programs.

At the end of 2016 and the beginning of 2017, two major changes occurred in the Brazilian payment market. In December 2016 a provisional measure was published authorizing the surcharge by payment instrument as a way to stimulate retail sales, allowing retailers to charge different prices depending on the payment method. In January 2017 the Central Bank published a new resolution establishing that debits made with credit cards cannot have a revolving credit feature for more than one payment period. Financial institutions may offer to those clients an installment credit with lower interest rates than the revolving credit line.

Leasing regulation

Although leasing transactions are not classified as credit transactions under Brazilian legislation, the Central Bank of Brazil regulates and oversees leasing transactions. The parties involved in a leasing transaction are the "lessor" (the bank) and "lessee" (our client). The leased asset, owned by the lessor, is delivered to be used by the lessee until the end of the contract, when the lessee may opt to either acquire or return it to the lessor or renew the contract for a new period.

Brazilian legislation establishes a specific methodology to account for the profits or losses in leasing transactions and all information that should be included in a lease agreement. The guaranteed residual amount paid by a lessee should correspond to a minimum return required for the transaction to be viable for the lessor, whether the purchase option is exercised or not. The laws and regulations applicable to financial institutions, such as those related to reporting requirements, capital adequacy and leverage, assets composition limits and allowance for losses, are also generally applicable to leasing companies.



Correspondent agents

We may engage other entities to provide certain services to our clients, including customer service. These entities are generally called correspondents, and our relationship with correspondents is regulated by the Central Bank. Among other requirements, the Central Bank establishes that employees of all correspondent agents must hold a technical certification authorizing them to serve customers involved in credit and leasing operations.

Banking secrecy

Brazilian financial institutions must maintain the secrecy of banking transactions and services provided to their clients. The only circumstances in which information about clients, services or transactions by Brazilian financial institutions or credit card companies may be disclosed to third parties are the following:

- the disclosure of information with the express consent of the interested parties;
- the exchange of information between financial institutions for record purposes;
- the disclosure of information to credit reference agencies based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors;
- the disclosure of information to the competent authorities relating to the actual or suspected occurrence of criminal acts or administrative wrongdoings, including the disclosure of information on transactions involving funds related to any unlawful activities;
- the disclosure of some information established by law to tax authority; and
- the disclosure of information in compliance with a judicial order.

Except as permitted under the Brazilian legislation or by judicial order, a breach of bank secrecy is a criminal offense.

Digitalization of documents and record keeping

On March 31, 2016, CMN enacted a new resolution regulating the digitalization of documents with respect to transactions carried out by financial institutions and other institutions authorized to operate by the Central Bank. The regulation authorizes those institutions to maintain digital documents, instead of paper documents, for recordkeeping purposes, if certain requirements to ensure the documents authenticity, validity and protection are met. It also permits the disposal of original paper documents provided that this measure will not prejudice the institution's ability to exercise any rights or to commence any proceeding or exercise any protective remedy related to the relevant document.

Ombudsman

In 2015, CMN and Central Bank updated the regulation about the Ombudsman's Office for Financial Institutions subject to supervision. The Ombudsman's Office has been mandatory since 2007 and is the main channel of customer assistance and mediation of conflicts monitored by the Central Bank.

In this update, the main duties of the Ombudsman's Office were reinforced, to continue acting as a last resource within the company to resolve clients' demands between clients and the institution, and to attend to complaints not resolved in our primary channels.

Every six months, the Ombudsman has to prepare a report about the most critical complaints, root cause analysis and action plans to improve customer experience. This report is submitted to upper management and audit committee, as well as to Central Bank.

The revised standard reduced SLAs from 15 to a maximum of 10 days from client's complaints. It also demanded more transparency and highlight to contact information, telephone number for access to the Ombudsman's Office on the internet and the need to publish a public report on the Ombudsman's work.

Itaú Unibanco has been in compliance since the mandatory date of June 30, 2016.

Regulation of the Brazilian securities market

According to the Brazilian Corporate Law, a company is considered publicly-traded or closely-held depending on whether the securities issued by it are accepted for trading in the securities market or not. All publicly-held companies, such as our company, are registered with the CVM and are subject to information disclosure and reporting requirements.

Disclosure requirements

Under CVM rules, publicly-traded companies are subject to disclosure requirements and rules governing the use of material information. Any decision that may reasonably influence the price of the securities issued by a publicly-held company or the decision of investors to buy, sell, or hold these securities, is considered material.

CVM improved the quality of the information that must be presented in periodic filings by securities issuers by requiring such issuers to register a "Reference Form" in its files. This form was modeled after IOSCO's shelf registration system in gathering all of the issuer's information in a single document.



Asset management regulation

The Brazilian asset management regulation requires a previous registration with CVM to perform the services of portfolio management and fund administration.

Itaú Unibanco Group provides several services in the capital markets and, in particular, performs activities related to fund administration and portfolio management under CVM registration and in accordance with CVM regulation.

By providing these services, our entities engaged in the asset management business can be held civilly and administratively liable for losses arising from either intentional acts or negligence in conducting their activities.

CVM has regulatory powers to oversee these activities, including powers to impose fines and other sanctions on registered asset managers.

Funds of foreign investors

In March 2015, a new regulatory framework issued by CMN and CVM became effective regarding (i) foreign investment in the Brazilian financial and capital markets and (ii) depositary receipts.

The most significant changes in the rules applicable to foreign investment in the Brazilian financial and capital markets introduced by the new regulation are: (i) a requirement that only financial institutions authorized to operate in Brazil may act as legal representatives of non-resident investors in Brazil for purposes of any investments made within the purview of such rule; (ii) clarification of requirements regarding simultaneous foreign exchange transactions (without the effective transfer of money) related to foreign investments; and (iii) clarification about the types of investments that can be made through a foreign investor account (*conta de domiciliado no exterior*) maintained at a bank in Brazil.

The new regulation also amended the rules applicable to depositary receipts, by allowing the issuance of depositary receipts based on (i) any security issued by Brazilian companies registered with CVM (*companhias abertas*), in contrast to the previous rules which limited the issuance of depositary receipts to equity securities, and (ii) credit instruments issued by financial institutions and other types of institutions registered with CVM and authorized by the Central Bank, and eligible to be included in the financial institution's regulatory capital (*Patrimônio de Referência*).

Some of the changes implemented by CVM rules on registry, operations and disclosure of information related to foreign investment in the Brazilian financial and

capital markets were made to detail the activities of legal representatives, to enlarge the scope of non-resident investor's private transactions and to determine the exceptions of transfer between non-resident investors prohibited by CMN.

Internet and e-commerce regulation

Certain aspects of electronic commerce are regulated, including the validity of electronic documents in Brazil and electronic commerce transactions from the consumer protection standpoint. Current regulation on electronic commerce is intended to: (i) clearly identify the supplier and the product sold on the internet; (ii) provide an electronic service channel to clients; and (iii) guarantee cancellation and return of Internet orders.

In addition, computer hacking offenses were criminalized in Brazil in 2012.

In light of the increased use of electronic channels in the Brazilian banking industry, CMN has enacted a number of resolutions over the past few years in order to provide or establish:

- that Brazilian residents may open deposit bank accounts by electronic means, which includes the internet, ATMs, telephone and other communication channels, provided that transfers of amounts from such accounts are allowed only between accounts of the same account holder or in the event of liquidation of investment products and funds of an account, of the same account holders who own the investment products or funds;
- the requirements related to the verification of a client's identity;
- that all financial institutions that offer products and services through electronic means must guarantee the security, secrecy and reliability of all electronic transactions and disclose, in clear and precise terms, the risks and responsibilities involving the product or service acquired through these channels; and
- the opening of deposit bank and savings accounts that can be used exclusively through electronic means.

On April 25, 2016, CMN enacted a regulation on the opening and closing of banking accounts by electronic means, without the restrictions described above. Banks must adopt procedures and controls to confirm and guarantee the client's identity and the authenticity of the information required to open an account. The regulation permits the use of digital signatures and the collection of signatures through electronic devices. The procedures and technologies used in the opening and closing of electronically deposit accounts must observe:



- I – integrity, authenticity and confidentiality of the information and electronic documents used;
- II – protection against access, use, modification, reproduction and unauthorized destruction of information and electronic documents;
- III – backup production of information and electronic documents; and
- IV – tracking and auditing procedures and technologies used in the process.

Under the new regulation, customers must be afforded the option of closing banking accounts electronically.

Federal Law No. 12,965/2014 and Federal No. Decree 8,771/2016 establish the regulatory framework for internet services in Brazil and set forth principles and rules to be observed by internet providers and users, including the protection of privacy and personal data and the preservation and safeguard of net neutrality.

FEBRABAN, the Brazilian Federation of Banks, has issued a regulation on extending credit through remote channels (such as ATMs, call centers and internet banking), setting forth minimum guidelines and procedures to ensure reliability, quality, transparency and efficiency.

Regulation on payment agents and payment arrangements

A Brazilian law enacted in October 2013 establishes the legal framework for “payment arrangements” (i.e., the set of rules governing a payment scheme, such as a credit or debit card transaction), and “payment agents” (i.e., any agent that issues a payment instrument or acquires a merchant for payment acceptance), which became part of the Brazilian Payments System and subject to oversight by the Central Bank. Payment agents, in spite of being regulated by the Central Bank, are not deemed to be financial institutions and are prohibited from engaging in activities that are exclusive of financial institutions.

CMN and the Central Bank published rules in November 2013 regulating payment arrangements and payment agents. This regulation establishes, among other matters: (i) consumer protection and anti-money laundering compliance and loss prevention rules that should be followed by all entities supervised by the Central Bank when acting as payment agents and payment arrangers; (ii) the procedures for the incorporation, organization, authorization and operation of payment agents, as well for the transfer of control, subject to the Central Bank’s prior approval; (iii) capital requirements; (iv) definition of arrangements excluded from the Brazilian Payments System; (v) payment accounts, which are divided into prepaid and post-paid accounts; and (vi) a liquidity requirement for prepaid accounts that demands the allocation of their balance to a special account at the

Central Bank or to be invested in government bonds, starting at 20% in 2014 and raising gradually up to the totality of the total account balance in 2019.

In October 2015, a regulation was published by the Central Bank regulating limitations on closed payment arrangements, the concept of domicile institution, obligation of centralized clearing and settlement for the payment arrangements, and transparency of interoperability rules within an arrangement and between arrangements.

Provision of financial services through electronic channels

On April 25, 2016, CMN enacted a new regulation, altering the exceptions to the general rule that obligates financial institutions to provide client access to traditional banking services channels, establishing that it is not required for collection and receipt services based on agreements that demand exclusively electronic channels.

Credit performance information

Brazilian law establishes rules for the organization and consultation of databases compiling positive credit history information of individuals and legal entities. The Central Bank regulates the provision of positive credit history information by financial institutions to such databases and the sharing of such information, such provision and sharing being subject to the express request or authorization of the client.

Consumer Protection Code

The Brazilian Consumer Protection Code (CDC), sets forth consumer defense and protection rules applicable to consumers’ relationships with suppliers of products or services. Brazilian higher courts understand that the CDC is also applicable to financial institutions.

The basic consumer rights dealing with financial institutions are as follows:

- reverse burden of proof in court;
- financial institutions must ensure that proper and clear information is provided with respect to the different products and services offered, with accurate specifications for quantity, characteristics, composition, quality, and price, as well as on any risks such products pose;
- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services, as well as promoting overbearing or disloyal commercial practices;
- financial institutions are liable for any damages caused to their consumers by misrepresentations in their publicity or information provided;



- interest charged in connection with personal credit and consumer directed credit transactions must be proportionally reduced in case of early payment of debts;
- collection of credits cannot expose the client to embarrassment or be performed in a threatening manner; and
- amounts charged improperly may in limited circumstances have to be returned in an amount equal to twice what was paid in excess of due amounts. Such rule does not apply to cases of justifiable mistake, such as systemic failure or operational error.

Moreover, the Brazilian Congress is considering enacting legislation that, if signed into law as currently proposed, could have an adverse effect on us. For example, a proposed law to amend the Brazilian consumer protection code would allow courts to modify terms and conditions of credit agreements in certain circumstances, imposing specified restrictions on the collection of amounts from final consumers. In addition, local or state legislatures may, from time to time, consider bills intending to impose security measures and standards for customer services, such as limits in queues and accessibility requirements, that, if signed into law, could affect our operations. More recently, certain bills have passed (and others have been proposed) in certain Brazilian states or municipalities that impose, or aim to impose, restrictions on the ability of creditors to include the information about insolvent debtors in the records of credit protection bureaus, which could also adversely affect our ability to collect credit outstanding.

Regulation of independent auditors

In accordance with CMN regulation establishing the rules that govern external audit services provided to financial institutions, the financial statements and financial information of financial institutions must be audited by independent auditors who are (i) duly registered with CVM; (ii) qualified as specialists in audit of banks by the CFC and the IBRACON; and (iii) meet the requirements that ensure auditor independence.

After issuing audit reports for five consecutive fiscal years, the responsible audit partner and audit team members with management responsibilities must rotate-off and cannot be part of the audit team of such institution for three consecutive fiscal years.

CMN regulation also prohibits the engagement and maintenance of independent auditors by financial institutions in the event that: (i) any of the circumstances of impediment or incompatibility for the provision of audit services provided for in the rules and regulations of CVM, CFC or IBRACON arise; (ii) ownership of shares of or entering into financial transactions (either asset or liability) with the audited financial institution by the audit firm or members of the audit team involved in the audit

work of the financial institution; and (iii) fees payable by the institution represent 25% or more of the total annual fees of the audit firm. Additionally, the audited financial institution is prohibited from hiring partners and members of the audit team with managerial responsibilities who were involved in the audit work at the financial institution during the preceding 12 months.

In addition to the audit report, the independent auditor must prepare the following reports, as required by CMN regulation.

- an assessment of the internal controls and risk management procedures of the financial institution, including its electronic data processing system;
- a description of non-compliance with legal and regulatory provisions that have, or may have, a significant impact on the audited financial statements or operations of the audited financial institution; and
- others reports required by Central Bank.

These reports, as well as working papers, correspondence, service agreements and other documents related to the audit work must retained and made available to the Central Bank for at least five years.

Under Brazilian law, our financial statements must be prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank. We also prepare financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by IASB. Please refer to Context, item Context of this report, About our financial information for further details. Financial institutions must have their financial statements audited every six months. Quarterly financial statements filed with CVM must be reviewed by independent auditors of the financial institutions. CVM rules require publicly-held companies, including financial institutions, to disclose information related to non-audit services provided by independent auditors when they represent more than 5% of the fees for audit services. Such information should include the type of service, the amount paid and the percentage that they represent of the fees for audit of financial statements. Please refer to Our governance, item Audit Committee, for further details about fees and services of the main auditors.

Self regulators

We are signatories of self-regulation codes that establish principles, rules and recommendations of best corporate governance practices and determined activities, as applicable. The self-regulatory entities that we are subject to are: the Brazilian Association of Publicly-Held Companies (ABRASCA), Brazilian Association of Credit Cards and Services Companies (ABECS), Brazilian Financial and Capital Markets Association (ANBIMA), Brazilian Federation of Banks (FEBRABAN), amongst others.



Taxation

We summarize below the main taxes levied on the transactions entered into by entities in the Itaú Unibanco Group in Brazil. This description does not represent a comprehensive analysis of all tax considerations applicable to the Itaú Unibanco Group. For a more in-depth analysis, we recommend that potential investors consult their own tax advisors. The main taxes we are subject to, with respective rates, are as follows:

Tax	Rate	Tax calculation basis
IRPJ (Corporate Income Tax)	15.0% plus a 10.0% surtax	Net income with adjustments (exclusions, additions, and deductions)
CSLL (Social Contribution on Net Income)	20.0% (financial institutions, insurance companies and capitalization entities) or 9.0% (other Itaú Unibanco Group companies)	Net income with adjustments (exclusions, additions, and deductions)
COFINS (Social Security Financing Contribution)	4.0% (financial institutions, insurance companies and capitalization entities) or 7.6% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
PIS (Contribution on Social Integration Program)	0.65% (financial institutions, insurance companies and capitalization entities) or 1.65% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
ISS (Service Tax)	2.0% to 5.0%	Price of service rendered
IOF (Tax on Financial Transactions)	Depends on the type of the transaction, as described below	Transaction nominal value

Corporate income tax and social contribution on net income

In accordance with applicable legislation, corporate income tax (*Imposto de Renda da Pessoa Jurídica*, or IRPJ), and social contribution on profits (*Contribuição Social Sobre o Lucro Líquido*, or CSLL) are determined by the taxable income regime. Under this regime, our taxable income, on which IRPJ and CSLL will be levied, must be adjusted by additions, deductions, and exclusions, such as nondeductible expenses, operating costs and equity accounting, respectively.

The IRPJ is levied at a basic 15.0% rate, and a 10.0% surtax is applicable when the total amount of profit for the fiscal period exceeds R\$20,000 per month or R\$240,000 per year. In other words, any portion of our profit exceeding this limit is taxed at an effective 25.0% rate.

CSLL is currently levied on our taxable income at a 20.0% rate, which is specific for financial institutions, insurance and similar companies. Note that this tax is generally levied at a 9.0% for non-financial legal entities. Nonetheless, the Federal Government increased such a rate initially to 15.0%, and then to 20.0%. Despite such increase, some Brazilian financial institutions, including us, are disputing the constitutionality of this higher CSLL tax rate. The amounts in dispute are accounted for as a tax liability provision in our balance sheet. In regard to this matter, it is worth mentioning that on the same rule that increased CSLL from 15.0% to 20.0% (Law 13,169), the Federal Government also determined that, as from January 1, 2019, the CSLL rate will be reduced to 15.0%.

As other Brazilian legal entities, our companies may offset the historical nominal amount of tax losses determined in prior years against results of subsequent years at any time (i.e., with no limitations with respect to time periods), provided that such offsetting does not exceed 30.0% of the

annual taxable income of such future year. For purposes of IRPJ and CSLL taxation, companies should consider their income abroad as well rather than income solely from Brazilian operations. Therefore, profits, capital gains and other income earned abroad by Itaú Unibanco Group entities in Brazil, their branches, representations, affiliates or subsidiaries, will also be computed for determination of the entities net income. However, Brazilian legislation provides for our deducting the amounts paid as corporate income tax abroad against the IRPJ due in Brazil and CSLL, provided certain limits are observed.

Income tax for individuals and foreign investors

On September 22, 2015, the President of Brazil enacted Provisional Measure No. 692, or MP 692, converted into Law No. 13,259 of March 16, 2016, which aimed at increasing the flat 15% rate of the income tax levied on capital gains derived by individuals, certain corporations and foreign investors (individuals and corporations) as a result of the disposal of assets and rights in general exceeding R\$5 million, by adopting a system of progressive rates that may reach a 22.5% tax rate (for positive results exceeding R\$30 million). Since capital gains arising from transactions executed through a securities exchange are subject to specific tax rules, which are not included under the scope of Law No. 13,259, it is possible to sustain the position that the provisions of this rule should not apply to such transactions. This rule applies since January 1, 2017. If the stockholder is a resident of or domiciled in a tax haven jurisdiction or a privileged tax regime, the capital gains are still subject to the withholding income tax at a 25% rate.



Contribution on social integration program and social security financing contribution

In addition to IRPJ and CSLL, Brazilian legal entities are subject to the following taxes on revenue: contribution on social integration program (*Contribuição Para o Programa da Integração Social*, or PIS) and social security financing contribution (*Contribuição Social Para o Financiamento da Seguridade Social*, or COFINS).

In accordance with applicable legislation, financial institutions are subject to the cumulative regime for calculation of these taxes. Under the cumulative regime, financial institutions are required to pay PIS at a 0.65% rate and COFINS at a 4.0% rate. The cumulative regime provides for rates lower than those levied under the non-cumulative regime, which is explained below, but it prevents the use of tax credits.

Some additional deductions are legally permitted to financial institutions, and therefore the calculation basis is similar to the profit margin. Some of our subsidiaries claim that the PIS and COFINS should be levied only on their revenue from the sale of products and services, rather than on the revenues from financial and other activities. The amounts in dispute are accounted for as tax contingencies in the balance sheets of these companies.

Most non-financial companies, on the other hand, are authorized to pay PIS and COFINS contributions according to the non-cumulative regime. Under the non-cumulative regime, PIS is levied at a 1.65% rate and COFINS is levied at a 7.6% rate. The calculation basis of these taxes is the gross revenue earned by the entity; however, the taxpayer may offset credits calculated through the application of the same rates on the value paid on the purchase of certain inputs used in the entity's production process. Currently, under such non-cumulative regime, the financial income of non-financial companies is subject to PIS and COFINS at the rate of 0.65% and 4%, respectively, except for income

from interest on capital, which is subjected to PIS and COFINS at the rate of 1.65% and 7.6%, respectively.

Service tax

The tax on services (*Imposto Sobre Serviços de Qualquer Natureza*, or ISS) is generally levied on the price of services rendered (e.g., banking services) and is charged by the municipality where our branch or office rendering the service is located. The tax rates vary from 2.0% up to the maximum rate of 5.0%, depending on the municipality in which the service is provided and its respective nature.

A new tax law enacted on December 30, 2016 effected a number of changes with respect to the Brazilian tax on service ISS. Among a series of modifications to the ISS, the new law introduced a minimum tax rate of 2%. The original proposed legislation approved by the Brazilian Congress provided changes related to ISS assessment on new activities such as credit card and leasing operations but the President vetoed these changes. Following the legislative procedure, there is a possibility that the Brazilian Congress to overturns the presidential veto.

Tax on financial transactions

The tax on financial transactions is levied at specific rates according to the transaction in question, and may be changed by a decree from the executive branch (which may become effective as of its publication date), rather than by a law enacted by the Brazilian Congress.

The following table summarizes the main IOF rates levied on our transactions. Notwithstanding, we note that IOF is a very comprehensive tax. Therefore, for a more in-depth analysis, we recommend that tax advisors be consulted accordingly.

Type of transaction	Applicable rates (Rates may be changed by a decree enacted by the Brazilian government up to a maximum rate, as described below, which may become effective as of its publication date)
Foreign exchange transactions	IOF/FX: zero to 6.38% (depending on the transaction) Maximum rate: 25%
Insurance transactions	IOF/Insurance: zero to 7.38% Maximum rate: 25%
Loans and credit transactions	IOF/Credit: 0.0082% (individual) or 0.0041% (legal entities) per day, until it reaches 365 days, plus a flat 0.38% rate Maximum rate: 1.5% per day
Securities	IOF/Securities: zero to 1.5% as a general rule (possible to be higher) Maximum rate: 1.5% per day
Securities – Derivatives	IOF/Securities – Derivatives: zero Maximum rate: 25%



U.S. Foreign Account Tax Compliance Act (FATCA)

FATCA attempts to minimize tax avoidance by U.S. persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA requires U.S. withholding agents such as Itaú to provide information to the U.S. Internal Revenue Service (IRS) regarding their U.S. account holders including substantial U.S. owners of certain Non-Financial Foreign Entities (NFFE) and specified U.S. persons having an interest in certain professionally managed investment vehicles and trusts known as owner-documented foreign financial institutions (FFIs).

To the extent a U.S. withholding agent is not able to properly document an account, it generally will be required to deduct 30% FATCA withholding on certain payments of U.S. source income. Gross proceeds from the sale of property that would yield U.S. source dividends or interest are subject to withholding beginning January 1, 2019.

U.S. tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most common types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as U.S. source income when paid by a U.S. corporation with respect to its stock, and interest is generally treated as U.S. source income when paid by a U.S. borrower of money.

The United States collaborated with other governments to develop Intergovernmental Agreements (IGAs) to implement FATCA. IGAs with partner jurisdictions facilitate the effective and efficient implementation of FATCA. The purpose of these agreements is essentially to remove domestic legal impediments to compliance with FATCA and sharing of information and to reduce burdens on FFIs located in partner jurisdictions.

More than 70 jurisdictions have signed an IGA, including Brazil, the Cayman Islands, Switzerland and United Kingdom. In addition, approximately 30 other jurisdictions are deemed as having an IGA in effect. Some countries signed a reciprocal agreement, meaning that the country (such as Brazil) and the United States will automatically exchange annually, on a reciprocal basis, specific account holder information.

There are two types of IGAs – Model 1 IGA, where local FFIs are required to implement account opening and due diligence procedures to identify U.S. accounts and report them to the local tax authority for exchange with the IRS (examples of Model 1 IGA countries are Brazil, Cayman Islands, The Bahamas, Peru and Colombia), and Model 2 IGA, where local FFIs are required to implement account opening and due diligence procedures to identify U.S.

accounts, but report such information directly to the IRS (examples of Model 2 IGA countries are Switzerland, Chile, Paraguay and Japan).

The governments of Brazil and the United States entered into a Model 1 IGA on September 23, 2014, which became effective in Brazil on August 24, 2015, after the approval by the Brazilian Congress, ratification by the President and enactment of Decree 8,506 (IGA-BR).

Under the IGA-BR, Brazilian financial institutions and other entities subject to FATCA disclosure requirements are generally required to provide certain information on their U.S. account holders to the Brazilian tax authorities, which will share this information with the U.S. Internal Revenue Service.

Furthermore, Normative Ruling No. 1,680, dated December 28, 2016, was enacted to introduce the so-called Common Reporting Standard (CRS) in Brazil, which seeks to implement a system of reporting financial accounts in a manner similar to FATCA. CRS is the result of discussions on the necessity of exchanging information between tax authorities of many countries in the context of the Base Erosion and Profit Shifting (BEPS) Project, coordinated by the Organization for Economic Co-operation and Development (OECD). In connection therewith, an ancillary obligation called “e-financeira” provided by Normative Ruling No. 1,571, dated July 2, 2016, will be the mandatory report filed by financial institutions in order to fulfill FATCA and CRS obligations.

Moreover, on May 6, 2016, Brazilian tax authorities issued Normative Ruling No. 1,634, effective as of January 1, 2017, that amended the regulation applicable to the National Registry of Legal Entities (CNPJ). This regulation introduced a new rule providing an ancillary obligation by which certain entities have to indicate the “Final Beneficiary” in each CNPJ, which is defined as the natural person who ultimately, directly or indirectly, owns, controls or significantly influences a particular entity or on whose behalf a transaction is conducted.

In addition, Normative Ruling No. 1,681 was enacted in December 28, 2016 providing the obligation to annually deliver the so-called Country-by-Country Statement, an ancillary obligation also arising from the discussions under the BEPS Project, before the Brazilian Federal Revenue Service (RFB), which in its turn is also expected to exchange such information with other countries’ tax authorities.

Pursuant to FATCA, the issuer, any other financial institution or other entities subject to FATCA disclosure requirements to or through which any payment with



respect to the preferred shares or ADSs is made may be required, pursuant to the IGA-BR or under applicable law, to (i) request certain information from holders or beneficial owners of our preferred shares or ADSs, which information may be provided to the U.S. Internal Revenue Service; and (ii) withhold U.S. federal tax at a 30.0% rate on some portion or all of the payments considered “pass-thru payments” made after December 31, 2018, with respect to the preferred shares or ADSs if such information is not duly provided by such a holder or beneficial owner (referred to under FATCA as a “recalcitrant account holder”). If the issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the preferred shares or ADSs, holders and beneficial owners of the preferred shares or ADSs will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

The above description is based on guidance issued to date by the U.S. Treasury Department, including the final U.S. Treasury regulations and IGA-BR. Future guidance may affect the application of FATCA to the preferred shares or ADSs.

Exchange controls

Individuals or legal entities domiciled outside Brazil may own our stock through ADSs negotiated in a U.S. Exchange or through direct investments in the Brazilian Market.

However, the right to convert dividend payments and proceeds from the sale of our shares in the Brazilian Market, into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment and foreign currency legislation. This legislation generally requires, among other things, documentary evidence that establishes the validity and

the economic legitimacy of the exchange operation and that the relevant investment has registered with the Central Bank and CVM, as applicable.

In case the investment in our stock is made through ADS, the ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian of preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into foreign currency and remit the proceeds abroad.

In case the investment in our stock is made directly in the Brazilian market, such investment needs to be registered with the Central Bank either as (i) a foreign direct investment, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) a portfolio investment, the Electronic Declaratory Registration of Portfolio (RDE – Portfolio).

The foreign direct investment (RDE-IED) enables non-resident investors to hold stock of companies, although it, limits the ability of the investor to negotiate such stocks in the Brazilian capital markets. On the other hand, the portfolio investment (RDE – Portfolio) entitles certain foreign investors to invest not only in stocks, but also in other financial assets and securities, and to engage in a variety of transactions available in the Brazilian financial and capital markets, provided that certain requirements of the regulation are fulfilled.

Registration under RDE – Portfolio affords favorable tax treatment to non-resident investors who are not residents or domiciled in tax haven jurisdictions, as defined by Brazilian tax laws.





5_Performance

Get the details of our financial performance in 2016

Performance

Message from the Chief Finance Officer [GRI 102-14](#)



Dear reader,

At Itaú Unibanco, we work to maintain a sustainable performance for the purpose of creating value to our many stakeholders. To this end, we seek a transparent and close relationship with our clients, commercial partners, stockholders, investors and agents from the capital markets, reporting, in a timely manner, our results, risks and strategies.

In order to become increasingly more accessible to the market, we invest in many communication initiatives. Some years ago, we combined our annual report, form 20-F, sustainability report and debt prospect in this Consolidated Annual Report so as to centralize and homogenize the way we present the bank's relevant information. In 2016, we held 16 public meetings about our results, strategies and prospects through APIMEC (Association of Capital Markets Analysts and Investment Professionals) and we participated in 30 conferences and 9 road shows, in Brazil and abroad.

This report includes the history of the bank, its strategies, main businesses, risks and results over six sections. I invite you all to get to know a little bit more about the changes in the structure of our Executive Committee and its members in the Our Governance section. In the [section on risk management, you can learn more about our Risk Culture](#), an important instrument to ensure that all our employees take conscious risks. Together with

our policies, procedures and processes, our Risk Culture strengthens the individual and collective responsibility of all employees in the management of the risks inherent to the performed activities. Also in this section, we describe our risk factors, which represent the main events that could significantly affect our business.

In the section on Performance, I invite you all to understand, in detail, the financial performance of Itaú Unibanco in 2016, which is presented in accordance with the International Financial Reporting Standards (IFRS). In it you will find the result of the application of the strategy described throughout this report by means of our main figures.

Today, we are the largest private bank in Latin America and one of the world's 20 largest financial institutions in market value. We are present in 19 countries with a staff of more than 90,000 employees who work for the satisfaction of our clients. We have new challenges ahead of us and they encourage us to continue to build an increasingly more sustainable, transparent and technological bank.

In November 2016, we announced a number of changes to the bank's Executive Committee, including my own appointment to the position of General Wholesale Officer. I wish Caio Ibrahim David, who takes over as CFO and CRO of Itaú Unibanco Holding, a great deal of success in his new journey.

Our team is always at the disposal of anyone interested in getting to know the bank better by means of the following communication channels: Investor Relations website (www.itaubr.com.br/relacoes-com-investidores) and our pages on [Facebook](https://www.facebook.com/itaunibancori) ([facebook.com/itaunibancori](https://www.facebook.com/itaunibancori)) and [Twitter](https://twitter.com/itaunibanco_ri) ([@itaunibanco_ri](https://twitter.com/itaunibanco_ri)). We appreciate any suggestions received in the e-mail address: relacoes.investidores@itaunibanco.com.br.

I wish you all a good reading.

Best regards,

Eduardo Vassimon
CFO & CRO in 2016



Financial performance

Significant accounting policies

General information

The preparation of the consolidated financial statements included in this Consolidated Annual Report involves some assumptions that are based on our historical experience and other factors that we deem reasonable and material. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operations often requires our management to make judgments regarding the effects on our financial condition and results of operations of matters that are uncertain by nature. The comments below describe those aspects that require significant judgment or involve a higher degree of complexity in the application of the accounting. Actual results may differ from those estimated under different variables, assumptions or conditions.

Use of estimates and assumptions

The preparation of complete financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the complete financial statements, as well as the reported amounts of revenue, expenses and gains and losses during the reporting period because the actual results may differ from those determined based on such estimates and assumptions.

All estimates and assumptions made by management are in accordance with IFRS and represent our best estimates made in conformity with applicable standards. Estimates and judgments are evaluated on an ongoing basis, based on past experience and other factors.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 2.3 – Critical Accounting Estimates and Judgments](#), for further details.

Allowance for loan and lease losses

the allowance for loan and lease losses represents our estimate of the probable losses inherent to our loan portfolio at the end of each reporting period. In order to determine the amount of the allowance for loan and lease losses, a portfolio is classified into two categories with respect to which specific methodologies are used to estimate losses. Loans and leases are analyzed on an individual or portfolio basis.

- Loans and leases analyzed on an individual basis (corresponding to our corporate portfolio) are individually analyzed for impairment. For those considered to be impaired, we determine the amount of the allowance based on the expected cash flows that the company that will receive from the loan. The loans analyzed on an individual basis that are not impaired are rated based on risk factors, and the inherent losses for each rating are estimated based on our historical experience, which involves judgments related to identifying risk factors and assigning a rating.
- Loans analyzed on a portfolio basis (corresponding to the following portfolios: (i) Individuals, (ii) Very Small, Small and Medium Business and (iii) Foreign Units – Latin America) are further segregated into classes, when appropriate, based on their underlying risks and characteristics. The allowance for loan and lease losses is determined by portfolio based on historical experience, which also involves judgments and assumptions.

Many factors affect the estimate of losses in each of the categories for which we estimate the allowance on a portfolio basis, such as the methodology used to measure historical delinquency and the historical period to be used. Additionally, factors affecting the specific amount of the allowances to be recorded are subjective and include economic and political conditions, credit quality trends and volume and growth observed in each portfolio. We present information on our allowance for loan and lease losses in the following table:



Allowance for Loan and Leases Losses	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
(In millions of R\$, except percentages)					
Amount Recognized in the Balance Sheet at the beginning of period	26,844	22,392	22,235	25,713	23,873
Write-offs	(24,251)	(20,065)	(18,675)	(21,769)	(22,142)
Individuals	(13,682)	(11,235)	(12,668)	(13,541)	(12,317)
Credit card	(4,905)	(4,055)	(3,784)	(3,513)	(4,073)
Personal loans	(6,745)	(5,221)	(5,150)	(6,247)	(4,895)
Payroll loans	(1,273)	(622)	(429)	(480)	(472)
Vehicles	(709)	(1,294)	(3,254)	(3,263)	(2,840)
Mortgage loans	(50)	(43)	(51)	(38)	(37)
Corporate	(4,985)	(4,321)	(672)	(478)	(556)
Small and Medium Businesses	(4,267)	(3,981)	(4,992)	(7,573)	(9,209)
Foreign Loans Latin America	(1,317)	(528)	(343)	(177)	(60)
Expense Recognized in the Income Statement	24,379	24,517	18,832	17,856	23,982
Amount Recognized in the Balance Sheet at the end of period⁽¹⁾	26,972	26,844	22,392	22,235	25,713
Recovery of loans written off as loss	3,742	4,779	5,054	5,061	4,663
Individuals	1,397	1,886	2,077	2,058	1,917
Credit card	450	590	663	653	515
Personal loans	426	563	577	525	427
Payroll loans	341	458	453	278	172
Vehicles	118	202	324	499	656
Mortgage loans	62	73	60	103	147
Corporate	929	1,537	1,642	1,602	1,380
Small and Medium Businesses	450	666	769	891	976
Foreign Loans Latin America	966	690	566	510	390
Net Write-offs	(20,509)	(15,286)	(13,621)	(16,708)	(17,479)
Ratio of Write-offs during the period to average loans outstanding during the period (%)	5.0	4.3	4.4	5.7	6.2
Ratio of net write-offs during the period to average loans outstanding during the period (%)	4.2	3.3	3.2	4.4	4.9
Ratio of allowance for loan losses to total loans and leases (%)	5.5	5.7	4.9	5.4	7.0

(1) The carrying amount of the individual loans increased by R\$435 million in 2013 due to the acquisition of companies as explained in the Consolidated Financial Statements (IFRS).

During the year ended December 31, 2016, we wrote off a total amount of R\$24,251 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.5%. The increase in loans written off from the prior year is due to the worsening macroeconomic scenario, mainly in Brazil.

During the year ended December 31, 2015, we wrote off a total amount of R\$20,065 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.7%. The increase in loans written off from the prior year is due to the worsening macroeconomic scenario, mainly in Brazil.

During the year ended December 31, 2014, we wrote off a total amount of R\$18,675 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 4.9%. The decrease in loans written off from the previous year from the prior year is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

During the year ended December 31, 2013, we wrote off a total amount of R\$21,769 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.4%. The decrease in loans written off is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

During the year ended December 31, 2012, we wrote off a total amount of R\$22,142 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 7.0%. This represents an increase in loans written off from the loans written off for the year ended December 31, 2011, when we wrote off a total amount of R\$16,159 million. This increase is due to the increase in defaults in 2011 and beginning of 2012, associated with the increase in the volume of our portfolio of credit card, personal loans, small and medium businesses.



Fair value of financial instruments

Financial instruments recorded at fair value on our balance sheet include mainly securities classified as held-for-trading and available-for-sale as well as other trading assets, including derivatives. Securities classified as held-to-maturity are recorded at amortized historical cost on our balance sheet, and their corresponding fair values are shown in the notes to our complete financial statements. We present information on the fair value of our financial instruments in the following table as of December 31, 2016, 2015 and 2014.

Financial instruments recorded at fair value	As of December 31,		
	2016	2015	2014
(In millions of R\$, except percentages)			
Assets			
Held-for-trading	204,648	164,311	132,944
Designated at fair value through profit or loss	1,191	642	733
Derivatives	24,231	26,755	14,156
Available-for-sale	88,277	86,045	78,360
Total	318,347	277,753	226,193
Share (derivatives/total)	7.6%	9.6%	6.3%
Liabilities			
Held-for-trading	519	412	520
Derivatives	24,698	31,071	17,350
Total	25,217	31,483	17,870
Share (derivatives/total)	97.9%	98.7%	97.1%

We determine the fair value of our financial instruments based on International Financial Reporting Standard 13 (IFRS 13), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

According to IFRS 13, there are different levels of inputs that may be used to measure the fair value of financial instruments classified as levels 1, 2 and 3.

- Level 1: observable inputs reflect the quoted prices (unadjusted) of identical assets or liabilities in active markets;
- Level 2: observable inputs reflect the information on assets and liabilities that are either directly (such as prices) or indirectly (derived from prices) observable, except for the quoted prices included in Level 1; and
- Level 3: information on assets and liabilities that are not based on observable market data due to little market activity on the measurement date. We present information on our level 3 financial instruments in the following table as of December 31, 2016, 2015 and 2014.

Level 3	As of December 31,		
	2016	2015	2014
(In millions of R\$, except percentages)			
Held-for-trading	1,005	60	790
Available-for-sale securities	9,534	4,259	5,404
Net position of derivatives	461	1,218	77
Total	11,000	5,537	6,271
(Held-for-trading + Available-for-sale securities)/Total Level 3	95.8%	78.0%	98.8%

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 31 – Fair Value of Financial Instruments](#) for further details.

Judgments are also required to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is any evidence of impairment for available-for-sale or held-to-maturity financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, is recognized in the statement of income. The primary factors that are used by management to determine whether there is objective evidence that a financial asset is impaired include the observed period of the loss, the level of the loss, whether we were required to sell the securities before the recovery and the expectation, on the date of analysis, of the possibility of realization of the security. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 2 – Significant Accounting Policies](#) for further details about other significant accounting policies.

Contingent liabilities

Contingent liabilities arise mainly from judicial and administrative proceedings inherent to the ordinary course of our business and that are filed by third parties, including former employees and public bodies related to civil, labor, tax and social security claims.

These contingencies are assessed based on the best estimates of our management, taking into consideration the opinion of legal advisors when there is a probability that financial resources will be required to settle obligations and the amount of such obligations can be reliably measured.

Contingencies are classified as follows, based on likelihood of loss:

- Probable: liabilities are recognized under “provisions” on our consolidated balance sheet;
- Possible: liabilities are disclosed in our complete financial statements but no provisions are recorded; and
- Remote: liabilities do not require provision or disclosure.



Contingent liabilities for which provisions are recorded and those classified as having a “possible” likelihood of loss are evaluated based on our best estimates, using models and criteria that allow for their proper evaluation despite the uncertainty that is inherent to terms and amounts.

Significant changes in accounting standards

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 2.2 – New accounting standards and new accounting standards changes and interpretations](#) for further details about information on significant changes in accounting standards.

Accounting practices adopted in Brazil

Our books and records are maintained in Brazilian reais, the official currency in Brazil, and our complete financial statements, for statutory and regulatory purposes, are prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN) (“Brazilian GAAP”). The accounting principles and standards generally applicable under Brazilian GAAP include those established under Brazilian Corporate Law, by the Accounting Pronouncements Committee (CPC), which started issuing standards in 2007, and by the Federal Accounting Council. In the case of companies subject to regulation by the BACEN, such as Itaú Unibanco Holding, the effectiveness of the accounting pronouncements issued by entities such as the CPC depends on approval of the pronouncement by CMN, which also establishes the date of effectiveness of any pronouncements with respect to financial institutions. Additionally, CVM and other regulatory bodies, such as SUSEP and the Central Bank, provide additional industry-specific guidelines.

Regulation applicable to the presentation of the complete financial statements

Brazilian regulations establish specific rules for the consolidation of complete financial statements by financial institutions. Under current BACEN regulations, financial institutions, except for credit cooperatives, are required to prepare consolidated financial statements including investments directly or indirectly held in

other companies, individually or jointly controlled, and with respect to which such financial institutions have (i) the right to appoint or designate the majority of the company’s board of directors; (ii) the right to appoint or remove the majority of the company’s executives and directors; and/or (iii) operational or shareholding control. These regulations apply to the entire group to which a financial institution belongs.

Assets

Portfolio of securities and derivative financial instruments

General information

We present below our portfolio of held-for-trading financial assets, available-for-sale financial assets, held-to-maturity financial assets and derivative financial instruments as of December 31, 2016, 2015 and 2014.

The amounts exclude our investments in securities of unconsolidated companies. For further information on our investments in unconsolidated companies, see [section Performance, item complete financial statement \(IFRS\), Note 13 – Investments in associates and joint ventures](#). Held-for-trading and available-for-sale financial assets are stated at fair value and held-to-maturity financial assets are stated at amortized cost. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 2 – Significant Accounting Policies](#) for further details.

As of December 31, 2016, we held securities issued by the Brazilian federal government classified as “Government Securities – Domestic” with an aggregate book value and an aggregate market value of R\$221,973 million and R\$222,331 million, respectively, which represented 164.92% of our consolidated stockholders’ equity as of that date. As of December 31, 2016, we did not hold securities of any other issuer the book value of which in the aggregate represented more than 10.0% of our consolidated stockholders’ equity. This is due to our conservative asset and liabilities management and our liquidity in local currency maintained in securities issued by the Brazilian federal government. Additionally, securities issued by the Brazilian federal government are accepted as deposits in our operations in the market on BM&FBovespa.



Held-for-trading

Listed below are the assets acquired and accrued mainly for the purpose of selling in the short term or when they are part of a portfolio of financial instruments that are managed as a whole and for which there is a recent history of sales in the short term. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 7 – Financial Assets Held for Trading and Designated at Fair Value Through Profit or Loss](#), for further details.

	As of December 31,					
	2016	% of total	2015	% of total	2014	% of total
	(In millions of R\$, except percentages)					
Held-for-trading financial assets	204,648	100.0	164,311	100.0	132,944	100.0
Investment funds	1,173	0.6	1,051	0.6	870	0.7
Government securities – domestic	165,349	80.8	121,484	73.9	88,307	66.4
Brazilian government securities	160,024	78.2	117,053	71.2	86,393	65.0
Brazilian external debt bonds	5,325	2.6	4,431	2.7	1,914	1.4
Government securities – abroad	3,735	1.8	1,149	0.7	1,540	1.2
Argentina	651	0.3	696	0.4	628	0.5
United States	78	0.0	132	0.1	448	0.3
Mexico	6	0.0	3	0.0	3	0.0
Chile	127	0.1	36	0.0	132	0.1
Paraguay	88	0.0	68	0.0	128	0.1
Uruguay	32	0.0	40	0.0	41	0.0
Colombia	2,669	1.3	72	0.0	88	0.1
Other	84	0.0	102	0.1	72	0.1
Corporate securities	34,391	16.8	40,627	24.7	42,227	31.8
Shares	2,491	1.2	2,161	1.3	2,351	1.8
Securitized real estate loans	-	-	-	-	1	-
Bank deposit certificates	1,824	0.9	2,583	1.6	3,281	2.5
Debentures	3,190	1.6	4,522	2.8	4,243	3.2
Eurobonds and other	662	0.3	991	0.6	1,061	0.8
Financial credit bills	25,893	12.6	30,367	18.5	30,711	23.1
Promissory Notes	-	-	-	-	577	0.4
Other	331	0.2	3	0.0	2	0.0
Held-for-trading financial assets as a percentage of total assets	15.1%		12.9%		11.8%	

We note that Brazilian government securities represented over 78.2% of our portfolio of held-for-trading financial assets in 2016. Brazilian government securities classified as Held-for-Trading represented 11.8% of our total assets in the same period. Please see Our risk management, item Risk factors, we have significant exposure to Brazilian federal government debt.

Available-for-sale

Listed below are financial assets that, according to management's understanding, may be sold in response to, or before changes in, market conditions and are not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 10 – Available for Sale Financial Assets](#), for further details.

	As of December 31,					
	2016	% of total	2015	% of total	2014	% of total
	(In millions of R\$, except percentages)					
Available-for-sale financial assets	88,277	100.0	86,045	100.0	78,360	100.0
Investment funds	42	0.0	218	0.3	141	0.2
Government securities – domestic	32,003	36.3	29,108	33.8	25,625	32.7
Brazilian government securities	17,938	20.3	11,796	13.7	14,391	18.4
Brazilian external debt bonds	14,065	15.9	17,312	20.1	11,234	14.3
Government securities – abroad	14,472	16.4	9,883	11.5	8,619	11.0
United States	1,427	1.6	2,022	2.3	726	0.9
Italy	-	-	-	-	70	0.1



	As of December 31,					
	2016	% of total	2015	% of total	2014	% of total
(In millions of R\$, except percentages)						
Denmark	819	0.9	2,548	3.0	2,699	3.4
Spain	923	1.0	1,060	1.2	783	1.0
Korea	2,673	3.0	1,626	1.9	1,782	2.3
Chile	5,844	6.6	1,407	1.6	1,119	1.4
Paraguay	1,111	1.3	912	1.1	849	1.1
Uruguay	411	0.5	178	0.2	243	0.3
Colombia	1,155	1.3	-	-	-	-
Belgium	-	-	-	-	57	0.1
France	-	-	-	-	133	0.2
Netherlands	101	0.1	122	0.1	151	0.2
Other	8	0.0	8	0.0	7	0.0
Corporate securities	41,760	47.3	46,836	54.4	43,975	56.1
Shares	1,385	1.6	928	1.1	1,999	2.6
Securitized real estate loans	2,095	2.4	2,037	2.4	2,522	3.2
Bank deposit certificates	2,641	3.0	1,573	1.8	1,281	1.6
Debentures	21,170	24.0	22,835	26.5	20,245	25.8
Eurobonds and others	7,715	8.7	10,112	11.8	6,707	8.6
Promissory notes	2,173	2.5	991	1.2	1,397	1.8
Rural Product Note	1,425	1.6	1,130	1.3	1,408	1.8
Financial credit bills	2,816	3.2	6,846	8.0	8,005	10.2
Other	340	0.4	384	0.4	411	0.5
Available-for-sale financial assets as a percentage of total assets	6.5%		6.7%		7.0%	

Brazilian government securities and corporate securities represented 20.3% and 47.3%, respectively, of our portfolio of available-for-sale financial assets in 2016. Brazilian government securities and corporate securities classified as available-for-sale financial assets, which are used as a hedge for our subordinated debt portfolio, represented 1.3% and 3.1%, respectively, of our total assets in the same period.

Held-to-maturity

Listed below are non-derivative financial assets that with respect to which we have the intention and financial ability to held to maturity. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 11– Held to Maturity Financial Assets](#), for further details.

	As of December 31,					
	2016	% of total	2015	% of total	2014	% of total
(In millions of R\$, except percentages)						
Held-to-maturity financial assets	40,495	100.0	42,185	100.0	34,434	100.0
Government securities – domestic	24,979	61.7	26,509	62.9	20,859	60.6
Brazilian government securities	12,937	31.9	11,721	27.8	10,555	30.7
Brazilian external debt bonds	12,042	29.7	14,788	35.1	10,304	29.9
Government securities – abroad	539	1.3	15	-	26	0.1
Corporate securities	14,977	37.0	15,661	37.1	13,549	39.3
Debentures	12	0.0	-	-	-	-
Eurobonds and others	18	0.0	4	0.0	2	0.0
Securitized real estate loans	14,487	35.8	15,657	37.1	13,547	39.3
Others	460	1.1	-	-	-	-
Held-to-maturity financial assets as a percentage of total assets	3.0%		3.3%		3.1%	



Derivatives

Derivatives are classified on the date of their acquisition in accordance with management's intention to use them as a hedging instrument, as determined by Brazilian regulations. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 8 – Derivatives](#), for further details. Our derivatives portfolio (assets and liabilities) is composed of futures, forwards, swaps, options and credit derivatives, as stated in the following table:

Derivative Financial Instruments	As of December 31,					
	2016	% of total	2015	% of total	2014	% of total
(In millions of R\$, except percentages)						
Assets						
Futures Contracts	127	0.5	529	2.0	-	-
Options premiums	4,792	19.8	5,583	20.9	2,872	20.2
Forwards (onshore)	4,971	20.5	3,166	11.8	2,394	16.9
Swaps – difference receivable	10,542	43.5	9,147	34.2	4,816	34.0
Credit derivatives – financial Institutions	181	0.7	614	2.3	122	0.9
Forwards (offshore)	3,459	14.3	3,430	12.8	2,106	14.9
Check of Swap – companies	88	0.4	355	1.3	93	0.7
Others	71	0.3	3,931	14.7	1,753	12.4
Total derivative financial instruments assets	24,231	100.0	26,755	100.0	14,156	100.0
Derivative financial instruments as percentage of total assets	1.8%		2.1%		1.3%	
Liabilities						
Futures Contracts	-	-	-	-	(354)	2.0
Options premiums	(4,552)	18.4	(5,783)	18.6	(3,057)	17.6
Forwards (onshore)	(3,530)	14.3	(833)	2.6	(682)	3.9
Swaps – difference payable	(13,221)	53.5	(16,331)	52.6	(9,534)	55.0
Credit derivatives – financial Institutions	(147)	0.6	(875)	2.8	(179)	1.1
Forwards (offshore)	(2,825)	11.5	(3,142)	10.1	(1,693)	9.8
Check of swap – Companies	(353)	1.4	(545)	1.8	(229)	1.3
Other – Companies	(70)	0.3	(3,562)	11.5	(1,622)	9.3
Total derivative financial instruments liabilities	(24,698)	100.0	(31,071)	100.0	(17,350)	100.0
Derivative financial instruments as percentage of total liabilities and stockholder's equity	1.8%		2.4%		1.5%	

Distribution of our financial assets by maturity	As of December 31, 2016											
	No stated maturity		Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Total	
	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)
(In millions of R\$, except percentages)												
Held-for-trading financial assets, at fair value	3,206		31,000		118,050		42,284		10,108		204,648	
Investment funds ⁽¹⁾	1,056	-	116	-	-	-	-	-	-	-	1,173	-
Government securities – domestic	-	-	12,948	-	101,012	-	41,398	-	9,991	-	165,349	-
Brazilian government securities	-	-	12,172	2.6	97,805	1.9	40,174	1.4	9,872	0.5	160,024	1.8
Brazilian external debt bonds	-	-	775	0.6	3,207	8.4	1,223	3.0	119	22.9	5,325	6.3
Government securities – abroad	-	-	2,121	-	1,271	-	269	-	74	-	3,735	-
Argentina	-	-	618	2.2	30	5.6	3	6.3	0	6.8	651	2.3
United States	-	-	78	0.1	-	-	-	-	-	-	78	0.1
Mexico	-	-	-	-	3	11.0	1	5.4	2	16.8	6	12.3
Chile	-	-	5	-	87	0.4	25	0.1	9	-	127	0.3
Paraguay	-	-	88	0.1	-	-	-	-	-	-	88	0.1
Uruguay	-	-	31	4.0	-	-	0	18.4	1	13.5	32	4.2
Colombia	-	-	1,247	1.6	1,123	2.1	240	4.4	60	3.9	2,669	2.1
Other	-	-	55	-	28	0.0	-	-	1	32.4	84	0.3
Corporate securities	2,491	-	15,473	-	15,767	-	617	-	43	-	34,391	-
Shares	2,491	-	-	-	-	-	-	-	-	-	2,491	0.0
Bank deposit certificates	-	-	1,806	1.4	18	0.1	-	-	-	-	1,824	1.4
Debentures	-	-	460	0.3	2,490	6.8	240	19.4	-	-	3,190	6.8

(1) Average yields are not shown for these securities, as such yields are not meaningful because future yields are not quantifiable. These securities have been excluded from the calculation of the total yield.



As of December 31, 2016

Distribution of our financial assets by maturity	No stated maturity		Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Total	
	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)	R\$	Average yield (%)
(In millions of R\$, except percentages)												
Eurobonds and other	-	-	299	1.9	241	2.9	79	2.5	43	1.1	662	2.3
Financial credit bills	-	-	12,907	0.8	12,978	2.5	7	-	-	-	25,893	1.6
Other	-	-	-	-	40	0.0	291	1.0	-	-	331	0.9
Financial assets designated at fair value through profit or loss – Government securities – domestic – Brazilian external debt bonds	-	-	1,191	-	-	-	-	-	-	-	1,191	-
Derivatives	-	-	14,111	-	6,940	-	3,180	-	-	-	24,231	-
Available-for-sale financial assets, at fair value	1,375	-	22,261	-	38,969	-	12,329	-	13,343	-	88,277	-
Investment funds ⁽¹⁾	42	-	-	-	-	-	-	-	-	-	42	-
Government securities – domestic	100	-	3,568	-	10,116	-	8,116	-	10,203	-	32,003	-
Brazilian government securities	-	-	1,708	11.5	6,686	5.6	3,668	13.5	5,876	17.0	17,938	11.5
Brazilian external debt bonds	-	-	1,860	2.8	3,429	8.9	4,448	11.2	4,328	34.2	14,065	16.5
Government securities – abroad	-	-	5,896	-	7,758	-	795	-	23	-	14,472	-
Argentina	-	-	0	76.5	-	-	-	-	-	-	-	-
United States	-	-	481	0.2	885	0.5	61	0.6	-	-	1,427	0.4
Denmark	-	-	819	0.5	-	-	-	-	-	-	819	0.5
Spain	-	-	682	1.8	241	0.2	-	-	-	-	923	1.4
Korea	-	-	2,024	1.2	649	1.0	-	-	-	-	2,673	1.1
Chile	-	-	692	0.4	4,851	0.4	278	0.4	23	0.5	5,844	0.4
Paraguay	-	-	853	4.2	258	2.8	-	-	-	-	1,111	3.9
Uruguay	-	-	235	6.6	119	0.5	56	0.8	1	0.9	411	4.0
Colombia	-	-	-	-	755	3.9	400	3.0	-	-	1,155	3.6
Netherlands	-	-	101	-	-	-	-	-	-	-	101	-
Other	-	-	8	0.4	-	-	0	-	-	-	8	0.4
Corporate securities	1,385	-	12,745	-	21,096	-	3,418	-	3,116	-	41,760	-
Shares	1,385	-	-	-	-	-	-	-	-	-	1,385	-
Securitized real estate loans	-	-	-	-	-	-	-	-	2,095	1.3	2,095	1.3
Bank deposit certificates	-	-	2,469	0.3	152	1.2	20	2.0	-	-	2,641	0.3
Debentures	-	-	1,960	10.5	15,152	4.0	3,218	3.5	840	4.3	21,170	4.6
Eurobonds and others	-	-	3,659	1.4	3,876	0.9	180	1.0	-	-	7,715	1.1
Promissory notes	-	-	1,731	6.8	442	1.1	-	-	-	-	2,173	5.6
Rural product note	-	-	476	0.4	801	0.2	-	-	148	0.0	1,425	0.2
Financial credit bills	-	-	2,383	22.1	433	5.6	-	-	-	-	2,816	19.5
Other	-	-	67	7.6	240	1.1	-	-	33	49.8	340	7.1
Held-to-maturity financial assets, at amortized cost	-	-	2,498	-	19,376	-	10,957	-	7,664	-	40,495	-
Government securities – domestic	-	-	1,115	-	16,355	-	4,599	-	2,911	-	24,979	-
Brazilian government securities	-	-	276	47.2	9,750	19.6	-	-	2,911	39.5	12,937	24.7
Brazilian external debt bonds	-	-	839	2.8	6,605	8.2	4,599	22.4	-	-	12,042	13.3
Government securities – abroad	-	-	526	-	-	-	-	-	13	-	539	-
Colombia	-	-	526	0.6	-	-	-	-	-	-	526	0.6
Uruguay	-	-	-	-	-	-	-	-	13	-	13	-
Corporate securities	-	-	858	-	3,021	-	6,358	-	4,740	-	14,977	-
Debentures	-	-	-	-	-	-	12	84.1	-	-	12	85.8
Eurobonds and others	-	-	-	-	-	-	18	0.1	-	-	18	0.1
Securitized real estate loans	-	-	399	21.6	3,020	8.8	6,328	2.1	4,740	0.3	14,487	3.4
Other	-	-	459	0.5	1	-	-	-	-	-	460	0.5

(1) Average yields are not shown for these securities, as such yields are not meaningful because future yields are not quantifiable. These securities have been excluded from the calculation of the total yield.



Distribution of our financial assets by currency	Fair Value					Amortized cost	Total
	Held-for-trading financial assets	Financial assets designated at fair value	Derivatives	Available-for-sale financial assets	Held-to-maturity financial assets		
(In millions of R\$)							
As of December 31, 2016	204,648	1,191	24,231	88,277	40,495	358,842	
Denominated in Brazilian currency	191,250	1,191	10,710	52,859	27,436	283,446	
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	2,653	-	4,634	670	-	7,957	
Denominated in foreign currency ⁽¹⁾	10,745	-	8,887	34,748	13,059	67,439	
As of December 31, 2015	164,311	642	26,755	86,045	42,185	319,938	
Denominated in Brazilian currency	154,737	505	7,445	51,621	27,378	241,686	
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	3,043	-	10,044	791	-	13,878	
Denominated in foreign currency ⁽¹⁾	6,531	137	9,266	33,633	14,807	64,374	
As of December 31, 2014	132,944	733	14,156	78,360	34,434	260,627	
Denominated in Brazilian currency	126,404	626	5,519	55,152	24,102	211,803	
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	2,190	-	2,948	571	-	5,709	
Denominated in foreign currency ⁽¹⁾	4,350	107	5,689	22,637	10,332	43,115	

(1) Predominantly U.S. dollars.

For the purpose of analyzing the exposure of variations in foreign exchange rates, the following table presents the composition of our derivative financial instruments on December 31, 2016 in *reais* and in foreign currency, including the instruments denominated in foreign currencies. For the notional amount of derivative financial instruments, please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 8 – Derivatives](#).

Derivative financial instruments (notional amounts)	As of December 31, 2016		
	Brazilian Currency	Denominated in or linked to Foreign Currency	Total
(In millions of R\$)			
Swap contracts			
Buy (Sale) commitments, net	3,128	(7,574)	(4,446)
Forward contracts			
Buy (Sale) commitments, net	(10,990)	17,256	6,266
Future contracts			
Buy (Sale) commitments, net	(225,845)	(39,578)	(265,423)
Option contracts			
Buy (Sale) commitments, net	22,927	4,152	27,079
Others			
Buy (Sale) commitments, net	410	(624)	(214)

Exposure to GIIPS

Our gross exposure to the sovereign bonds of GIIPS (Greece, Ireland, Italy, Portugal and Spain) countries, as well as to corporate clients and financial institutions domiciled in those countries as of December 31, 2016, is set forth in the following table:

Segment	As of December 31, 2016					Total Exposure
	Credit	Co-obligation	Sovereign	Bond	Derivative	
(In millions of R\$)						
Italy						
Corporate	106	-	-	-	-	106
Financial	-	3	-	-	-	3
Portugal						
Corporate	111	-	-	-	-	111
Financial	-	-	-	-	-	-
Spain						
Corporate	838	269	-	-	3	1,110
Financial	-	184	923	-	8	1,115
Total	1,055	456	923	-	11	2,445

The total gross exposure presented above, primarily related to our exposure to corporate credits, amounted to R\$1,055 million as of December 31, 2016, and with co-obligations in the amount of R\$456 million. The exposure presented above has been calculated based on our estimated realizable value, which is updated depending on its nature (such as pledged amounts in current accounts used to collect customer receivables, financial investments, real estate, machinery and equipment or others), except for guarantees provided by third parties, in which case the amount corresponds to the outstanding debt. Our derivatives related to GIIPS countries amounted to R\$11 million as of December 31, 2016.



Required reserve deposits with the Central Bank

The Central Bank requires reserves for deposits from Brazilian financial institutions. The reserve requirements are tools utilized by the Central Bank to control the liquidity of the Brazilian financial system, for both monetary policy and risk mitigation purposes. These requirements are applied to balances on demand deposits, saving account deposits and time deposits. See below the required reserve for each type of deposit:

Required reserve deposits	Regulation ⁽¹⁾	Yield	2016	2015	2014
Demand Deposits					
Compulsory	Circular No. 3,632	Zero	45%	45%	45%
Additional Compulsory	Circular No. 3,655	SELIC	0%	0%	0%
Rural ⁽²⁾	Resolution No. 4,096	Zero	34%	34%	34%
Microcredit ⁽²⁾	Resolution No. 4,000	Zero	2%	2%	2%
Savings Accounts⁽³⁾					
Compulsory	Circular No. 3,093	TR + 6.17% p.a.	24.5%	24.5%	20%
Additional Compulsory	Circular No. 3,655	SELIC	5.5%	5.5%	10%
Real estate financing ⁽²⁾	Resolution No. 3,932	Zero	65%	65%	65%
Time and Interbank Deposits Received from Leasing Companies					
Compulsory	Circular No. 3,569	SELIC	25%	25%	20%
Additional Compulsory	Circular No. 3,655	SELIC	11%	11%	11%

(1) Most recent regulation on the matter.

(2) This is a compulsory investment of resources that is made in eligible transactions, that is, the funds are granted to other economic entities.

(3) Remuneration on funds in savings deposits:

For deposits made until March 5, 2012, inclusive: TR + 6.17% per annum.

For deposits made after March 5, 2012: (a) If the target of the Selic rate is higher than 8.5% per annum: TR + 6.17% per annum; (b) If the target of the Selic rate is lower than 8.5% per annum: TR + 70% of the target of the Selic rate per annum.

In 2015, the Central Bank enacted a set of rules changing the reserve requirements that Brazilian financial institutions are required to deposit with the Central Bank, as a mechanism to control the liquidity of the Brazilian financial system.

The regulations that govern the compulsory deposit rates are frequently changed by the Central Bank in accordance with the economic scenario and its monetary policy goals.

The compulsory reserve requirements imposed on time deposits (currently applicable to us at the general rate of 25.0%), demand deposits (currently at the general rate of 45.0%), and saving accounts (currently at the general rate of 24.5%, and 15.5% for rural savings deposits) represent almost the entirety of the amount that must be deposited

at the Central Bank. Nonetheless, the Central Bank also determines an additional reserve requirement on deposits raised by full service banks, investment banks, commercial banks, development banks, finance, credit and investment companies, real estate credit companies and savings and loan associations, based on specific criteria.

On December 31, 2016, we recorded an amount of R\$85,700 million in compulsory deposits in cash compared to R\$66,556 million on December 31, 2015 and R\$82,698 million in interest-bearing deposits compared to R\$62,766 million on December 2015, as indicated in the following table. Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 5 – Central Bank Compulsory Deposits](#) for further details.

Required reserve deposits	2016		2015		2014	
	R\$	% of total required reserve deposits	R\$	% of total required reserve deposits	R\$	% of total required reserve deposits
(In millions of R\$, except percentages)						
Non-interest bearing deposits ⁽¹⁾	3,002	3.5	3,790	5.7	3,392	5.4
Interest-bearing deposits ⁽²⁾	82,698	96.5	62,766	94.3	59,714	94.6
Total	85,700	100.0	66,556	100.0	63,106	100.0

(1) Mainly related to demand deposits.

(2) Mainly related to time and savings deposits.

Loan and lease operations

Most of our loans are granted to clients domiciled in Brazil and are denominated in Brazilian *reais*. Additionally, 47.1% of our credit portfolio consists of transactions with fixed interest rates and 52.9% of transactions with variable interest rates.



Indexation

Most of our portfolio is denominated in Brazilian *reais*. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. The foreign currency portion of our portfolio consists of loans and financing for foreign trade and onlending operations. Our loans abroad represented 34.1%, 27.1% and 24.7% of our loan portfolio as of December 31, 2016, 2015 and 2014, respectively, see [section Performance, item Complete Financial Statements \(IFRS\), Note 36 – Management of financial risks – 5. Credit risk exposure](#).

Loan and lease operations by type

The following table sets out the distribution of our credit portfolio according to the type of loan and lease operations, as follows:

- The Individuals portfolio consists primarily of credit cards, personal loans (primarily including consumer finance and overdrafts), payroll loans, vehicle financing and residential mortgage loans;
- The Corporate portfolio consists primarily of loans made to large corporate clients;
- The Small and Medium Businesses portfolio consists primarily of loans to small and medium-sized companies; and
- The Foreign Loans – Latin America portfolio consists primarily of loans granted primarily to individuals by our operations in Argentina, Chile, Paraguay and Uruguay.

Loan and lease operations, by type ⁽¹⁾	2016		2015		2014	
	Loan	Allowance	Loan	Allowance	Loan	Allowance
	(In millions of R\$)					
Individuals	183,147	14,259	187,220	14,717	185,953	13,385
Credit card	59,022	3,693	58,542	4,141	59,321	3,740
Personal loans	25,813	7,756	28,396	8,330	27,953	7,024
Payroll Loans	44,636	2,108	45,434	1,319	40,525	1,107
Vehicles	15,434	644	20,058	874	29,047	1,469
Mortgage loans	38,242	58	34,790	53	29,107	45
Corporate	121,754	5,862	152,527	6,459	147,002	3,114
Small and Medium Businesses	58,935	4,743	66,038	4,809	68,838	5,158
Foreign Loans Latin America	126,530	2,108	68,463	859	50,638	735
Total Loan operations and lease operations portfolio	490,366	26,972	474,248	26,844	452,431	22,392

(1) We classify all loans and leases more than 60 days overdue as non-accrual loans and we discontinue accruing financial income related to them. The contractual amount of non-accrual loans were R\$19,942 million, R\$19,458 million and R\$16,514 million as of December 31, 2016, 2015 and 2014, respectively. The total of renegotiated loans in the balance of non-accrual loans reflected herein was R\$4,225 million, R\$3,417 million and R\$3,346 million as of December 31, 2016, 2015 and 2014, respectively. Non-accrual loans are presented herein in the appropriate category of loan and lease operations. The interest income foregone on our non-accrual loans net of allowance for loan losses for 2016, 2015 and 2014 was R\$2,017 million, R\$1,882 million and R\$1,623 million, respectively.



Loan and lease operations by maturity

The following table sets out the distribution of our credit portfolio by maturity, including non-overdue and overdue installments, according to the type of loan and lease:

Non-Overdue Installments							12/31/2016
Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Individuals	29,843	22,919	16,934	18,401	55,700	30,254	174,051
Credit card	23,093	16,972	9,185	4,237	199	-	53,686
Personal loans	4,353	1,788	1,986	3,414	11,188	238	22,967
Payroll loans	1,388	2,551	3,571	6,552	28,279	1,854	44,195
Vehicles	705	1,236	1,693	3,113	8,290	20	15,057
Mortgage loans	304	372	499	1,085	7,744	28,142	38,146
Corporate	12,970	13,645	15,232	20,627	48,332	9,528	120,334
Small and Medium Businesses	10,388	11,661	6,619	9,566	17,952	292	56,478
Foreign Loans Latin America	14,144	14,743	11,903	13,641	40,798	27,431	122,660
Total⁽¹⁾	67,345	62,968	50,688	62,235	162,782	67,505	473,523

(1) Includes R\$9,085 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments							12/31/2015
Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Individuals	29,539	23,792	18,033	20,223	57,797	27,682	177,066
Credit card	21,997	16,998	9,193	4,174	161	-	52,523
Personal loans	4,924	2,115	2,314	4,060	11,766	164	25,343
Payroll loans	1,395	2,591	3,651	6,692	28,779	1,935	45,043
Vehicles	978	1,760	2,414	4,301	9,974	21	19,448
Mortgage loans	245	328	461	996	7,117	25,562	34,709
Corporate	16,696	17,094	16,745	22,944	63,454	13,711	150,644
Small and Medium Businesses	12,121	12,862	7,248	10,475	20,539	368	63,613
Foreign Loans Latin America	8,611	7,673	8,045	7,370	19,304	16,326	67,329
Total⁽¹⁾	66,967	61,421	50,071	61,012	161,094	58,087	458,652

(1) Includes R\$8,399 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments							12/31/2014
Type of loan and lease	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Individuals	29,985	25,941	20,510	23,392	54,906	22,651	177,385
Credit card	21,658	17,658	9,841	4,740	217	-	54,114
Personal loans	5,137	3,074	3,488	5,346	8,749	18	25,812
Payroll loans	1,259	2,328	3,290	6,082	25,614	1,744	40,317
Vehicles	1,482	2,516	3,496	6,348	14,267	1	28,110
Mortgage loans	449	365	395	876	6,059	20,888	29,032
Corporate	14,481	20,141	15,446	21,392	61,447	12,710	145,617
Small and Medium Businesses	9,934	15,147	7,993	11,577	21,563	364	66,578
Foreign Loans Latin America	7,494	5,703	5,394	5,388	14,055	11,743	49,777
Total⁽¹⁾	61,894	66,932	49,343	61,749	151,971	47,468	439,357

(1) Includes R\$7,533 million related to non-overdue installments of the non-accrual loans.



Overdue Installments⁽¹⁾

12/31/2016

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
(In millions of R\$)										
Individuals	1,704	931	859	2,318	3,231	53	9,096	183,147	(14,259)	168,888
Credit card	937	443	446	1,273	2,236	1	5,336	59,022	(3,693)	55,329
Personal loans	514	352	319	846	800	15	2,846	25,813	(7,756)	18,057
Payroll loans	71	53	48	116	123	30	441	44,636	(2,108)	42,528
Vehicles	145	64	37	69	60	2	377	15,434	(644)	14,790
Mortgage loans	37	19	9	14	12	5	96	38,242	(58)	38,184
Corporate	484	238	201	161	315	21	1,420	121,754	(5,862)	115,892
Small and Medium Businesses	481	301	223	619	799	34	2,457	58,935	(4,743)	54,192
Foreign Loans Latin America	2,170	523	329	386	414	48	3,870	126,530	(2,108)	124,422
Total⁽²⁾	4,839	1,993	1,612	3,484	4,759	156	16,843	490,366	(26,972)	463,394

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,857 million related to overdue installments of the non-accrual loans.

Overdue Installments⁽¹⁾

12/31/2015

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
(In millions of R\$)										
Individuals	1,840	1,000	1,014	2,708	3,557	35	10,154	187,220	(14,717)	172,503
Credit card	979	418	551	1,598	2,466	7	6,019	58,542	(4,141)	54,401
Personal loans	540	406	347	876	875	9	3,053	28,396	(8,330)	20,066
Payroll loans	72	51	44	103	105	16	391	45,434	(1,319)	44,115
Vehicles	220	109	64	118	98	1	610	20,058	(874)	19,184
Mortgage loans	29	16	8	13	13	2	81	34,790	(53)	34,737
Corporate	825	130	125	560	238	5	1,883	152,527	(6,459)	146,068
Small and Medium Businesses	557	314	267	623	647	17	2,425	66,038	(4,809)	61,229
Foreign Loans Latin America	649	120	64	118	148	35	1,134	68,463	(859)	67,604
Total⁽²⁾	3,871	1,564	1,470	4,009	4,590	92	15,596	474,248	(26,844)	447,404

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$11,059 million related to overdue installments of the non-accrual loans.

Overdue Installments⁽¹⁾

12/31/2014

Type of loan and lease	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans	Allowance for loan losses	Total net
(In millions of R\$)										
Individuals	1,844	910	791	1,980	2,972	71	8,568	185,953	(13,385)	172,568
Credit card	990	467	422	1,166	2,114	48	5,207	59,321	(3,740)	55,581
Personal loans	433	240	243	574	645	6	2,141	27,953	(7,024)	20,929
Payroll loans	56	30	24	50	42	6	208	40,525	(1,107)	39,418
Vehicles	333	161	95	179	161	8	937	29,047	(1,469)	27,578
Mortgage loans	32	12	7	11	10	3	75	29,107	(45)	29,062
Corporate	697	51	99	261	274	3	1,385	147,002	(3,114)	143,888
Small and Medium Businesses	488	249	243	559	681	40	2,260	68,838	(5,158)	63,680
Foreign Loans Latin America	449	86	56	126	103	41	861	50,638	(735)	49,903
Total⁽²⁾	3,478	1,296	1,189	2,926	4,030	155	13,074	452,431	(22,392)	430,039

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$8,981 million related to overdue installments of the non-accrual loans.



Loan and lease operations by interest rate

The following table sets out the classification of our credit portfolio into fixed and variables rates, including non-overdue and overdue installments:

Non-Overdue Installments							12/31/2016
Interest rate of loans to customers by maturity	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Variable rates	21,082	28,062	22,294	28,525	90,341	64,232	254,536
Fixed rates	46,263	34,906	28,394	33,710	72,441	3,273	218,987
Total⁽¹⁾	67,345	62,968	50,688	62,235	162,782	67,505	473,523

(1) Includes R\$9,085 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments							12/31/2015
Interest rate of loans to customers by maturity	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Variable rates	17,424	23,010	19,880	24,869	79,466	53,659	218,308
Fixed rates	49,543	38,411	30,191	36,143	81,628	4,428	240,344
Total⁽¹⁾	66,967	61,421	50,071	61,012	161,094	58,087	458,652

(1) Includes R\$8,399 million related to non-overdue installments of the non-accrual loans.

Non-Overdue Installments							12/31/2014
Interest rate of loans to customers by maturity	Due in 30 days or less	Due in 31-90 days	Due in 91-180 days	Due in 181-360 days	Due in one year to five years	Due after five years	Total Non-Overdue Installments
(In millions of R\$)							
Variable rates	13,506	23,137	15,346	21,499	66,894	42,765	183,147
Fixed rates	48,388	43,795	33,997	40,250	85,077	4,703	256,210
Total⁽¹⁾	61,894	66,932	49,343	61,749	151,971	47,468	439,357

(1) Includes R\$7,533 million related to non-overdue installments of the non-accrual loans.

Overdue Installments ⁽¹⁾								12/31/2016
Interest rate of loans to customers by maturity	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans
(In millions of R\$)								
Variable rates	2,513	795	512	506	686	76	5,088	259,624
Fixed rates	2,326	1,198	1,100	2,978	4,073	80	11,755	230,742
Total⁽²⁾	4,839	1,993	1,612	3,484	4,759	156	16,843	490,366

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$10,857 million related to overdue installments of the non-accrual loans.

Overdue Installments ⁽¹⁾								12/31/2015
Interest rate of loans to customers by maturity	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans
(In millions of R\$)								
Variable rates	1,166	240	156	531	347	39	2,479	220,786
Fixed rates	2,705	1,324	1,314	3,478	4,243	53	13,117	253,462
Total⁽²⁾	3,871	1,564	1,470	4,009	4,590	92	15,596	474,248

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$11,059 million related to overdue installments of the non-accrual loans.

Overdue Installments ⁽¹⁾								12/31/2014
Interest rate of loans to customers by maturity	01-30 days	31-60 days	61-90 days	91-180 days	181-360 days	One year or more	Total overdue installments	Total gross loans
(In millions of R\$)								
Variable rates	972	146	164	375	324	44	2,025	185,172
Fixed rates	2,506	1,150	1,025	2,551	3,706	111	11,049	267,259
Total⁽²⁾	3,478	1,296	1,189	2,926	4,030	155	13,074	452,431

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$8,981 million related to overdue installments of the non-accrual loans.



Loan and lease operations by economic activity

The following table sets out the composition of our credit portfolio, including non-accrual loan operations, by economic activity of the borrower:

Economic Activities	12/31/2016		12/31/2015		12/31/2014	
	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio
(In millions of R\$, except percentages)						
Public sector	3,051	0.6	3,182	0.7	4,389	1.0
Industry and commerce	112,067	22.8	125,386	26.5	116,506	25.7
Services	118,102	24.1	104,226	22.0	99,855	22.1
Natural resources	24,362	5.0	25,306	5.3	23,345	5.2
Individuals	229,945	46.9	213,622	45.0	206,094	45.5
Other sectors	2,839	0.6	2,526	0.5	2,242	0.5
Total	490,366	100.0	474,248	100.0	452,431	100.0

On December 31, 2016, there was no concentration of loan and lease operations exceeding 10% of the total portfolio that had not been disclosed in a category of loan and losses.

Loan and lease operations by concentration

The following table presents the composition of our credit portfolio by concentration with respect to the amounts owed by the debtors:

Concentration	12/31/2016		12/31/2015		12/31/2014	
	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio	Loan portfolio	% of Loan portfolio
(In millions of R\$, except percentages)						
Largest debtor	3,543	0.7	4,615	1.0	4,032	0.9
10 largest debtors	21,609	4.4	27,173	5.7	23,646	5.2
20 largest debtors	32,720	6.7	40,831	8.6	35,325	7.8
50 largest debtors	52,992	10.8	63,797	13.5	58,180	12.9
100 largest debtors	72,441	14.8	85,167	18.0	79,617	17.6

Rating of the loan and lease portfolio

The following table presents the rating of our loan and lease portfolio based on the probability of default for the periods indicated below.

Internal Rating	12/31/2016			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
(In millions of R\$, except percentages)				
Lower Risk	363,954	5,543	-	369,497
Satisfactory	62,883	6,904	-	69,787
Higher Risk	13,767	6,998	-	20,765
Impaired ⁽²⁾	-	-	30,317	30,317
Total	440,604	19,445	30,317	490,366
%	89.8	4.0	6.2	100.0

Internal Rating	12/31/2015			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
(In millions of R\$, except percentages)				
Lower Risk	340,368	3,838	-	344,206
Satisfactory	76,940	6,489	-	83,429
Higher Risk	12,609	6,847	-	19,456
Impaired ⁽²⁾	-	-	27,157	27,157
Total	429,917	17,174	27,157	474,248
%	90.7	3.6	5.7	100.0

Internal Rating	12/31/2014			
	Loans neither overdue nor impaired	Loans overdue not impaired ⁽¹⁾	Loans impaired	Total loans
(In millions of R\$, except percentages)				
Lower Risk	324,908	4,042	-	328,950
Satisfactory	81,994	6,989	-	88,983
Higher Risk	11,439	5,853	-	17,292
Impaired ⁽²⁾	-	-	17,206	17,206
Total	418,341	16,884	17,206	452,431
%	92.5	3.7	3.8	100.0

(1) The operations classified as Loans Overdue Not Impaired are past due between 1 day and 90 days and the balance is the total of outstanding principal amount (Overdue and Non-Overdue).

(2) We consider loans as impaired when (i) corporate transactions have a probability of default higher than 31.84%; (ii) transactions are overdue for more than 90 days; or (iii) renegotiated transactions are overdue for more than 60 days.



The credit rating in corporate transactions is based on information such as the economic and financial condition of the counterparty, its cash-generating capabilities, the economic group to which it belongs, the current and prospective situation of the economic sector in which it operates, the collateral offered and the use of proceeds. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism reporting to the Superior Credit Committee.

Regarding retail transactions (those involving individuals, small and middle-market companies) the rating is assigned based on the corresponding loan application and behavior score statistical models. Decisions are made based on scoring models that are continuously updated by an independent unit. In limited instances, there may also be an individualized analysis of specific cases where approval is subject to higher credit approval levels. The risk ratings are grouped in four categories: (i) lower risk, (ii) satisfactory, (iii) higher risk and (iv) impaired. Please refer to [section Performance, item Financial performance – Allowance for loan and lease losses](#), for further details on the individual and collective analyses.

Non-accrual loans

We consider all loans overdue for 60 days or more as non-accrual loans and, accordingly, cease the accrual of financial charges on such loans.

Write-offs

Loans and leases are written off against the allowance for loan and lease losses when the loan is not collected or is considered permanently impaired. We typically write off loans when they are overdue for 360 days, except for loans having an original maturity in excess of 36 months, which are written off when they are overdue for 540 days. However, write-offs may be recognized earlier than 360 days if we conclude that the loan is not recoverable.

Please refer to [section Performance, item Assets – Loan and lease operations – Renegotiated loans](#) for further details.

Information on the quality of loans and leases

The following table shows our non-accrual loans together with certain asset quality ratios.

	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
	(In millions of R\$, except percentages)				
Non-accrual loans	19,942	19,458	16,514	18,065	20,791
Allowance for loan losses	26,972	26,844	22,392	22,235	25,713
Total loans and leases operations portfolio	490,366	474,248	452,431	411,702	366,984
Non-accrual loans as a percentage of total loans (%)	4.1	4.1	3.7	4.4	5.7
Allowance for loan losses as a percentage of total loans (%)	5.5	5.7	4.9	5.4	7.0
Allowance for loan losses as a percentage of non-accrual loans (%)	135.3	138.0	135.6	123.1	123.7

Assessment

We first assess whether there is objective evidence of loss individually allocated to individually significant loans or collectively allocated to loans that are not individually significant.

To determine the amount of the allowance for individually significant loans with objective evidence of impairment, we use methodologies that consider both the client quality and the nature of the financing, including its collateral, to estimate the cash flow expected from these loans.

If there is no objective evidence of loss for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics which are then collectively tested for impairment. Individually assessed loans for which an impairment loss is recognized are not included in the collective assessment. The amount of loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows

(excluding future loan losses that have not been incurred), discounted at the financial asset's effective interest rate.

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

For the purpose of collectively assessing impairment, loans are aggregated based on similar credit risk characteristics. These characteristics are relevant to estimate the future cash flows of these loans since they may be an indicator of the difficulty of the debtor in paying the amounts due, in accordance with the contractual conditions of the loan that is being assessed. The future cash flows of a group of loans that are collectively assessed in order to identify the need for recognizing an impairment are estimated based on the contractual cash flows of the group of loans and



the historical experience of loss for loans with similar credit risk characteristics. The historical loss experience is adjusted, based on current observable data, to reflect the effects of current conditions that have not impacted the period on which the historical loss experience is based and to exclude the effects of conditions in the historical period that are not currently in place.

For individually significant loans with no objective evidence of impairment, such loans are classified into certain credit

ratings based on several qualitative and quantitative factors applied to internally developed models. Considering the size and the different risk characteristics of each credit agreement, the ratings determined under internal models may be reviewed and modified by our Credit Committee, the members of which are executives and experts in corporate credit risk. We estimate the losses inherent in every rating, using the approach internally developed to low-default portfolios, which uses our historical experience to design internal

models that are used to estimate the probability of default and the potential for recovery of non-performing loans.

To determine the amount of the allowance for items that are not individually significant, loans are segregated into classes based on the underlying risks and the characteristics of each group. The allowance for loan and lease losses is determined for each of these classes through a process that considers the historical delinquency and the loan loss experience in prior years.

Allocation of the allowance for loan and lease losses

The following table presents the details, by segment and class, as defined in the segmentation of our portfolio, of the allowance for loan and lease losses, of this allowance as a percentage of the total loan and lease losses for the corresponding segment or class, and the percentage of the total loan and leases in each segment and class in relation to the total loans and leases.

	12/31/2016			12/31/2015			12/31/2014			12/31/2013			12/31/2012		
	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Allocated allowance as a % of total loans and leases	Loans category as a % of total loans	Allocated allowance	Loans category as a % of total loans	
(In millions of R\$, except percentages)															
Individuals	14,259	2.9	37.3	14,717	3.1	39.5	13,385	3.0	41.1	13,853	3.4	40.7	14,844	4.1	41.1
Credit card	3,693	0.8	12.0	4,141	0.9	12.4	3,740	0.8	13.1	2,952	0.7	12.9	2,863	0.8	11.0
Personal loans	7,756	1.6	5.3	8,330	1.7	6.0	7,024	1.6	6.2	6,488	1.6	6.5	6,841	1.9	7.3
Payroll loans	2,108	0.4	9.1	1,319	0.3	9.6	1,107	0.2	9.0	1,133	0.3	5.5	867	0.2	3.7
Vehicles	644	0.1	3.1	874	0.2	4.2	1,469	0.3	6.4	3,245	0.8	9.9	4,227	1.2	14.1
Mortgage loans	58	-	7.8	53	-	7.3	45	-	6.4	35	-	5.9	46	-	5.0
Corporate	5,862	1.2	24.8	6,459	1.4	32.2	3,114	0.7	32.5	2,006	0.5	31.6	1,594	0.4	29.6
Small and Medium Businesses	4,743	1.0	12.1	4,809	1.0	13.9	5,158	1.1	15.2	5,854	1.4	17.6	8,853	2.4	20.9
Foreign Loans Latin America	2,108	0.4	25.8	859	0.2	14.4	735	0.2	11.2	522	0.1	10.1	422	0.1	8.4
Total	26,972	5.5	100.0	26,844	5.7	100.0	22,392	4.9	100.0	22,235	5.4	100.0	25,713	7.0	100.0

Renegotiated loans

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(In millions of R\$, except percentages)				
Renegotiated loans ⁽¹⁾	16,398	14,932	11,572	12,880	14,519
Allowance for loan and lease losses	7,341	6,991	5,459	6,284	6,767
Allowance for loan and lease losses/renegotiated loans (%)	44.8	46.8	47.2	48.8	46.6

(1) Includes debt consolidation, deferment or any other arrangement that modifies the periods or conditions, of operations originally overdue.

Renegotiated loans include both loans for which the corresponding credit agreement's original terms were amended (amendments) and new loans originated in order to settle contracts or transactions with the same client (restructured loans), which were past due. Amendments and restructured loans usually reflect changes in contract terms, rates or payment conditions.

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

The fact that a loan or lease has been renegotiated is also taken into consideration when determining the allowance for loan and lease losses after the renegotiation. The past performance and the payment history of the client and the transaction, including the probability of another default for renegotiated transactions, are considered in our risk models in order to determine the probability of default. This probability of default is generally higher than the probability assigned to similar transactions that have never been renegotiated. Another factor considered in determining the appropriate level of the allowance for loan and lease losses is the additional collateral to be offered by the debtor. The resulting allowance levels are compatible with the risk profile of each transaction.

Our renegotiated loan portfolio increased to 3.3% of our total loan portfolio as of December 31, 2016, compared to 3.1% as of December 31, 2015. At the end of 2016, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 44.8% compared to 46.8% as of December 31, 2015. This portfolio increased in 2016 due to the deteriorating macroeconomic scenario, mainly in Brazil, specifically in the corporate segment, and small and medium business segment as shown below in the table "Renegotiated loan and lease operations" where a breakdown by segment is presented.

Our renegotiated loan portfolio increased to 3.1% of our total loan portfolio as of December 31, 2015, compared to 2.6% as of December 31, 2014. At the end of 2015, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 46.8% compared to 47.2% as of December 31, 2014. This portfolio increased in 2015 due to the deteriorating macroeconomic scenario, mainly in Brazil, specifically in the corporate segment, as shown below in the table "Renegotiated loan and lease operations" where a breakdown by segment is presented.

Our renegotiated loan portfolio decreased to 2.6% of our total loan portfolio as of December 31, 2014, compared to 3.1% as of December 31, 2013. At the end of 2014, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 47.2% compared to 48.8% as of December 31, 2013. Throughout 2014, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Our renegotiated loan portfolio decreased to 3.1% of our total loan portfolio as of December 31, 2013, compared to 4.0% as of December 31, 2012. At the end of 2013, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 48.8% compared to 46.6% as of December 31, 2012. Throughout 2013, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Our renegotiated loan portfolio increased to 4.0% of our total loan portfolio as of December 31, 2012. At the end of 2012, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 46.6%. This ratio increased in 2012 mainly because of an increase in the renegotiated loans in default to total renegotiated loans ratio.

Since 2013, we maintained our policy for the recovery of overdue loans, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. However, we still require that at least one installment is paid to consider the renegotiation to be valid and to treat it as a renegotiated agreement. We



also adopted a policy of stricter selectivity in origination of loans, which led to lower levels of delinquency and a decreased volume of renegotiated loans.

During 2012, the Brazilian economy experienced an increase in the default levels for individuals, mainly with respect to vehicle financing and personal loan portfolios. As one of the largest banks in Brazil, our loan portfolio was impacted by this increase in defaults. In order to increase

the recovery of overdue loans, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. However, we require that at least one installment is paid to consider the renegotiation to be valid and to treat it as a renegotiated agreement.

The total amount of each type of renegotiated loan as of December 31, 2016, 2015 and 2014 is shown in the tables below.

As of December 31, 2016					
Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
(In millions of R\$, except percentages)					
Restructured Loans	14,405	6,740	46.8	3,930	27.3
Agreements	1,993	601	30.2	295	14.8
Total	16,398	7,341	44.8	4,225	25.8

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

As of December 31, 2015					
Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
(In millions of R\$, except percentages)					
Restructured Loans	11,985	5,508	46.0	3,077	25.7
Agreements	2,947	1,483	50.3	340	11.5
Total	14,932	6,991	46.8	3,417	22.9

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

As of December 31, 2014					
Type of Loan	Total Renegotiated Loans	Total Allowance for Loan Losses	Allowance for Loan Losses/Renegotiated Loans (%)	Total Redefaulted Renegotiated Loans ⁽¹⁾	Redefaulted Renegotiated Loans (%)
(In millions of R\$, except percentages)					
Restructured Loans	10,284	5,051	49.1	2,744	26.7
Agreements	1,288	408	31.7	602	46.7
Total	11,572	5,459	47.2	3,346	28.9

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.



The tables below present an additional breakdown of renegotiated loans by portfolio, in segments and types, based on the type of modification, as of December 31, 2016, 2015 and 2014:

Renegotiated loan and lease operations	As of December 31, 2016			
	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
(In millions of R\$)				
Individuals	138	2,470	5,209	7,817
Credit card	-	333	-	333
Personal loans	-	1,964	5,209	7,173
Payroll loans	-	173	-	173
Vehicles	68	-	-	68
Mortgage loans	70	-	-	70
Corporate	-	-	2,908	2,908
Small and medium businesses	34	2,102	2,201	4,337
Foreign loans – Latin America	188	1,148	-	1,336
Total renegotiated loan and lease operations	360	5,720	10,318	16,398

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

Renegotiated loan and lease operations	As of December 31, 2015			
	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
(In millions of R\$)				
Individuals	213	2,457	5,123	7,793
Credit card	-	356	-	356
Personal loans	-	1,965	5,123	7,088
Payroll loans	-	136	-	136
Vehicles	163	-	-	163
Mortgage loans	50	-	-	50
Corporate	-	-	3,181	3,181
Small and medium businesses	53	2,348	1,357	3,758
Foreign loans – Latin America	-	200	-	200
Total renegotiated loan and lease operations	266	5,005	9,661	14,932

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

Renegotiated loan and lease operations	As of December 31, 2014			
	Payment extension ⁽¹⁾	Multiple concessions ⁽²⁾	Multiple modifications ⁽³⁾	Total
(In millions of R\$)				
Individuals	648	2,352	4,330	7,330
Credit card	-	403	-	403
Personal loans	-	1,906	4,330	6,236
Payroll loans	-	43	-	43
Vehicles	577	-	-	577
Mortgage loans	71	-	-	71
Corporate	-	-	871	871
Small and medium businesses	55	2,610	620	3,285
Foreign loans – Latin America	-	86	-	86
Total renegotiated loan and lease operations	703	5,048	5,821	11,572

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.



The following tables present an additional breakdown of renegotiated loans and leases by segment and class, as of December 31, 2016, 2015 and 2014:

As of December 31, 2016					
Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
(In millions of R\$)					
Individuals	-	4,162	2,162	1,493	7,817
Credit card	-	333	-	-	333
Personal loans	-	3,689	2,033	1,451	7,173
Payroll loans	-	104	55	14	173
Vehicles	-	32	29	7	68
Mortgage loans	-	4	45	21	70
Corporate	2,113	135	633	27	2,908
Small and medium businesses	-	2,064	1,293	980	4,337
Foreign loans – Latin America	22	733	292	289	1,336
Total renegotiated loan and lease operations	2,135	7,094	4,380	2,789	16,398

As of December 31, 2015					
Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
(In millions of R\$)					
Individuals	-	4,133	2,118	1,542	7,793
Credit card	-	356	-	-	356
Personal loans	-	3,679	1,919	1,490	7,088
Payroll loans	-	83	28	25	136
Vehicles	-	13	135	15	163
Mortgage loans	-	2	36	12	50
Corporate	2,796	198	187	-	3,181
Small and medium businesses	-	1,666	1,207	885	3,758
Foreign loans – Latin America	-	95	69	36	200
Total renegotiated loan and lease operations⁽¹⁾	2,796	6,092	3,581	2,463	14,932

As of December 31, 2014					
Renegotiated loan and lease operations	Impaired performing	Non-impaired performing	Impaired non-performing	Non-impaired non-performing	Total
(In millions of R\$)					
Individuals	-	3,922	2,019	1,389	7,330
Credit card	-	403	-	-	403
Personal loans	-	3,445	1,486	1,305	6,236
Payroll loans	-	23	17	3	43
Vehicles	-	37	478	62	577
Mortgage loans	-	14	38	19	71
Corporate	236	408	227	-	871
Small and medium businesses	-	1,406	1,116	763	3,285
Foreign loans – Latin America	-	55	12	19	86
Total renegotiated loan and lease operations	236	5,791	3,374	2,171	11,572

(1) Our renegotiated loan and lease operations increased in 2015 due to the worsening macroeconomic scenario, mainly in Brazil, specifically in the segment corporate.



The following table presents the changes in our loan and lease portfolio with loss event, including the changes of the renegotiated loans and leases with loss event related to each year as of December 31, 2016, 2015 and 2014:

Impaired loans	2016	2015	2014
	(In millions of R\$)		
Balance at the beginning of the period	27,157	17,206	16,305
(+) Loan operations added	21,075	21,701	12,521
(+) Loan operations added due to redefault	5,188	4,587	3,915
(-) Loans removed due to write-off	(10,737)	(9,474)	(10,006)
(-) Loans removed due to renegotiation (including amendments)	(1,453)	(1,160)	(1,024)
(-) Loans removed due to total or partial pay-off	(10,913)	(5,703)	(4,505)
Balance at the end of the period	30,317	27,157	17,206

Please refer to [section Performance, item Complete Financial Statements in IFRS Note 12 – Loan operations and lease operations portfolio](#) for further details.

Cross border outstanding

Cross border outstanding are monetary assets which are denominated in non-local currency and exceeded 1% of our total assets in the case of transactions with foreign clients entered into by our subsidiaries in the United Kingdom (our former subsidiary in Portugal), the Cayman Islands, the Bahamas and Chile. The aggregate cross border outstanding breakdown of these subsidiaries for the periods indicated below is as follows:

Cross border outstanding	12/31/2016	%	12/31/2015	%	12/31/2014	%
	(In millions of R\$, except percentages)					
Cash and deposits on demand	41,234	3.1	52,649	4.1	4,187	0.4
Interbank deposits	97,934	7.2	139,190	10.9	64,491	5.7
Securities purchased under agreements to resell	22,267	1.6	20,187	1.6	24,606	2.2
Central Bank compulsory deposits	266	0.0	2,891	0.2	3	0.0
Financial assets held for trading	12,121	0.9	6,995	0.5	5,978	0.5
Derivatives	10,153	0.8	15,409	1.2	9,321	0.8
Available for sale financial assets	47,002	3.5	69,331	5.4	39,850	3.5
Financial assets held to maturity	12,595	0.9	15,446	1.2	10,767	1.0
Loan and lease operations	59,667	4.4	70,010	5.5	97,740	8.7
Total outstanding	303,239	22.4	392,108	30.7	256,943	22.8

Short-term borrowings

Short-term borrowings are included in our balance sheet under the “Securities sold under repurchase agreement” line item. The main category for short-term borrowings is “Deposits Received under Securities Repurchase Agreements with Own and Third-Party Financial Assets”. The following table shows our short-term borrowings as of December 31, 2016, 2015 and 2014:

Securities sold under repurchase agreements	As of December 31,		
	2016	2015	2014
	(In millions of R\$, except percentages)		
Amount outstanding	349,164	336,643	288,683
Maximum amount outstanding during the period	358,781	336,643	288,683
Weighted average interest rate at period-end (%)	12.1	11.7	10.2
Average amount outstanding during period	339,416	297,509	266,527
Weighted average interest rate (%)	11.9	12.3	11.1

Liabilities

Funding

Main sources

Our current funding strategy is to continue to use all of our sources of funds in accordance with their costs and availability and our general asset and liability management strategy. In order to fund our operations, we intensified the use of the liquidity generated by savings deposits, interbank deposits, debt in the interbank market and debt in the institutional market during 2016, 2015 and 2014.

We also used Brazilian debentures subject to repurchase as a source of funding, reported as deposits received under securities repurchase agreements and offered to institutional clients as well as private banking, corporate banking and retail clients. This funding is designed to provide increased profitability through higher spreads in our savings deposits and higher fees earned on market funds.



Our ability to obtain funding depends on several factors, including credit ratings, general economic conditions and investors' perception of emerging markets in general and of Brazil (particularly, current political and economic conditions in Brazil and government regulations for foreign currency funding).

Part of our long-term debt provides for the advance payment of the outstanding principal balance upon the occurrence of certain facts, as is customary for long-term financing agreements. As of December 31, 2016, none of these events, including default events and non-compliance with any financial covenant, had occurred, and we have no reason to believe that any of these events are likely to occur in 2017.

Our main sources of funding are our deposits, which are split into demand deposits, savings deposits, time deposits and interbank deposits. As of December 31, 2016, total deposits were R\$329,414 million, which represented 36.3% of total funding. As of December 31, 2015, total deposits amounted to R\$292,610 million, representing 33.2% of total funding. As of December 31, 2014, total deposits amounted to R\$294,773 million, representing 37.8% of our total funding. Our time deposits represent one of our major sources of funding which, as of December 31, 2016, 2015 and 2014 accounted for 17.2%, 12.0% and 13.9% of total funding, respectively.

The following table shows the breakdown of our main sources of funds as of December 31, 2016, 2015 and 2014:

Breakdown of the main sources of funds	2016	% of total funding	2015	% of total funding	2014	% of total funding
(In millions of R\$, except percentages)						
Deposits	329,414	36.3	292,610	33.2	294,773	37.8
Demand deposits	61,133	6.7	61,092	6.9	48,733	6.3
Savings deposits	108,250	12.0	111,319	12.6	118,449	15.1
Time deposits	156,274	17.2	105,250	12.0	108,466	13.9
Interbank deposits	3,757	0.4	14,949	1.7	19,125	2.5
Securities sold under repurchase agreements	349,164	38.2	336,643	38.3	288,683	37.0
Interbank market debt	135,483	14.9	156,886	17.8	122,586	15.8
Mortgage notes	-	-	139	-	143	-
Real estate credit bills	19,179	2.1	14,452	1.6	10,832	1.4
Agribusiness credit bills	15,442	1.7	13,775	1.6	7,811	1.0
Financial credit bills	19,566	2.2	18,496	2.1	10,645	1.4
Import and export Financing	45,633	5.0	65,566	7.5	43,381	5.6
Onlending-domestic	29,828	3.3	38,804	4.4	45,230	5.8
Liabilities from transactions related to credit assignments	5,835	0.6	5,654	0.6	4,544	0.6
Institutional market debt	96,239	10.6	93,918	10.7	73,242	9.4
Subordinated debt	57,420	6.3	65,785	7.5	55,617	7.1
Foreign borrowings through securities	33,583	3.7	24,188	2.7	15,392	2.0
Structured Operations Certificates	5,236	0.6	3,945	0.4	2,233	0.3
Total	910,300	100.0	880,057	100.0	779,284	100.0



Deposits by maturity

The following table shows the maturity profile of our deposits as of December 31, 2016, 2015 and 2014:

Deposits by maturity					2016
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
(In millions of R\$)					
Non-interest bearing deposits	61,133	-	-	-	61,133
Demand deposits	61,133	-	-	-	61,133
Interest bearing deposits	139,982	30,166	17,734	80,399	268,281
Savings deposits	108,250	-	-	-	108,250
Time deposits	30,555	28,248	17,109	80,362	156,274
Interbanks Deposits	1,177	1,918	625	37	3,757
Total	201,115	30,166	17,734	80,399	329,414

Deposits by maturity					2015
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
(In millions of R\$)					
Non-interest bearing deposits	61,092	-	-	-	61,092
Demand deposits	61,092	-	-	-	61,092
Interest bearing deposits	129,260	27,979	14,288	59,991	231,518
Savings deposits	111,319	-	-	-	111,319
Time deposits	13,466	19,252	13,276	59,256	105,250
Interbanks Deposits	4,475	8,727	1,012	735	14,949
Total	190,352	27,979	14,288	59,991	292,610

Deposits by maturity					2014
	0-30 days	31-180 days	181-365 days	Over 365 days	Total
(In millions of R\$)					
Non-interest bearing deposits	48,733	-	-	-	48,733
Demand deposits	48,733	-	-	-	48,733
Interest bearing deposits	134,841	36,829	8,537	65,833	246,040
Savings deposits	118,449	-	-	-	118,449
Time deposits	11,705	23,656	7,775	65,330	108,466
Interbanks Deposits	4,687	13,173	762	503	19,125
Total	183,574	36,829	8,537	65,833	294,773

The following table sets forth the maturity of outstanding time deposits with balances in excess of US\$100,000 (or its equivalent) issued by us as of December 31, 2016, 2015 and 2014:

	2016	2015	2014
(In millions of R\$)			
Maturity within three months	30,560	26,545	32,549
Maturity after three months to six months	11,124	10,512	13,782
Maturity after six months to twelve months	12,509	8,925	6,097
Maturity after twelve months	35,167	17,443	34,251
Total time deposits in excess of US\$100,000	89,360	63,425	86,679

The following table sets forth the mix of the individual and corporate time deposits divided among our retail, Itaú Personnalité, middle market and corporate markets (each expressed as a percentage of total time deposits) as of December 31, 2016, 2015 and 2014:

	2016	2015	2014
(%)			
Retail	8.1	8.3	3.4
Itaú Personnalité	14.3	17.3	19.4
Middle market	39.7	28.5	26.2
Corporate	32.5	44.2	35.6
Institutional	5.4	1.7	15.5
Total	100.0	100.0	100.0

Other sources

We also act as a financial agent in borrowing funds from BNDES and FINAME, and lending such funds at a spread determined by the Brazilian government to targeted sectors of the economy. We obtain U.S. dollar-denominated lines of credit from our affiliates, including Itaú Unibanco Holding – Grand Cayman branch, Banco Itaú Chile and Itaú BBA S.A. – Nassau branch to provide trade finance funding for Brazilian companies. For further details on Lending domestic and import and export financing, please refer to [section Performance, item](#)



[Complete Financial Statements \(IFRS\), Note 19 – Securities Sold under Repurchase Agreements and Interbank and Institutional Market Debts.](#)

Litigation

Overview

We are not defendants in any significant administrative proceeding before CVM, SUSEP, the Central Bank or any municipalities. As part of the ordinary course of our business, we are subject to, and we are party to various legal and administrative proceedings (including consumer complaints) filed against us with SUSEP, certain municipalities or the Central Bank.

Our complete financial statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. Our management believes that our provisions, including interest, for legal proceedings in which we are defendants are sufficient to cover probable losses that can be reasonably estimated in the event of unfavorable court decisions. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our business, financial condition or results. There are no material proceedings in which any of our directors, any member of our senior management or any of our affiliates is either a party adverse to us or to our subsidiaries or has a material interest adverse to us or our subsidiaries.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 32 – Provisions, Contingencies and Other Commitments](#), for further information and details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes. The following table sets forth our provisions for such contingencies as of December 31, 2016, 2015 and 2014

Provision	12/31/2016	12/31/2015	12/31/2014
(In millions of R\$)			
Civil	5,172	5,227	4,643
Labor	7,232	6,132	5,598
Tax and social security	8,246	7,500	6,627
Other	259	135	159
Total	20,909	18,994	17,027

No class actions alleging unfair competition, trust or monopoly practices were brought against us in 2016.

Civil litigation

Litigation arising from government monetary stabilization plans

We are a defendant in lawsuits for the collection of understated inflation adjustment for savings resulting from the economic plans implemented in the 1980s and 1990s by the Brazilian Federal Government as a measure to combat inflation. Please refer to [section Our risk management, item Risk factors, Legal and regulatory risks](#). Decision on lawsuits due to government monetary stabilization plans may have a material adverse effect on us, for further information.

Other civil litigation

In addition to litigation arising from government monetary stabilization plans, we are defendants in numerous civil lawsuits arising from the normal course of our business. We are not able to currently predict the total amounts involved in these claims, due to the nature of the matters disputed. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results.

Labor litigation

In 2016, we and our subsidiaries were not exposed to any labor liabilities or labor contingencies which individually significantly impacted our results. The pool of labor claims for our subsidiaries in such period comprises labor claims filed by employees, former employees and outsourced service providers.

Labor unions and former employees have filed labor claims against us, seeking compensation for alleged breaches of employment agreements or rights under the applicable labor laws. As of December 31, 2016, there were 68,386 labor claims filed against us.

The main requests in the labor claims filed by our current and former employees include:

- salary differences arising from the application of the 30 working hours per week limit, provided for in art. 224 of the Brazilian Labor Laws Consolidation (CLT), which is applicable to bank employees whose function does not require special trust from the employer;
- salary differences arising from overtime not duly registered in the internal systems;
- claims with respect to the method to establish the overtime work pay; and
- salary parity.

Labor class actions filed against us mainly relate to the continuation of health care plans, safety rules and strikes. We are also defendants in connection with labor claims filed by the labor prosecution office regarding union



classification, outsourcing, occupational diseases, health and safety and compliance with the minimum quotas for disabled personnel. In the fiscal year ended December 31, 2016, we paid approximately R\$2,453 million in direct labor expenses, mainly in settlements and convictions involving former employees, in accordance to the agreements signed and to the rulings imposed by labor courts. [GRI 103-2 | 103-3 Health, safety and well-being](#)

Regarding labor claims filed by outsourced service providers, they generally involve allegations of subsidiary liability of the companies within our group.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 32 – Provisions, Contingencies and Other Commitments](#), for further information about labor claims.

Tax litigation

We have certain tax disputes that arise from our ordinary business activities, mainly relating to the constitutionality or legality of certain taxes imposed on us.

We classify as legal liability tax due when we discuss the legality and/or unconstitutionality of the legislation in force. Legal liability taxes are provisioned regardless of the likelihood of loss.

Tax contingencies correspond to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. A provision is recognized whenever the chance of prevailing is less likely than not.

We took advantage of a program (*Programa de Pagamento ou Parcelamento de Tributos Municipais*), established by Laws: (Law No. 5,854, of April 27, 2015) Rio de Janeiro; (Law No. 8,927, of October 22, 2015 and Decree No. 26,624 of October 26, 2015) Salvador; (Law No. 18,181, of November 30, 2015 and Decree No. 29,275 of November 30, 2015) Recife; (Supplementary Law No. 95, of October 19, 2015) Curitiba for the payment of municipal tax debts with certain discounts as to penalties and interest. We settled the contested tax liabilities in question in cases with respect to which we had the lowest chances of success, according to our tax advisors.

On June 25, 2013, we received a notice of deficiency from the Brazilian tax authorities alleging that we failed to pay approximately R\$11,844.7 million of IRPJ, plus accrued penalties and interest, and approximately R\$6,867.0 million of CSLL, plus accrued penalties and interest, in fiscal year 2008, as a result of the corporate transaction that led to the association of Itaú Holding and Unibanco Holdings S.A. The Brazilian tax authorities allege that corporate transactions of a different kind should have been used. However, the transaction suggested by the Brazilian tax authorities is not supported in the rules applicable to financial institutions. On January 30, 2014, we

were advised that the Brazilian tax authorities confirmed the notifications in a non-unanimous ruling. On February 28, 2014 we appealed the decision at the Administrative Tax Appeals Tribunal. We continue to defend that the transactions conducted were appropriate and legitimate, having been approved by the involved companies' management bodies and their respective stockholders, and subsequently sanctioned as well by the relevant regulatory authorities, including CVM, the Central Bank and CADE. We and our external counsel assess the risk of loss in this tax proceeding as remote. On April 10, 2017, the Administrative Board of Tax Appeals (CARF), by the Ordinary Instance, rendered a favorable decision to the Company, canceling the tax assessment notice. Currently, we are awaiting the formalization of the judgment.

Additionally, relating to the same transaction on November 14, 2013, we received a notice of tax assessment issued on behalf of Itaú Unibanco S.A., charging R\$1,439.9 million of Income Tax (IRPJ) and R\$502.56 million of (CSLL), plus accrued penalties and interest. We also assess the chances in prevailing in this litigation as more likely than not. We filed a voluntary appeal that was dismissed by CARF. Currently, the proceeding is pending judgment of the special appeal filed by the company with the Superior Administrative Court of Federal Tax Appeals (CSRF).

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 32 – Provisions, Contingencies and Other Commitments](#), for further details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes.

Derivative instruments that qualify for hedge accounting

Hedging transactions may be classified into three categories: hedge of fair value, cash flows and net investment of foreign operations.

- Fair value hedge: is aimed at protecting us against changes in market risk due to changes in the fair value of interest subject to variable rates.
- Cash flow hedge: is aimed at protecting us against future cash flows of payments of interest.
- Hedge of net investment of foreign operations: it is aimed at protecting us against changes in future cash flows of foreign exchange variations in net investments of foreign operations.

Please refer to [section Our risk management item Risk and capital management, Market risk](#) for further details about hedge.

Please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 9 – Hedge Accounting](#), for further details. With respect to the hedge accounting policy, please refer to [section Performance, item Complete Financial Statements \(IFRS\), Note 2.4 d V – Summary of Main Accounting Practices](#).



Tabular disclosure of contractual obligations

The following table summarizes the maturity profile of our consolidated long-term debt, operating leases and other contractual commitments as of December 31, 2016:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In millions of R\$)				
Interbank market debt ⁽¹⁾⁽³⁾	152,081	81,103	38,982	18,136	13,860
Institutional market debt ⁽²⁾⁽³⁾	114,423	22,795	33,125	20,417	38,086
Time Deposits ⁽³⁾	192,387	72,266	22,488	34,763	62,870
Operating and capital (finance) lease obligations	6,764	1,362	3,272	1,417	713
Endorsements and sureties	70,793	17,848	7,157	2,818	42,970
Letters of credit to be released	6,660	6,660	-	-	-
Pension Obligations	517	50	100	102	265
Health Benefits	221	15	32	37	137
Total	543,846	202,099	105,156	77,690	158,901

(1) Includes mortgage notes, real estate credit bills, agribusiness credit bills, financial credit bills, import and export financing and on-lending – domestic.

(2) Includes subordinated debt, debentures and foreign borrowings through securities.

(3) Includes total estimated interest payments (including for derivatives). These estimated interest payments were calculated substantially based on the interbank forward rates at the specific periods.

Purchases of shares by the issuer and affiliated purchasers

In conformity with best corporate governance practices, on November 18, 2004, we started to voluntarily disclose our Policy for Trading Itaú Unibanco Holding S.A. Securities. Please [click here](#) for further details. We disclose to the market the transactions carried out with our own shares by our Treasury through an “Announcement to the Market” on a monthly basis, as well as the other disclosure requirements imposed by the Brazilian securities regulation.

The repurchase program initially effective in 2016 was approved by our Board of Directors on August 27, 2015 with limits of 50.0 million preferred shares and 10.0 million common shares.

On February 1, 2016, our Board of Directors approved the renewal of our share repurchase program through August 2, 2017, authorizing the purchase, in the aggregate with respect to all shares purchased under the program, of up to 10.0 million common shares and 50.0 million preferred shares issued by us, without reducing our capital stock. The share acquisition process has the following potential objectives: (i) to maximize the allocation of capital through the efficient application of available funds; (ii) to provide for the delivery of shares to the employees and management of the Company and those of its subsidiaries within the scope of the compensation models and the long-term incentive plans; and (iii) to use the acquired shares in the event of business opportunities arising in the future. All purchases shall be open market purchases made through stock exchanges.

Period ⁽¹⁾	(a) Total number of preferred shares purchased ⁽²⁾	(b) Average price paid per preferred share ⁽²⁾⁽³⁾	(c) Total number of preferred shares purchased as part of publicly announced plans or programs ⁽²⁾	(d) Maximum number of preferred shares that may yet be purchased under the plans or programs
01/02 to 01/29/2016	7,990,000	25,06	49,980,000	20,000
02/01 to 02/29/2016	-	-	-	50,000,000
03/01 to 03/31/2016	-	-	-	50,000,000
04/01 to 04/29/2016	-	-	-	50,000,000
05/02 to 05/31/2016	-	-	-	50,000,000
06/01 to 06/30/2016	-	-	-	50,000,000
07/01 to 07/29/2016	-	-	-	50,000,000
08/01 to 08/31/2016	-	-	-	50,000,000
09/01 to 09/30/2016	-	-	-	50,000,000
10/03 to 10/31/2016	-	-	-	50,000,000
11/01 to 11/30/2016	1,000,000	35,71	1,000,000	49,000,000
12/01 to 12/30/2016	21,650,000	32,86	22,650,000	27,350,000
01/02 to 01/31/2017	6,350,000	35,21	29,000,000	21,000,000
02/01 to 02/28/2017	-	-	29,000,000	21,000,000
03/01 to 03/31/2017	1,626,000	38,26	30,626,000	19,374,000

(1) On August 27, 2015 our Board of Directors approved the purchase of up to 11,000,000 common shares and 50,000,000 preferred shares, ending on August 26, 2016, on February 1, 2016 our Board of Directors approved the renewal of our share repurchase program through August 2, 2017, authorizing the purchase, in the aggregate with respect to all shares purchased under the program, of up to 10.0 million common shares and 50.0 million preferred shares.

(2) All amounts were not adjusted at the 10% bonus for our shares. Considering the 10% bonus for our shares, occurred in October 2016, we acquired (a) 31.4 million preferred shares of our own issue, in the total amount of R\$947.4 million, at the average price of R\$30.13 per share.

(3) Includes brokerage costs.



Capital expenditures

In accordance with our practice in the last few years, our capital expenditures in the 12-month period ended December 31, 2016 were funded with internal resources. We cannot provide assurance that we will make capital expenditures in the future and, if made, that the amounts will correspond to the current estimates. The following table show our capital expenditures as of December 31, 2016, 2015 and 2014:

Capital Expenditures	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
	(In millions of R\$, except percentages)						
Fixed Assets	1,430	1,466	3,966	(36)	(2.5)%	(2,500)	(63.0)%
Fixed assets under construction	341	198	1,485	143	72.2%	(1,287)	(86.7)%
Land and buildings	127	6	14	121	2016.7%	(8)	(57.1)%
Leasehold improvements	137	139	169	(2)	(1.4)%	(30)	(17.8)%
Furniture and data processing equipment	602	1,040	2,236	(438)	(42.1)%	(1,196)	(53.5)%
Other	223	83	62	140	168.7%	21	33.9%
Intangible Assets	2,846	1,062	1,199	1,784	168.0%	(137)	(11.4)%
Acquisition of rights to credit payroll	342	109	109	233	213.8%	-	0.0%
Association for the promotion and offer of financial products and services	719	39	36	680	1743.6%	3	8.3%
Software developed or obtained for internal use	1,508	899	1,044	609	67.7%	(145)	(13.9)%
Other intangibles	277	15	10	262	1746.7%	5	50.0%
Total	4,276	2,528	5,165	1,748	69.1%	(2,637)	(51.1)%

Please refer to section [Performance, item Complete Financial Statements \(IFRS\), Note 15 – Fixed Assets](#) and [Note 16 – Intangible Assets](#) for further details.

Fixed assets property, plant and equipment

As of December 31, 2016, we own and rent our principal administrative offices, which included 20 office buildings in 10 different addresses, having a total area of 445,707 square meters, located primarily in São Paulo, Brazil. These offices include our head office, and a number of other administrative buildings, where administrative functions are performed, such as commercial department, back offices, wholesale and investment bank activities, and also our data processing center.

In July 2016, we successfully completed the migration of all of Itaú Unibanco's business processing and operation to the new datacenter in the city of Mogi Mirim. This move marks the end of the enormous investment made in and detailed implementation planning of the new technological center, which will allow for the sustainability of the business over the coming decades, as well as for innovation, competitiveness and, more importantly,

the opportunity to digitalize our business and internal departments, thus creating a new experience for our employees and clients.

We also lease a portion of our administrative offices and the majority of our branches at competitive market prices from third parties and under renewable leases with terms ending from the first half of 2017 (which are in the process of being renewed under similar terms) to the fourth quarter of 2036.

As of December 31, 2016, we owned approximately 25% of our administrative offices and branches (including electronic service points, banking sites and parking lots) and leased approximately 75%.

Capitalization

The following table presents our capitalization as of December 31, 2016. The information described is derived from our consolidated financial statements as of and for the year ended December 31, 2016. As of the date of this Consolidated Annual Report, there has been no material change in our capitalization since December 31, 2016.



You should read the following table in conjunction with the information included in [section Our profile](#), [item In numbers](#), [Selected Financial Data – IFRS](#), [section Performance](#) and [section Attachments](#), item Selected Statistical Information for further details.

Capitalization	As of December 31, 2016	
	R\$	US\$ ⁽¹⁾
	(In millions of R\$, except percentages)	
Current liabilities		
Deposits	249,015	76,406
Securities sold under repurchase agreements	234,569	71,974
Financial liabilities held for trading	134	41
Derivatives	10,810	3,317
Interbank market debt	75,352	23,120
Institutional market debt	19,053	5,846
Other financial liabilities	71,798	22,030
Reserves for insurance and private pension	1,450	445
Liabilities for capitalization plans	3,147	966
Provisions	4,434	1,360
Tax liabilities	1,741	534
Other liabilities	25,968	7,968
Total	697,471	214,007
Long-term liabilities		
Deposits	80,399	24,669
Securities sold under repurchase agreements	114,595	35,162
Financial liabilities held for trading	385	118
Derivatives	13,888	4,261
Interbank market debt	60,131	18,450
Institutional market debt	77,186	23,683
Other financial liabilities	34	10
Reserves for insurance and private pension	152,626	46,831
Provisions	16,475	5,055
Tax liabilities	3,452	1,059
Other liabilities	1,142	350
Total	520,313	159,648
Income tax and social contribution – deferred	643	197
Non-controlling interests	12,232	3,753
Stockholders' equity attributed to the owners of the parent company⁽²⁾	122,582	37,612
Total capitalization⁽³⁾	1,353,241	415,217
BIS ratio⁽⁴⁾	19.1%	

(1) Convenience translation at 3.2591 reais per U.S. dollar, the exchange rate in effect on December 31, 2016.

(2) Itaú Unibanco Holding's authorized and outstanding share capital consists of 3,351,744,217 common shares and 3,230,563,326 preferred shares, all of which are fully paid. For more information regarding our share capital see Note 21 to our consolidated financial statements as of and for the period ended December 31, 2016.

(3) Total capitalization corresponds to the sum of total current liabilities, long-term liabilities, deferred income, minority interest in subsidiaries and stockholders' equity.

(4) Calculated by dividing total regulatory capital by risk weight assets.

Off-balance sheet arrangements

We do not have any off-balance sheet arrangements, other than the guarantees we granted that are described in Note 36 – Management of Financial Risks, item 3 – Collateral and policies for mitigating credit risk and item 5 – Credit risk exposure of our consolidated financial statements and derivative financial instruments discussed above. Please refer to [section Our Risk Management](#), item

[Risk and Capital Management](#), [Exchange Rate Sensitivity](#) for further details.

Results

Highlights

The highlights for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 are presented below:

Net income (attributable to the owners of the parent company): decreased 9.6% in 2016 compared to 2015 and increased 19.4% in 2015 compared to 2014.

For 2016, our net income attributable to the owners of the parent company was R\$23,263 million and decreased by 9.6% compared to 2015, when our net income was R\$25,740 million. For the year ended December 31, 2015, our net income attributable to the owners of the parent company increased by 19.4% compared to the year ended December 31, 2014, when our net income attributable to the owners of the parent company was R\$21,555 million.

Our performance ratio, ROAE (return on average equity), calculated by dividing net income attributable to owners of the parent company by the quarterly average stockholders' equity attributed to the owners of the parent company excluding quarterly average proposed dividends recorded, was 20.1% in 2016, a decrease of 470 basis points compared to 2015 when our performance ratio was 24.8%, an increase of 50 basis points compared to 2014 when our ROAE was 24.3%.

Stockholders' equity (attributable to the owners of the parent company): increased by 9.2% as of December 31, 2016 compared to December 31, 2015 and increased by 13.1% in 2015 compared to 2014.

As of December 31, 2016 our Stockholders' equity attributed to the owners of the parent company increased by 9.2% compared to December 31, 2015, and reached R\$122,582 million. As of December 31, 2015, our stockholders' equity amounted to R\$112,252 million. As of December 31, 2015 our stockholders' equity grew 13.1% compared to stockholder equity as of December 31, 2014, which was R\$99,260 million.

Loan and lease portfolio: increased by 3.4% as of December 31, 2016 compared to December 31, 2015 and increased by 4.8% as of December 31, 2015 compared to December 31, 2014.

Loans and lease to individuals:

As of December 31, 2016 loans and lease to individuals totaled R\$183,147 million, a decrease of 2.2% compared to December 31, 2015. The decrease primarily is a result of



the decrease of 23.1% in vehicle financing as a result of our continued application of stricter requirements for granting such loans, which has led to higher down payment requirements and shorter financing terms, partially offset by the increases of (i) 9.9% in mortgage loans to R\$38,242 million, mainly due to our focus on portfolios with lower delinquency rates, and (ii) 0.8% in credit card loans as we are the leading player in the Brazilian credit card market according to ABECS (Associação Brasileira das Empresas de Cartões de Crédito e Serviços), through Itaucard, Hipercard, Hiper, Credicard, joint ventures and commercial agreements with leading companies in sectors such as telecom, vehicles, retail and aviation operating in the Brazilian market.

As of December 31, 2015 loans and lease to individuals totaled R\$187,220 million, an increase of 0.7% compared to December 31, 2014. The increase is primarily a result of the increases of (i) 19.5% in mortgage loans to R\$34,790 million, mainly due to our focus on portfolios with lower delinquency rates, and (ii) 12.1% in payroll loans to R\$45,434 million, due to a continued growth in our retail branch payroll loan operations and through Banco Itaú BMG Consignado S.A., a financial institution aimed at offering, distributing and marketing payroll loans. Vehicle financing decreased by 30.9% as of December 31, 2015 compared to December 31, 2014, totaling R\$20,058 million, as a result of our continued application of stricter requirements for granting such loans, which has led to higher down payment requirements and shorter financing periods.

Loans and lease to companies:

As of December 31, 2016 loans and leases to companies, which includes corporate and small and medium business operations, totaled R\$180,689 million, representing a decrease of R\$37,876 million, or 17.3%, compared to December 31, 2015. Loans and leases to small and medium businesses decreased 10.8% as of December 31, 2016 compared to December 31, 2015, totaling R\$58,935 million as of December 31, 2016. Loans and leases to corporate clients decreased 20.2% as of December 31, 2016 compared to December 31, 2015, totaling R\$121,754 million as of December 31, 2016.

As of December 31, 2015 loans and leases to companies totaled R\$218,565 million, representing an increase of R\$2,725 million, or 1.3%, compared to December 31, 2014. Loans and leases to small and medium businesses decreased 4.1% as of December 31, 2015 compared to December 31, 2014, totaling R\$66,038 million. Loans and leases to corporate clients increased 3.8% as of December 31, 2015 compared to December 31, 2014, totaling R\$152,527 million as of December 31, 2015.

Foreign loans and leases – Latin America:

The balance of our foreign loans and leases from our operations in Latin America outside Brazil (Argentina, Chile, Colombia, Panama, Paraguay, Peru and Uruguay) totaled R\$126,530 million as of December 31, 2016, an increase of 84.8% compared to December 31, 2015 when the balance was R\$68,463 million, mostly as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016 which represents an important step in our internationalization process.

The balance of our foreign loans and leases from our operations in Latin America outside Brazil (Argentina, Chile, Colombia, Paraguay and Uruguay) totaled R\$68,463 million as of December 31, 2015, an increase of 35.2% compared to December 31, 2014 when the balance was R\$50,638 million, mostly as a result of the organic growth of operations in the countries where we operate.

Credit quality (90-day NPL ratio): decreased 10 basis points as of December 31, 2016 compared to December 31, 2015 and increased 40 basis points as of December 31, 2015 compared to December 31, 2014.

The 90-day non-performing loans ratio (90-day NPL ratio), is calculated by dividing 90-day's non-performing loans by our loan portfolio.

As of December 31, 2016, our 90-day NPL ratio reached 3.4%, a reduction of 10 basis points due to a decrease in the 90-day NPL ratio for individuals. The ratio for companies as of December 31, 2016 increased by 20 basis points compared to December 31, 2015. As of December 31, 2015, our 90-day NPL ratio reached 3.5% an increase of 40 basis points compared to December 31, 2014.

The coverage ratio, calculated by dividing the provisions for allowance for loan and lease losses by 90-day non-performing loans, reflects the mechanics of our provisioning model and reached 160% as of December 31, 2016 compared to a ratio of 164% as of December 31, 2015. The coverage ratio was 160% as of December 31, 2014.

Interest and similar income: increased by 9.3% for the year ended December 31, 2016 compared to the year ended December 31, 2015 and increased by 23.0% for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Interest and similar expenses: increased by 26.7% for the year ended December 31, 2016 compared to the year ended December 31, 2015 and increased by 2.9% for the year ended December 31, 2015 compared to the year ended December 31, 2014.



Banking service fees: increased by 8.4% for the year ended December 31, 2016 compared to the year ended December 31, 2015 and increased by 11.8% for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Income from insurance, private pension plan and capitalization operations (premium bonds) before claim and selling expenses: decreased by 11.9% for the year ended December 31, 2016 compared to the year ended December 31, 2015 and decreased by 3.1% for the year ended December 31, 2015 compared to the year ended December 31, 2014.

General and administrative expenses: increased by 6.9% for the year ended December 31, 2016 compared to the year ended December 31, 2015 and increased by 11.9% for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Expenses for allowance for loan and lease losses: decreased by 0.6% for the year ended December 31, 2016

compared to the year ended December 31, 2015 and increased by 30.2% for the year ended December 31, 2015 compared to the year ended December 31, 2014.

Impaired loans: increased from R\$27,157 million as of December 31, 2015 to R\$30,317 million as of December 31, 2016, an increase mainly with respect to impaired loans in our corporate portfolio due to a more challenging economic environment in Brazil. As of December 31, 2014 the balance of impaired loans was R\$17,206 million. (For further details, refer to [section Performance, item Complete Financial Statements in IFRS, Note 36.6 – Credit Quality of Financial Assets](#)).

Loans under renegotiation: credit transactions under renegotiation, including extended, modified and deferred repayments, increased 6.1% as of December 31, 2016 compared to December 31, 2015 due to an increase in our portfolio of renegotiated corporate loans. As of December 31, 2016, loans under renegotiation represented 5.0% of the total loan portfolio.

Highlights	For the Year Ended December 31,				
	2016	2015	2014		
(In millions of R\$, except percentages)					
Statement of Income					
Net Income (attributable to the owners of the parent company)	23,263	25,740	21,555		
Banking Product	118,661	92,011	91,657		
Shares (R\$)					
Earnings per share – Basic (Common and Preferred)	3.57	3.91	3.26		
Weight Average Number of Outstanding Shares – Basic (in thousands) ⁽¹⁾					
Common	3,351,741	3,351,741	3,351,741		
Preferred	3,171,216	3,228,881	3,266,347		
Average price of preferred share on the last trading day of the period ⁽¹⁾	33.68	23.91	28.69		
Market Capitalization ⁽²⁾	219,348	155,732	190,161		
Market Capitalization (In millions of US\$) ⁽³⁾	67,303	39,882	71,592		
Performance Ratios (%)					
Net income as a percentage of average stockholder's equity – Annualized ⁽⁴⁾	20.1	24.8	24.3		
Net income as a percentage of total assets – Annualized ⁽⁵⁾	1.8	2.2	2.0		
Solvency Ratio (BIS Ratio) – Prudential Conglomerate ⁽⁶⁾	19.1	17.8	16.9		
Non-performing Loans Index (NPL over 90 days)	3.4	3.5	3.1		
Non-performing Loans Index (NPL 15-90 days)	2.5	2.6	2.5		
Efficiency Ratio (ER) ⁽⁷⁾	46.7	44.0	47.0		
Risk Adjusted Efficiency Ratio (RAER) ⁽⁷⁾	69.2	63.0	62.9		
			As of December 31,		
			2016	2015	2014
Balance Sheet					
Total Assets	1,353,241	1,276,415	1,127,203		
Total Loan Portfolio	490,366	474,248	452,431		
Total Stockholders' Equity	134,814	114,059	100,617		
Total Stockholders' Equity attributed to the owners of the parent company	122,582	112,252	99,260		

(1) The number of outstanding shares was adjusted to reflect the share bonus of 10% granted on June 05, 2014, July 17, 2015 and September 14, 2016.

(2) Total number of outstanding shares (common and preferred shares) multiplied by the average price of the preferred share on the last trading day in the period.

(3) The US\$/R\$ exchange rate was R\$3.2591 as of December 31, 2016, R\$3.9048 as of December 31, 2015 and R\$2.6562 as of December 31, 2014.

(4) Annualized Return was calculated by dividing net income attributable to owners of the parent company by the quarterly average stockholders' equity attributed to the owners of the parent company excluding quarterly average proposed dividends recorded.

(5) Annualized Return was computed by dividing Net Income by Average Assets.

(6) Up to 2014, this ratio was calculated based on the financial conglomerate.

(7) The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information (for more details on the calculation methodology of both Efficiency and Risk Adjusted Efficiency ratios, please see Basis of Segment Information Presentation).



When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realize gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets when translated to *reais*. When the *real* appreciates, the effects are the opposite of those described above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Unless otherwise indicated, the discussion in this section relates to our average interest rates and yields.

Interest rates cited are measured in *reais* and include the effect of the variation of the *real* against foreign currencies.

Please refer to [section Our risk management, item Risk factors](#). Instability of foreign exchange rates may negatively affect us and item Market risk for further details.

Net income

The following table shows the main components of our net income for the years ended December 31, 2016, 2015 and 2014:

Consolidated Statement of Income	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
	(In millions of R\$, except percentages)						
Banking product	118,661	92,011	91,657	26,650	29.0%	354	0.4%
Interest and similar income	161,495	147,789	120,115	13,706	9.3%	27,674	23.0%
Interest and similar expense	(95,126)	(75,064)	(72,977)	(20,062)	26.7%	(2,087)	2.9%
Dividend income	288	98	215	190	193.9%	(117)	(54.4)%
Net gain (loss) from investment securities and derivatives	7,311	(11,862)	(724)	19,173	(161.6)%	(11,138)	1,538.4%
Foreign exchange results and exchange variation on transactions	5,513	(6,353)	9,644	11,866	(186.8)%	(15,997)	(165.9)%
Banking service fees	31,918	29,452	26,342	2,466	8.4%	3,110	11.8%
Income related to insurance, private pension plans and capitalization operations before claim and selling expenses	5,880	6,672	6,888	(792)	(11.9)%	(216)	(3.1)%
Other income	1,382	1,279	2,154	103	8.1%	(875)	(40.6)%
Losses on loans and claims	(22,122)	(21,335)	(15,801)	(787)	3.7%	(5,534)	35.0%
Expenses for allowance for loan and lease losses	(24,379)	(24,517)	(18,832)	138	(0.6)%	(5,685)	30.2%
Recovery of loans written off as loss	3,742	4,779	5,054	(1,037)	(21.7)%	(275)	(5.4)%
Expenses for claims	(1,555)	(1,611)	(2,430)	56	(3.5)%	819	(33.7)%
Recovery of claims under reinsurance	70	14	407	56	400.0%	(393)	(96.6)%
Operating margin	96,539	70,676	75,856	25,863	36.6%	(5,180)	(6.8)%
Other operating income (expenses)	(58,347)	(52,411)	(47,048)	(5,936)	11.3%	(5,363)	11.4%
General and administrative expenses	(50,904)	(47,626)	(42,550)	(3,278)	6.9%	(5,076)	11.9%
Tax expenses	(7,971)	(5,405)	(5,063)	(2,566)	47.5%	(342)	6.8%
Share of profit or (loss) in associates and joint ventures	528	620	565	(92)	(14.8)%	55	9.7%
Income before income tax and social contribution	38,192	18,265	28,808	19,927	109.1%	(10,543)	(36.6)%
Current income tax and social contribution	(3,898)	(8,965)	(7,209)	5,067	(56.5)%	(1,756)	24.4%
Deferred income tax and social contribution	(10,712)	16,856	262	(27,568)	(163.6)%	16,594	6,333.6%
Net income	23,582	26,156	21,861	(2,574)	(9.8)%	4,295	19.6%
Net income attributable to non-controlling interests	319	416	306	(97)	(23.3)%	110	35.9%
Net income attributable to owners of the parent company	23,263	25,740	21,555	(2,477)	(9.6)%	4,185	19.4%

Banking product (operating revenues)

Banking product (operating revenues) is the sum of our operating revenues, net of funding costs, as detailed in the table above. Please refer to [section Performance, item Complete Financial Statements in IFRS, Note 23 – Interest and Similar Income and Expense and Net Gain \(Loss\) from Investment Securities and Derivatives, Note 24 – Banking Service Fees and Note 25 – Other Income](#) for further details.



The following table shows the main components of our interest and similar income for the years ended December 31, 2016, December 31, 2015 and December 31, 2014:

Interest and similar income	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
	(In millions of R\$, except percentages)						
Interest on Central Bank compulsory deposits	6,920	5,748	5,904	1,172	20.4%	(156)	(2.6)%
Interest on interbank deposits	677	1,628	1,286	(951)	(58.4)%	342	26.6%
Interest on securities purchased under agreements to resell	34,162	27,572	17,929	6,590	23.9%	9,643	53.8%
Interest on financial assets held for trading	23,669	19,826	15,128	3,843	19.4%	4,698	31.1%
Interest on available-for-sale financial assets	11,160	8,979	7,272	2,181	24.3%	1,707	23.5%
Interest on held-to-maturity financial assets	3,788	3,758	2,347	30	0.8%	1,411	60.1%
Interest on loans and leases operations	80,118	79,392	69,248	726	0.9%	10,144	14.6%
Other financial assets	1,001	886	1,001	115	13.0%	(115)	(11.5)%
Total interest and similar income	161,495	147,789	120,115	13,706	9.3%	27,674	23.0%

In the year ended December 31, 2016, the 9.3% increase in interest and similar income compared to the year ended December 31, 2015 was mainly due to increases in interest on securities purchased under agreements to resell, in interest on financial assets held for trading and in interest on available-for-sale financial assets. These increases are related to the growth in volume of these interest-earnings assets. Also, increases in the cumulative SELIC rate which increased to 14.0% in 2016 from 13.8% in 2015 contributed to the increase in interest and similar income.

In the year ended December 31, 2015, the 23.0% increase in interest and similar income compared to the year ended December 31, 2014 was mainly due to increases in interest

on loans and leases, in interest on securities purchased under agreements to resell and in interest on financial assets held for trading. The increase of 14.6% in interest on loans and leases operations is mainly due to the 35.2% growth in our Latin America loan portfolio compared to the previous year. The increase in interest for trading is related to increases in the cumulative SELIC rate to 13.8% in 2015 from 10.9% in 2014.

The following table shows the composition of the carrying amount of loan and lease transactions by type which primarily account for the variation between our total loan and lease transactions as of December 31, 2016, 2015 and 2014:

Interest and similar expense	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
	(In millions of R\$, except percentages)						
Individuals	183,147	187,220	185,953	(4,073)	(2.2)%	1,267	0.7%
Credit card	59,022	58,542	59,321	480	0.8%	(779)	(1.3)%
Personal loans	25,813	28,396	27,953	(2,583)	(9.1)%	443	1.6%
Payroll loans	44,636	45,434	40,525	(798)	(1.8)%	4,909	12.1%
Vehicles	15,434	20,058	29,047	(4,624)	(23.1)%	(8,989)	(30.9)%
Mortgage loans	38,242	34,790	29,107	3,452	9.9%	5,683	19.5%
Corporate	121,754	152,527	147,002	(30,773)	(20.2)%	5,525	3.8%
Small and medium businesses	58,935	66,038	68,838	(7,103)	(10.8)%	(2,800)	(4.1)%
Foreign loans - Latin America	126,530	68,463	50,638	58,067	84.8%	17,825	35.2%
Total loan and lease operations	490,366	474,248	452,431	16,118	3.4%	21,817	4.8%

As of December 31, 2016, our total loan and lease portfolio reached R\$490,366 million, a 3.4% increase from the previous year mainly due to the increase in (i) the volume of loans to Latin American (not including Brazil) borrowers, due to the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016, and (ii) mortgage loans due to our focus on portfolios with lower delinquency rates. These increases were partially offset by decreases in loans to corporate, small and medium businesses due to a more challenging economic environment in Brazil. As of December 31, 2015, our loan portfolio reached R\$474,248 million, a 4.8% increase from December 31, 2014.

Since 2011, we focused on reducing the credit risk of our loan portfolio. As a result, our mortgage, payroll and Latin America (not including Brazil) loan portfolios have grown more rapidly, while our vehicle, corporate and small companies' portfolios have decreased. Our mortgage loan portfolio has grown in line with the market and we maintained a conservative approach regarding collateral. The portfolio LTV (Loan-to-Value: ratio between the loans and the underlying collateral) reached 41.8% in the fourth quarter of 2016. Our payroll loan portfolio has grown more than our personal loan portfolio due to a continued growth in our retail branch payroll loan operations and through Banco Itaú BMG Consignado S.A., a financial



institution aimed at offering, distributing and marketing payroll loans. We maintain an association, as stated in the new commercial agreement for the distribution of payroll loans of Banco Itaú BMG Consignado and its affiliates, on an exclusive basis, through certain distribution channels linked to Banco BMG and its affiliates. In Latin America, excluding Brazil (i.e., Argentina, Chile, Colombia, Panama, Paraguay and Uruguay) our loan portfolio grew by 84.8%

compared to December 31, 2015 and 35.2% in December 31, 2015 compared to December 31, 2014. In 2016, the growth in our Latin America portfolio was due to the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016 and represents an important step in our globalization process. For further details please refer to the table above of loan and lease operations by type.

Interest and similar expense	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
(In millions of R\$, except percentages)							
Interest on deposits	(14,701)	(13,587)	(12,064)	(1,114)	8.2%	(1,523)	12.6%
Interest on securities sold under repurchase agreements	(45,932)	(32,879)	(26,771)	(13,053)	39.7%	(6,108)	22.8%
Interbank market debt	(8,348)	(7,970)	(14,404)	(378)	4.7%	6,434	(44.7)%
Institutional market debt	(8,248)	(8,030)	(10,695)	(218)	2.7%	2,665	(24.9)%
Financial expense from technical reserves for insurance and private pension plans	(17,790)	(12,556)	(8,987)	(5,234)	41.7%	(3,569)	39.7%
Other	(107)	(42)	(56)	(65)	154.8%	14	(25.0)%
Total interest and similar expense	(95,126)	(75,064)	(72,977)	(20,062)	26.7%	(2,087)	2.9%

The changes in the SELIC rate also affected our total interest expenses. In 2016, the cumulative SELIC rate increased to 14.0% as of December 31, 2016 compared to 13.8% as of December 31, 2015. As of December 31, 2014, the cumulative SELIC rate was 10.9%.

In the years ended December 31, 2016 and 2015, the increase in volume and in the SELIC rate increased our interest expenses for securities sold under repurchase agreements and reserves for insurance and private pension plans and liabilities for capitalization plans (premium bonds). Please refer to [section Performance, item Financial performance, Liabilities, Funding](#), for further information.

Dividend income totaled R\$288 million for the year ended December 31, 2016, compared to R\$98 million for the year ended December 31, 2015. This increase was due to higher income from dividends on investments. Dividend income totaled R\$215 million for the year ended December 31, 2014.

Net gain (loss) from investment securities and derivatives totaled a gain of R\$7,311 million for the year ended December 31, 2016 compared to a loss of R\$11,862 million in the same period in 2015. For the year ended December 31, 2014, net gain (loss) from investment securities and derivatives totaled a loss of R\$724 million. These results were mainly due to our risk management strategies, particularly those associated with derivative instruments used to hedge our investments abroad.

Foreign exchange results and exchange variation on transactions totaled a gain of R\$5,513 million for the year ended December 31, 2016 compared to a loss of R\$6,353 million for the year ended December 31, 2015 and a gain of R\$9,644 million for the year ended December 31, 2014. The changes were due mainly to the effect from derivative financial instruments used to hedge the impact of exchange rate variations on our investments in subsidiaries abroad.

The following table shows the main components of our non-interest income for the years ended December 31, 2016, 2015 and 2014:

Non-interest income	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
(In millions of R\$, except percentages)							
Banking Service Fees	31,918	29,452	26,342	2,466	8.4%	3,110	11.8%
Current account services	9,528	8,815	7,725	713	8.1%	1,090	14.1%
Asset management fees	3,514	2,932	2,660	582	19.8%	272	10.2%
Collection commissions	1,315	1,250	1,279	65	5.2%	(29)	(2.3)%
Fees from credit card services	13,330	12,722	11,507	608	4.8%	1,215	10.6%
Fees for guarantees issued and credit lines	1,773	1,609	1,407	164	10.2%	202	14.4%
Brokerage commission	295	248	262	47	19.0%	(14)	(5.3)%
Other	2,163	1,876	1,502	287	15.3%	374	24.9%
Income related to insurance, private pension plans and capitalization operations before claim and selling expenses	5,880	6,672	6,888	(792)	(11.9)%	(216)	(3.1)%
Other Income	1,382	1,279	2,154	103	8.1%	(875)	(40.6)%
Total non-interest income	39,180	37,403	35,384	1,777	4.8%	2,019	5.7%



In the year ended December 31, 2016, our non-interest income amounted to R\$39,180 million, representing a growth of 4.8% from the year ended December 31, 2015, mainly due to the growth of 8.4% in banking service fees. In the year ended December 31, 2015, our non-interest income amounted to R\$37,403 million, representing a growth of 5.7% from the year ended December 31, 2014, mainly due to the growth of 11.8% in banking service fees.

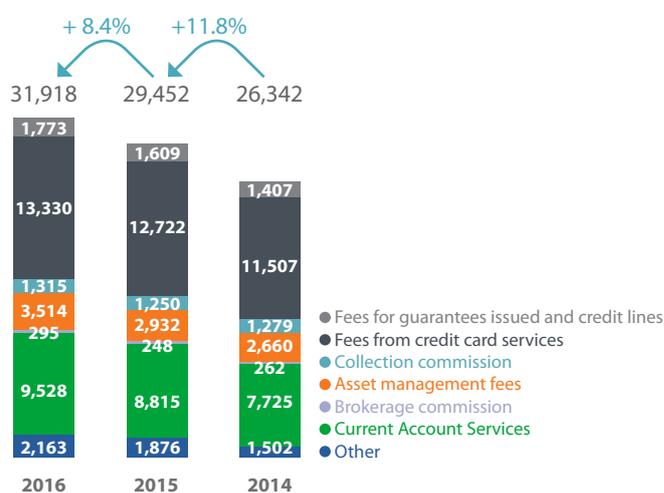
Banking service fees refer to the sum of fees from current account services, asset management, collection, credit card services, guarantees issued and credit lines, brokerage commission and other fees. In the year ended December 31, 2016, the increase in banking service fee revenues was mainly due to: (i) income from current account services, largely due to the offering of differentiated products and services, (ii) income from fees from credit card services, due to higher revenues from equipment rental and higher transaction volume during 2016 and (iii) asset management fees due to the increase in volume of assets under management. In 2015, the increase in banking service fee revenues was mainly due to: (i) income from fees from credit card services and (ii) income from current account fees. The growth in banking service fees and other fee income is in line with our strategy to diversify our income, while becoming less dependent on changes in interest rates.

In the year ended December 31, 2016, income related to insurance, private pension plans and capitalization operations (premium bonds) before claim and selling expenses decreased by R\$792 million compared to the year ended December 31, 2015. The decrease was influenced by the increase of R\$3,030 million in reserves for insurance and private pension plans, partially offset by the increase in income related to insurance and private pension of R\$2,215 million and by the increase of R\$28 million in revenues from capitalization plans. In the year ended December 31, 2015, income related to insurance, private pension and

capitalization operations (premium bonds) before claim and selling expenses decreased R\$216 million compared to the year ended December 31, 2014.

In the year ended December 31, 2016, other income increased R\$103 million compared to the year ended December 31, 2015, due primarily to an increase in gains on the sale of assets held for sale, fixed assets and investments in associates and joint ventures. In the year ended December 31, 2015, the decrease was due primarily to a decrease in gains on the sale of assets held for sale, fixed assets and investments in associates and joint ventures where a non-recurring revenue in the amount of R\$1,151 million from the sale of assets held by Itaú Seguros Soluções Corporativas S.A. (ISSC) was reflected in the year ended December 31, 2014.

The following chart shows the composition of the banking service fees for years ended December 31, 2016, 2015 and 2014:



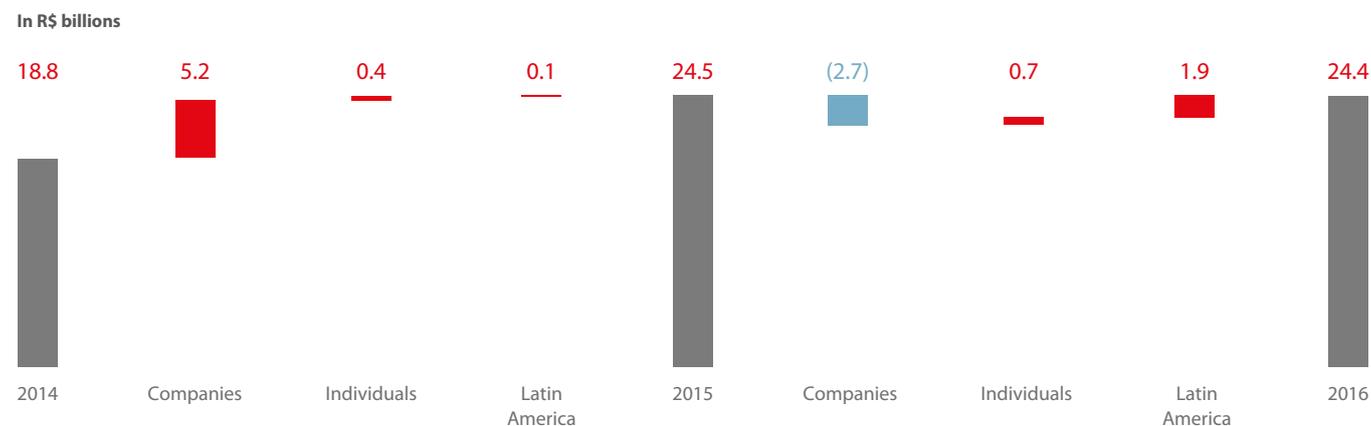
Below is the composition of our losses on loans and claims for the years ended December 31, 2016, 2015 and 2014:

Losses on loans and claims	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015	2015-2014		
(In millions of R\$, except percentages)							
Expenses for allowance for loan and lease losses	(24,379)	(24,517)	(18,832)	138	(0.6)%	(5,685)	30.2%
Recovery of loans written-off as loss	3,742	4,779	5,054	(1,037)	(21.7)%	(275)	(5.4)%
Expenses for claims	(1,555)	(1,611)	(2,430)	56	(3.5)%	819	(33.7)%
Recovery of claims under reinsurance	70	14	407	56	400.0%	(393)	(96.6)%
Total losses on loans and claims	(22,122)	(21,335)	(15,801)	(787)	3.7%	(5,534)	35.0%



Evolution of the expenses for allowance for loan and lease losses

The chart below shows the changes in the components making up our expenses for allowance for loan and lease losses which primarily account for the variation between expenses for allowance for loan and lease losses for the years ended December 31, 2016, 2015 and 2014:



For the year ended December 31, 2016, our expenses for allowance for loan and lease losses remained relatively stable compared to the year ended December 31, 2015, primarily as a result of the decrease in our expenses for allowance loan and lease losses for companies being offset by increases in expenses for allowance and loan losses for our Latin America segment mainly as a result of the merger between Banco Itaú Chile and CorpBanca.

For the year ended December 31, 2015, our expenses for allowance for loan and lease losses increased by 30.2% compared to the year ended December 31, 2014. The growth is mainly due to a more challenging economic environment in Brazil. Please refer to [section Macroeconomic context – item Brazilian context](#) for further details.

As of December 31, 2016, the NPL ratio for operations overdue from 15 to 90 days (NPL 15-90) reached 2.5% and NPL ratio for operations overdue for over 90 days (NPL 90) reached 3.4%. The chart below shows the changes in the NPL ratios.

15 to 90 day's NPL Ratio



90 day's NPL Ratio



In the year ended December 31, 2016, the recovery of loans written off as losses reached R\$3,742 million, representing a decrease of 21.7% compared to the year ended December 31, 2015 as a result of the challenging economic scenario in Brazil. In the year ended December 31, 2015, the recovery of loans written off as losses reached R\$4,779 million, representing a decrease of 5.4% compared to the year ended December 31, 2014.

In 2016, expenses for claims decreased by R\$56 million compared to the same period in the previous year. The reduction in expenses for claims is related to the early termination of the extended warranty agreement between Itaú Seguros S.A. and Via Varejo in the third quarter of 2014. In 2015, expenses for claims decreased by R\$819 million compared to 2014, mainly due to a decrease in claims of large risk insurance operations due to the sale of the large risk portfolio, in addition to decreasing claims in mandatory insurance for personal injury caused by motor vehicles (Seguro Obrigatório de Danos Pessoais Causados por Veículos Automotores de Via Terrestre, or DPVAT).

In 2016, recovery of claims under reinsurance increased by R\$56 million from R\$14 million for the year ended December 31, 2015 reaching R\$70 million, mainly due to a decrease in the recovery of claims. In 2015, recovery of



claims under reinsurance decreased by R\$393 million compared to the year ended December 31, 2014, mainly due to a decrease in the recovery of claims in our segment of large risk insurance products.

The following table presents the composition of our general and administrative expenses for the years ended December 31, 2016, 2015 and 2014:

General and administrative expenses	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
(In millions of R\$, except percentages)							
Personnel expenses	(22,360)	(19,573)	(17,071)	(2,787)	14.2%	(2,503)	14.7%
Administrative expenses	(15,959)	(15,112)	(14,325)	(847)	5.6%	(787)	5.5%
Depreciation	(1,702)	(1,688)	(1,641)	(14)	0.8%	(47)	2.9%
Amortization	(1,292)	(910)	(827)	(382)	42.0%	(83)	10.0%
Insurance acquisition expenses	(721)	(1,138)	(1,214)	417	(36.6)%	76	(6.3)%
Other expenses	(8,870)	(9,205)	(7,472)	335	(3.6)%	(1,733)	23.2%
Total general and administrative expenses	(50,904)	(47,626)	(42,550)	(3,278)	6.9%	(5,076)	11.9%

We kept a tight control on costs and have partially offset the potential rise in costs (brought by the growth of operations, the rise in salaries and benefits due to collective labor agreements and the impact of inflation on our administrative costs) with efficiency gains. Between December 31, 2015, and December 31, 2016, our number of employees increased by 4.9% to 94,779 mainly as a result of the merger between Banco Itaú Chile and CorpBanca. Between December 31, 2014 and December 31, 2015, our number of employees decreased by 3.1% to 90,320 mainly as a result of our natural turn-over.

General and administrative expenses increased by R\$3,278 million, or 6.9%, in the year ended December 31, 2016 compared to the year ended December 31, 2015. In the year ended December 31, 2015, these expenses increased by 11.9% compared to the year ended December 31, 2014.

In the year ended December 31, 2016, the increase of R\$2,787 million in personnel expenses compared to the year ended December 31, 2015 was mainly a result of the increase in expenses related to compensation, welfare benefits and provisions for labor claims. Also, the increase in the number of employees in Latin America as a result of the merger between Banco Itaú Chile and CorpBanca contributed to this increase in the year ended December 31, 2016 compared to the year ended December 31, 2015. The annual collective labor agreement reached in third quarter, increased compensation by 8.0% starting from September 2016 and also established the lump-sum bonus to employees, and impacted the year ended December 31, 2016 compared to the year ended December 31, 2015. In the year ended December 31, 2015, the increase of R\$2,503 million in personnel expenses compared to 2014 was mainly a result of the increase in expenses related to defined contribution plan and provisions for labor claims.

In the year ended December 31, 2016, administrative expenses increased by R\$847 million, or 5.6%, compared

to the year ended December 31, 2015 mainly due to increases in costs related to third-party services, financial services, utilities and rent. The increase in these expenses was due to the organic growth of our operations and, the effect of inflation on most contracts and costs in the year ended December 31, 2016. In the year ended December 31, 2015, administrative expenses increased R\$787 million, or 5.5%, mainly because of increases in costs related to data processing and telecommunications, advertising, promotions and publications and other expenses.

In the year ended December 31, 2016, other expenses decreased R\$335 million, or 3.6% compared to the year ended December 31, 2015, mainly in provisions for civil lawsuits. In 2015, other expenses grew R\$1,733 million, or 23.2%, mainly due to the increases of R\$724 million in selling expenses related to credit cards, R\$390 million in provisions for tax and social security lawsuits and R\$361 million in provisions for civil lawsuits.

In the year ended December 31, 2016, tax expenses (ISS, PIS, Cofins and other tax expenses) amounted to R\$7,971 million, an increase of R\$2,566 million compared to the year ended December 31, 2015, and increase of R\$342 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, reflecting the increase in our banking product (operating revenues).

Certain amounts of income and expenses are recognized in our income statement but do not affect our taxable basis. Conversely, certain amounts are considered taxable income or deductible expenses in the calculation of our taxes on income but do not affect our income statement. Those items are referred to as "timing differences". Our total income tax and social contribution includes current income tax and social contribution as well as deferred income tax and social contribution. The former is the tax expense under Brazilian tax laws for the period, and the latter is the tax expense resulting from timing differences.



In the year ended December 31, 2016, income tax and social contribution amounted to an expense of R\$14,610 million compared to a credit of R\$7,891 million for the year ended December 31, 2015. This increase in expense was mainly due to an increase in income before tax and social contribution and due to the effect on the balance of the social contribution tax credit resulting from the rate increase from 15% to 20% as established by Provisional Measure No. 675/2015 of May 2015 (converted into Law No. 13,169/2015 in October 2015) and to the tax effect on the hedge of our equity investments abroad, as exchange rate variations on such investments are not taxable but the hedge of such investments is taxable. In the year ended December 31, 2014, income tax and social contribution amounted to an expense of R\$6,947 million.

Basis of segment information presentation

Our segment information is based on reports used by senior management to assess the financial performance of our businesses and to make decisions regarding the allocation of funds for investment and other purposes.

Segment information is prepared according to accounting practices adopted in Brazil (our segment information is not prepared in accordance with IFRS) but includes the following pro forma adjustments: (i) the recognition of the impact related to allocated capital using a proprietary model; (ii) the use of funding and cost of capital, according to market prices, using certain managerial criteria; (iii) the exclusion of non-recurring events from our results and (iv) the reclassification of the tax effects from hedging

transactions we enter into for our investments abroad. Please refer to [section Performance, item Complete Financial Statements in IFRS, Note 34 – Segment Information](#) for further details.

The impacts associated with capital allocation are included in the financial information. Accordingly, adjustments were made to the consolidated financial statements, based on a proprietary model. The Allocated Economic Capital (AEC) model was adopted for the consolidated financial statements by segments, and as from 2015, we changed the calculation methodology. The AEC considers, in addition to Tier I Capital, the effects of the calculation of expected loan losses, supplementary to the requirements of the Central Bank of Brazil, pursuant to CMN Circular No. 2,682/99. Accordingly, the Allocated Capital comprises the following components: Credit risk (including expected loss), operational risk, market risk and insurance underwriting risk. Based on the portion of Tier 1 Capital, we calculated the Return on Economic Allocated Capital, which corresponds to an operational performance indicator consistently adjusted to the capital required to support the risk associated to asset and liability positions assumed, in conformity with our risk appetite.

As of the first quarter of 2016, we have adopted the Basel III rules in our managerial capital allocation model.

The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information, as presented below:

(1) For the calculation of Efficiency and Risk Adjusted Efficiency Ratios, Non-Interest Expenses consider Personnel Expenses, Administrative Expenses, Operating Expenses and Other Expenses.

(2) For the calculation of Efficiency and Risk Adjusted Efficiency Ratios, Banking Product is net of Insurance Selling Expenses and Retained Claims.

$$\text{Efficiency Ratio} = \frac{\text{Non-Interest Expenses}^{(1)}}{(\text{Banking Product}^{(2)} - \text{Tax Expenses for ISS, PIS, Cofins and Other Taxes})}$$

$$\text{Risk Adjusted Efficiency Ratio} = \frac{\text{Non-Interest Expenses}^{(1)} + \text{Result from Loan Losses}}{(\text{Banking Product}^{(2)} - \text{Tax Expenses for ISS, PIS, Cofins and Other Taxes})}$$

The Efficiency Ratio and Risk Efficiency Ratio are non-GAAP measures and we disclose them herein as we consider them to be an important measure to understand how we manage our overhead costs. We disclose this measure to the market on a quarterly basis.

Low efficiency ratios indicate a better performance, since this ratio measures the proportion of expenses over revenues. The risk-adjusted efficiency ratio includes the risk portions associated with banking transactions (result of the allowance for loan and lease losses and recovery of loans written off as losses).

We report information with respect to the following segments: (i) Retail Banking, (ii) Wholesale Banking and (iii) Activities with the Market and Corporation.

The current operational and reporting segments are described below:

- Retail Banking: The result of the Retail Banking segment is derived from the offer of banking products and services to a diversified client base of account holders and non-account holders, individuals and companies. The segment includes retail clients, high-income clients (Itaú Uniclass and Personalité), and very small and small companies. This segment comprises financing and lending activities carried out in units other than the branch network, and offering of credit cards, in addition to operations with Itaú BMG Consignado;
- Wholesale Banking: The result of the Wholesale Banking segment is derived from the products and services



offered to middle-market companies, private banking clients, from the activities of Latin America units (excluding Brazil), including those of CorpBanca as of the second quarter of 2016 following the merger between Banco Itaú Chile and CorpBanca, and the activities of Itaú BBA, the unit in charge of commercial operations with large companies as well as performing as an investment banking unit; and

- Activities with the Market and Corporation: This segment records the results derived from capital surplus, subordinated debt surplus and the net balance of tax credits and debits. It also shows the financial margin with the market, the treasury operating cost, the equity in earnings of companies not associated to each segment and the interest in Porto Seguro.

We present below a summary of the results from our operating segments for the year ended December 31, 2016. Similar information for the years ended December 31, 2015 and 2014 is included in the consolidated financial statements, in Note 34 regarding segment information in [section Performance, item Complete Financial Statements in IFRS](#). The following discussion should be read in conjunction with our complete financial statements, especially Note 34 regarding segment information in [section Performance, item Complete Financial Statements in IFRS](#). The adjustments column shown in the Note 34 presents effects of the differences between the segmented results (substantially according with the accounting practices adopted in Brazil) and those calculated according to the principles adopted in our complete financial statements in IFRS.

Consolidated Statement of Income from January 1 to December 31, 2016	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
(In millions of R\$)						
Banking product	69,577	28,324	9,412	107,313	11,348	118,661
Interest margin ⁽¹⁾	39,154	19,755	9,264	68,173	11,308	79,481
Banking service fees	22,659	8,072	59	30,790	1,128	31,918
Income related to insurance, private pension and capitalization operations before claim and selling expenses	7,764	497	89	8,350	(2,470)	5,880
Other revenues	-	-	-	-	1,382	1,382
Losses on loans and claims	(14,901)	(8,471)	71	(23,301)	1,179	(22,122)
Expenses for allowance for loan and lease losses	(16,717)	(8,914)	71	(25,560)	1,181	(24,379)
Recovery of credits written off as loss	3,242	502	-	3,744	(2)	3,742
Expenses for claims/recovery of claims under reinsurance	(1,426)	(59)	-	(1,485)	-	(1,485)
Operating margin	54,676	19,853	9,483	84,012	12,527	96,539
Other operating income (expenses)	(37,202)	(13,410)	(2,387)	(52,999)	(5,348)	(58,347)
Non-interest expenses ⁽²⁾	(32,883)	(12,034)	(1,616)	(46,533)	(4,371)	(50,904)
Tax expenses for ISS, PIS and COFINS and other	(4,319)	(1,376)	(771)	(6,466)	(1,505)	(7,971)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	528	528
Net income before income tax and social contribution	17,474	6,443	7,096	31,013	7,179	38,192
Income tax and social contribution	(6,328)	(1,081)	(1,237)	(8,646)	(5,964)	(14,610)
Non-controlling interest in subsidiaries	(223)	79	(1)	(145)	(174)	(319)
Net income	10,923	5,441	5,858	22,222	1,041	23,263

(1) Includes net interest and similar income and expenses of R\$66,369 dividend income of R\$288, net gain (loss) on investment securities and derivatives of R\$7,311 and results from foreign exchange results and exchange variation of transactions abroad of R\$5,513.

(2) Refers to general and administrative expenses including depreciation expenses of R\$1,702, amortization expenses of R\$1,292 and insurance acquisition expenses of R\$721.

Revenues from operations in Brazil and abroad

We conduct most of our business activities in Brazil, but we do not break down our revenues by geographic markets within Brazil. Our interest income from loans and leases, banking service fees and income from insurance, private pension plans and premium bonds transactions are divided between revenues earned in Brazil and outside of Brazil. The following information is presented in IFRS, after eliminations on consolidation.

The following table sets forth the consolidated statement of income with respect to our revenues from operations in Brazil and abroad for the years ended December 31, 2016, 2015 and 2014:



Revenues from operations in Brazil and abroad	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
(In millions of R\$, except percentages)							
Income Related to Financial Operations⁽¹⁾	174,607	129,672	129,250	44,935	34.7%	422	0.3%
Brazil	154,653	117,140	118,946	37,513	32.0%	(1,806)	(1.5)%
Abroad	19,954	12,532	10,304	7,422	59.2%	2,228	21.6%
Banking Service Fees	31,918	29,452	26,342	2,466	8.4%	3,110	11.8%
Brazil	29,061	27,072	24,550	1,989	7.3%	2,522	10.3%
Abroad	2,857	2,380	1,792	477	20.0%	588	32.8%
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,880	6,672	6,888	(792)	(11.9)%	(216)	(3.1)%
Brazil	5,748	6,570	6,834	(822)	(12.5)%	(264)	(3.9)%
Abroad	132	102	54	30	29.4%	48	88.9%

(1) Includes interest and similar income, dividend income, net gain (loss) on investment securities and derivatives, and foreign exchange results and exchange variation on transactions.

Retail Banking

The following table sets forth the consolidated statement of income with respect to our Retail Banking segment for the years ended December 31, 2016, 2015 and 2014:

Consolidated Statement of Income	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
(In millions of R\$, except percentages)							
Banking Product	69,577	70,495	65,516	(918)	(1.3)%	4,979	7.6%
Interest margin	39,154	40,997	37,880	(1,843)	(4.5)%	3,117	8.2%
Banking service fees	22,659	21,159	19,234	1,500	7.1%	1,925	10.0%
Income from insurance, private pension and capitalization operations before claim and selling expenses	7,764	8,339	8,402	(575)	(6.9)%	(63)	(0.7)%
Losses on loans and claims	(14,901)	(13,893)	(11,840)	(1,008)	7.3%	(2,053)	17.3%
Expenses for allowance for loan and lease losses	(16,717)	(16,232)	(14,503)	(485)	3.0%	(1,729)	11.9%
Recovery of loans written-off as losses	3,242	3,886	4,642	(644)	(16.6)%	(756)	(16.3)%
Expenses for claims/Recovery of claims under reinsurance	(1,426)	(1,547)	(1,979)	121	(7.8)%	432	(21.8)%
Operating margin	54,676	56,602	53,676	(1,926)	(3.4)%	2,926	5.5%
Other operating income (expenses)	(37,202)	(35,924)	(34,200)	(1,278)	3.6%	(1,724)	5.0%
Non-interest expenses	(32,883)	(31,547)	(30,243)	(1,336)	4.2%	(1,304)	4.3%
Tax expenses for ISS, PIS and COFINS and other	(4,319)	(4,377)	(3,957)	58	(1.3)%	(420)	10.6%
Income before income tax and social contribution	17,474	20,678	19,476	(3,204)	(15.5)%	1,202	6.2%
Income tax and social contribution	(6,328)	(7,263)	(6,761)	935	(12.9)%	(502)	7.4%
Non-controlling interest in subsidiaries	(223)	(342)	(305)	119	(34.8)%	(37)	12.1%
Net income	10,923	13,073	12,410	(2,150)	(16.4)%	663	5.3%
Performance Measures							
Efficiency Ratio	51.1%	48.0%	49.8%				
Risk Adjusted Efficiency Ratio	72.4%	67.4%	66.7%				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	214,025	222,774	226,239				
Total Assets	909,779	873,202	811,185				

Net income for the Retail Banking segment decreased by 16.4% in the year ended December 31, 2016 from the year ended December 31, 2015, mainly due to the negative impact of the R\$1,843 million decrease in interest margin, as a result of the challenging economic scenario in Brazil. Non-interest expenses increased by R\$1,336 million, with an increase in personnel expenses, which were impacted by events related to terminations, labor claims, and lump-sum bonus payment to employees in 2016.

Banking service fees increased by 7.1% from the year ended December 31, 2015 to the year ended December 31, 2016, which had a positive impact on net income mainly due to higher revenues from current account services and credit cards.

Net income for the Retail Banking segment increased by 5.3% from the year ended December 31, 2014 to the year ended December 31, 2015, mainly due to the positive impact of the R\$3,117 million increase in interest margin and of the R\$1,925 million increase in banking service fees



with higher revenues from current account services and credit cards. Losses on loans and claims increased by 17.3% from the year ended December 31, 2014, mainly due to higher expenses for allowance for loan and lease losses for individuals and small and very small companies due to a more challenging economic environment in Brazil. Non-interest expenses increased by 4.3%, with an increase in personnel expenses, which were affected by the collective labor agreements reached in 2014 and 2015.

Wholesale Banking

The following table sets forth the consolidated statement of income with respect to our Wholesale Banking segment for the years ended December 31, 2016, 2015 and 2014:

Consolidated Statement of Income	For the Year Ended December 31,				Variation		
	2016	2015	2014	2016-2015	2015-2014		
	(In millions of R\$, except percentages)						
Banking Product	28,324	25,774	20,408	2,550	9.9%	5,366	26.3%
Interest margin	19,755	18,047	13,685	1,708	9.5%	4,362	31.9%
Banking service fees	8,072	7,282	6,321	790	10.8%	961	15.2%
Income from insurance, private pension and capitalization operations before claim and selling expenses	497	445	402	52	11.7%	43	10.7%
Losses on loans and claims	(8,471)	(5,931)	(3,202)	(2,540)	42.8%	(2,729)	85.2%
Expenses for allowance for loan and lease losses	(8,914)	(6,764)	(3,565)	(2,150)	31.8%	(3,199)	89.7%
Recovery of loans written-off as losses	502	883	407	(381)	(43.1)%	476	117.0%
Expenses for claims/Recovery of claims under reinsurance	(59)	(50)	(44)	(9)	18.0%	(6)	13.6%
Operating margin	19,853	19,843	17,206	10	0.1%	2,637	15.3%
Other operating income (expenses)	(13,410)	(11,130)	(9,150)	(2,280)	20.5%	(1,980)	21.6%
Non-interest expenses	(12,034)	(9,877)	(8,158)	(2,157)	21.8%	(1,719)	21.1%
Tax expenses for ISS, PIS and COFINS and other	(1,376)	(1,253)	(992)	(123)	9.8%	(261)	26.3%
Income before income tax and social contribution	6,443	8,713	8,056	(2,270)	(26.1)%	657	8.2%
Income tax and social contribution	(1,081)	(2,691)	(2,591)	1,610	(59.8)%	(100)	3.9%
Non-controlling interest in subsidiaries	79	-	-	79	-	-	-
Net income	5,441	6,022	5,465	(581)	(9.6)%	557	10.2%
Performance Measures							
Efficiency Ratio	44.8%	40.4%	42.1%				
Risk Adjusted Efficiency Ratio	76.0%	64.4%	58.4%				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	277,200	251,056	221,950				
Total Assets	585,088	547,236	436,872				

In the year ended December 31, 2016, net income for our Wholesale Banking segment decreased by 9.6% from the previous year. Our banking product increased by 9.9% as the interest margin and the banking service fees were 9.5% and 10.8% higher than in the year ended December 31, 2015. The increase in interest margin was due to the growth in our Latin America portfolio as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016.

Non-interest expenses increased by 21.8% for the year ended December 31, 2016 compared to the year ended December 31, 2015. Losses on loans and claims increased by 42.8% for the year ended December 31, 2016 compared to the year ended December 31, 2015 mainly due to the higher provision for loan losses, which totaled R\$8,914 million in 2016, mainly related to higher provisions

for specific economic groups due to the challenging economic scenario in Brazil. Additionally, income from recovery of loans written-off as losses decreased by 43.1% in 2016 compared to the previous year.

In the year ended December 31, 2015, net income for our Wholesale Banking segment increased by 10.2% from the previous year. Our banking product increased by 26.3% as the interest margin and the banking service fees were 31.9% and 15.2% higher than in 2014. The increase in our corporate loan portfolio during 2015 contributed to the improvement in the interest margin for the period compared to the interest margin for 2014.

Losses on loans and claims increased by 85.2%, mainly due to the increase in expenses for allowance for loan losses for companies of the corporate segment in 2015. The



increase of 117.0 % in recovery of loans written-off as losses compared to 2014 was mainly driven by the restructuring with respect to amounts owed by a specific client in the corporate segment. Also, the non-interest expenses increased by 21.1%, having a negative impact on net income.

Activities with the Market and Corporation

The following table sets forth the consolidated statement of income with respect to our Activities with the Market and Corporation segment for the years ended December 31, 2016, 2015 and 2014:

Consolidated Statement of Income	For the Year Ended December 31,					Variation	
	2016	2015	2014	2016-2015		2015-2014	
	(In millions of R\$, except percentages)						
Banking Product	9,412	7,641	3,916	1,771	23.2%	3,725	95.1%
Interest margin	9,264	7,513	3,590	1,751	23.3%	3,923	109.3%
Banking service fees	59	59	222	-	0.0%	(163)	(73.4)%
Income from insurance, private pension and capitalization operations before claim and selling expenses	89	69	104	20	29.0%	(35)	(33.7)%
Losses on loans and claims	71	98	(3)	(27)	(27.6)%	101	(3366.7)%
Expenses for allowance for loan and lease losses	71	98	(3)	(27)	(27.6)%	101	(3366.7)%
Recovery of loans written-off as losses	-	-	-	-	-	-	-
Expenses for claims/Recovery of claims under reinsurance	-	-	-	-	-	-	-
Banking Product net of losses on loans and claims	9,483	7,739	3,913	1,744	22.5%	3,826	97.8%
Other operating income (expenses)	(2,387)	(1,948)	(1,089)	(439)	22.5%	(859)	78.9%
Non-interest expenses	(1,616)	(1,522)	(1,182)	(94)	6.2%	(340)	28.8%
Tax expenses for ISS, PIS and COFINS and other	(771)	(426)	93	(345)	81.0%	(519)	(558.1)%
Income before income tax and social contribution	7,096	5,791	2,824	1,305	22.5%	2,967	105.1%
Income tax and social contribution	(1,237)	(1,040)	(74)	(197)	18.9%	(966)	1305.4%
Non-controlling interest in subsidiaries	(1)	(14)	(6)	13	(92.9)%	(8)	133.3%
Net income	5,858	4,737	2,744	1,121	23.7%	1,993	72.6%
Performance Measures							
Efficiency Ratio	18.6%	21.0%	29.5%				
Risk Adjusted Efficiency Ratio	17.8%	19.7%	29.5%				
Balance Sheet Information							
Loan, Lease and Other Credit Transactions	-	-	3,572				
Total Assets	114,956	127,716	107,174				

Activities with the Market and Corporation segment includes the result from the investment of our excess capital, costs from our excess subordinated debt and the net balance of tax assets and liabilities. It also includes the financial margin on market transactions, costs of treasury operations, equity in the earnings of companies that are not linked to any segments, as well as adjustments related to minority shareholdings in subsidiaries and our interest in Porto Seguro S.A.

In 2016, net income from Activities with the Market and Corporation increased by 23.7% compared to the previous

year. With positive effects on our net income, interest margin increased by R\$1,751 million or 23.3%.

This increase is a result of an increase in the interest margin of R\$3,923 million or 109.3%, for the year ended December 31, 2015 compared to the prior year (mainly due to higher results on our treasury transactions undertaken for purposes of asset and liability management and proprietary portfolio management). Non-interest expenses increased by 28.8% in 2015 compared to 2014.



Changes in cash flows

The following table sets forth the main variations in our cash flows for the years ended December 31, 2016, 2015 and 2014:

Changes in cash flows	For the Year Ended December 31,		
	2016	2015	2014
	(In millions of R\$)		
Net cash from (used in) operating activities	30,311	(34,459)	89,726
Net cash from (used in) investing activities	14,429	(361)	2,676
Net cash from (used in) financing activities	(22,329)	(8,529)	(21,688)
Net increase (decrease) in cash and cash equivalents	22,411	(43,350)	70,714

In 2016, our net increase of R\$22,411 million in cash and cash equivalents was provided by R\$30,311 million in operating activities, by R\$14,429 million in investing activities and by the use of R\$22,329 million in financing activities.

Operating activities

In the year ended December 31, 2016, net cash from operating activities was R\$30,311 million as a result of decreases in securities purchased under agreements to resell, in other tax assets and by the decrease in loan operations. There was also a decrease in funds from interbank markets partially compensated by an increase in deposits received under securities repurchase agreements. In 2015, net cash used in operating activities was R\$34,459 million due to increases in financial assets held for trading, loan operations (as a result of the credit portfolio increases) and securities purchased under agreements to resell. In 2014, the changes in cash flows from operating activities resulted from a decrease in financial assets held for trading and an increase in deposits received under securities repurchase agreements, partially offset by increases in loan operations. Management believes cash flows from operations, available cash balances and funds from interbank markets will be sufficient to fund our operating liquidity needs.

Investing activities

In the year ended December 31, 2016 the increase in cash from investing activities was related to CorpBanca's consolidation as a result of the merger between our subsidiary Banco Itaú Chile and CorpBanca in the second quarter of 2016 and due to the cash received on the sale of available-for-sale financial assets. In 2015, the purchase of available-for-sale assets and purchase of held-to-maturity financial assets were the main cause for the outflows in our cash flow from investing activities. In 2014, the sale of large risk insurance operations and the sale of available-

for-sale assets was the main cause for the inflows in our cash flow from investing activities, offset by cash paid for the purchase of available-for-sale assets.

Financing activities

In the years ended December 31, 2016, 2015 and 2014, the changes in cash flows from financing activities were primarily a result of an increase in redemptions of our subordinated debt in institutional markets. Further, we paid dividends and interest on capital in the amount of R\$7,673 million, R\$7,008 million and R\$6,319 million in 2016, 2015 and 2014, respectively. In 2016, we purchased R\$947 million in treasury shares compared to R\$3,324 million in treasury shares in 2015, which both generated cash outflows of the same amounts.

Liquidity and capital resources

Our board of directors determines our policy regarding liquidity risk management, and establishes broad quantitative liquidity risk management limits in line with our risk appetite. CSRML, composed of members of senior management, is responsible for strategic liquidity risk management in line with the board-approved liquidity risk framework and risk appetite. In establishing our guidelines, CSRML considers the liquidity implications of each market segment and product. The institutional treasury unit of Itaú Unibanco Holding is responsible for day-to-day management of the Itaú Unibanco Group's liquidity profile, within the parameters set by the Board of Directors and the CSRML. This includes an oversight responsibility with respect to all business units operating outside of Brazil.

We maintain separate liquidity pools at our Brazilian operations and at each of our subsidiaries in Latin America and Europe. Our Brazilian operations include the financial institutions in Brazil and the entities used by the Brazilian operations for funding and serving their clients abroad. Each subsidiary in Latin America (e.g., in Chile, Argentina, Uruguay, Colombia and Paraguay) and in Europe has its own treasury function with appropriate autonomy to manage liquidity according to local needs and regulations, while remaining in compliance with the liquidity limits established by Itaú Unibanco Holding senior management. In general, there are rarely liquidity transfers between subsidiaries or between the head office and a subsidiary, except under very specific circumstances (e.g., targeted capital increases). Brazil, Argentina, United Kingdom and Colombia are the only countries in which we operate where local regulators have established minimum liquidity levels.



CMN regulations also establish capital conservation and countercyclical buffers for Brazilian financial institutions, and determines their minimum percentages as well as which sanctions and limitations will apply in case of non-compliance with such additional requirements.

We define our consolidated group operational liquidity reserve as the total amount of assets that can be rapidly

turned into cash, based on local market practices and legal restrictions. The operational liquidity reserve generally includes: cash and deposits on demand, funded positions of securities purchased under agreements to resell and unencumbered government securities.

The following table presents our operational liquidity reserve as of December 31, 2016, 2015 and 2014:

Cash in cash flows	As of December 31,			2016 Average Balance ⁽¹⁾
	2016	2015	2014	
	(In millions of R\$)			
Cash and deposits on demand	18,542	18,544	17,527	19,500
Funded positions of securities purchased under agreements to resell ⁽²⁾	77,452	72,091	74,275	73,945
Unencumbered government securities	81,458	65,965	45,587	64,988
Operational reserve	174,627	156,600	137,389	158,433

(1) Average calculated based on interim financial statements.

(2) Net of R\$4,329 (R\$9,461 at 12/31/2015 and R\$5,945 at 12/31/2014), which securities are restricted to guarantee transactions at BM&FBovespa and the Central Bank.

Management controls our liquidity reserves by projecting the resources that will be available for investment by our treasury department. The technique we employ involves the statistical projection of scenarios for our assets and liabilities, considering the liquidity profiles of our counterparties.

Short-term minimum liquidity limits are defined according to guidelines set by the CSRML. These limits aim to ensure that the Itaú Unibanco Group always has sufficient liquidity available, sufficient to cover unforeseen market events. These limits are revised periodically, based on the projection of cash needs in atypical market situations (i.e., stress scenarios).

Management of liquidity makes it possible for us to simultaneously meet our operating requirements, protect our capital and exploit market opportunities. Our strategy is to maintain adequate liquidity to meet our present and future financial obligations and to capitalize on business opportunities as they arise.

We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil. However, due to our stable sources of funding, which include a large deposit base, the large number of correspondent banks with which we have long-standing relationships, as well as facilities in place which enable us to access further funding when required, we have not historically experienced liquidity challenges, even during periods of disruption in the international financial markets.

Average deposits and borrowings	For the Year Ended December 31,					
	2016		2015		2014	
	Average balance	% of total	Average balance	% of total	Average balance	% of total
	(In millions of R\$, except percentages)					
Interest-bearing liabilities	969,461	81.9%	875,904	81.2%	793,069	82.4
Interest-bearing deposits	244,121	20.6%	236,314	21.9%	233,999	24.3
Savings deposits	106,838	9.0%	114,500	10.6%	111,473	11.6
Interbank deposits	7,304	0.6%	19,633	1.8%	6,131	0.6
Time deposits	129,979	11.0%	102,182	9.5%	116,395	12.1
Securities sold under repurchase agreements	339,416	28.7%	297,509	27.6%	266,527	27.7
Interbank market debt and Institutional market debt	240,563	20.4%	219,463	20.3%	183,981	19.1
Interbank market debt	144,968	12.2%	134,637	12.5%	113,522	11.8
Institutional market debt	95,595	8.1%	84,826	7.9%	70,459	7.3
Reserves for insurance private pension and liabilities for capitalization plans	144,387	12.2%	121,856	11.3%	107,880	11.2
Other interest-bearing liabilities	974	0.1%	761	0.1%	682	0.1
Non-interest-bearing liabilities	214,024	18.1%	203,377	18.8%	169,247	17.6
Non-interest bearing deposits	61,895	5.2%	54,148	5.0%	43,840	4.6
Derivatives	29,752	2.5%	29,488	2.7%	13,107	1.4
Other non-interest bearing liabilities	122,377	10.3%	119,740	11.1%	112,300	11.7
Total	1,183,485	100.0	1,079,280	100.0	962,315	100.0



Our main sources of funding are interest-bearing deposits, deposits received under repurchase agreements, on-lending from government financial institutions, lines of credit with foreign banks and the issuance of securities abroad. Please refer to [section Performance, item Consolidated Financial Statements, Note 17 – Deposits](#) for further details about funding.

We may from time to time seek to retire or purchase our outstanding debt, including our subordinated notes (subject to the approval of the Central Bank), and senior notes, through cash purchases in the open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Notes repurchased may be held, cancelled or resold and any resale thereof will only be in compliance with applicable requirements or exemptions under the relevant securities laws.

Some of our long-term debt provides for acceleration of the outstanding principal balance upon the occurrence of specified events, which are events ordinarily found in long-term financing agreements. Up to December 31, 2016, none of these events, including any events of default or failure to satisfy financial covenants, have occurred.

Under Brazilian law, cash dividends may only be paid if the subsidiary paying such dividends has reported a profit in its financial statements. In addition, subsidiaries that are financial institutions are prohibited from making loans to Itaú Unibanco Holding, but they are allowed to make deposits in Itaú Unibanco Holding, which represent interbank certificates of deposit (Certificado de Depósito Interbancário). These restrictions have not had, and are not expected to have, a material impact on our ability to meet our cash obligations.

Seasonality

Generally our retail banking and our credit card businesses have some seasonality, with increased levels of retail and credit card transactions during the Christmas season and a subsequent decrease of these levels at the beginning of the year. In addition, there is a certain seasonality at the end of the year in our pension plan business, when the thirteenth salaries are paid. We also have some seasonality in our banking service fees related to collection services at the beginning of the year, which is when taxes and other fiscal contributions are generally paid.

Information on trends [GRI 103-2](#) | [103-3 Innovation](#)

We expect many factors to affect our future results of operations, liquidity and capital resources, including:

- the Brazilian economic environment (please refer to [section context, item Macroeconomic Context, Brazilian Context](#) and [section Our risk management, item Risk factors, Macroeconomic risks](#) for further details);
- legal and regulatory developments (please refer to [section Context, item Macroeconomic context, Brazilian context, section Our risk management, item Regulatory environment](#) and [section Our risk management, item Risk factors, Legal and regulatory risks](#) for further details);
- the effects of any ongoing international financial turmoil, including on the liquidity and capital required (please refer to [section Context, item Macroeconomic context, Global context, section Our risk management, item Regulatory environment](#) and [section Our risk management, item Risk factors, Macroeconomic risks](#) for further details);
- the inflation effects on the result of our operations (please refer to [section Context, item Macroeconomic context, Brazilian context](#) and [section Our risk management, item Risk factors, Macroeconomic risks, inflation and fluctuations in interest rates may have a material adverse effect on us](#), for further details);
- the effects of the variations in the value of the Brazilian *real*, foreign exchange rates and interest rates on our net interest income (please refer to [section Performance, item Financial performance, Results](#), and [section Our risk management, item Risk factors, Macroeconomic risks](#), for further details); and
- any acquisitions we may make in the future (please refer to [section Our risk management, item Risk factors](#), The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us for further details).

As part of our strategy, we continue to review growth opportunities, both in Brazil and outside of Brazil. Additionally, please refer to [section Our risk management, item Risk factors](#) for comments on the risks faced in our operations and that could affect our business, results of operations or financial condition.



Management's Report on Internal Control over Financial Reporting

The management of Itaú Unibanco Holding S.A is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those controls determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or a decline in the level of compliance with policies or procedures may occur.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria set forth in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

In connection with the evaluation required by the Exchange Act Rule 13a-15(d), our management, concluded that the changes that occurred during the year ended December 31, 2016 have not materially affected, or are not reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016, has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

By: /s/ Roberto Egydio Setubal
 Name: Roberto Egydio Setubal
 Title: Chief Executive Officer

By: /s/ Caio Ibrahim David
 Name: Caio Ibrahim David
 Title: Chief Financial Officer

A signed original copy of this report has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Date: April 20, 2017

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Itaú Unibanco Holding S.A. and its subsidiaries at December 31, 2016 and December 31, 2015 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers Auditores Independentes

São Paulo, Brazil
April 20, 2017



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

Assets	Note	12/31/2016	12/31/2015
Cash and deposits on demand	4	18,542	18,544
Central Bank compulsory deposits	5	85,700	66,556
Interbank deposits	6	22,692	30,525
Securities purchased under agreements to resell	6	265,051	254,404
Financial assets held for trading	7a	204,648	164,311
Pledged as collateral		12,950	11,008
Other		191,698	153,303
Financial assets designated at fair value through profit or loss	7b	1,191	642
Derivatives	8 and 9	24,231	26,755
Available-for-sale financial assets	10	88,277	86,045
Pledged as collateral		17,435	16,706
Other		70,842	69,339
Held-to-maturity financial assets	11	40,495	42,185
Pledged as collateral		11,778	9,460
Other		28,717	32,725
Loan operations and lease operations portfolio, net	12	463,394	447,404
Loan operations and lease operations portfolio		490,366	474,248
(-) Allowance for loan and lease losses		(26,972)	(26,844)
Other financial assets	20a	53,917	53,506
Investments in associates and joint ventures	13	5,073	4,399
Goodwill	3	9,675	2,057
Fixed assets, net	15	8,042	8,541
Intangible assets, net	16	7,381	6,295
Tax assets		44,274	52,149
Income tax and social contribution - current		2,703	2,088
Income tax and social contribution - deferred	27b	37,395	47,453
Other		4,176	2,608
Assets held for sale	36.7	631	486
Other assets	20a	10,027	11,611
Total assets		1,353,241	1,276,415

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



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

Liabilities and stockholders' equity	Note	12/31/2016	12/31/2015
Deposits	17	329,414	292,610
Securities sold under repurchase agreements	19a	349,164	336,643
Financial liabilities held for trading	18	519	412
Derivatives	8 and 9	24,698	31,071
Interbank market debt	19a	135,483	156,886
Institutional market debt	19b	96,239	93,918
Other financial liabilities	20b	71,832	68,715
Reserves for insurance and private pension	30c II	154,076	129,305
Liabilities for capitalization plans		3,147	3,044
Provisions	32	20,909	18,994
Tax liabilities		5,836	4,971
Income tax and social contribution - current		1,741	2,364
Income tax and social contribution - deferred	27b II	643	370
Other		3,452	2,237
Other liabilities	20b	27,110	25,787
Total liabilities		1,218,427	1,162,356
Capital	21a	97,148	85,148
Treasury shares	21a	(1,882)	(4,353)
Additional paid-in capital	21c	1,785	1,733
Appropriated reserves	21d	3,443	10,067
Unappropriated reserves	21e	25,362	20,947
Cumulative other comprehensive income		(3,274)	(1,290)
Total stockholders' equity attributed to the owners of the parent company		122,582	112,252
Non-controlling interests	21f	12,232	1,807
Total stockholders' equity		134,814	114,059
Total liabilities and stockholders' equity		1,353,241	1,276,415

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



ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Income
Periods ended

(In millions of Reais, except for number of shares and earnings per share information)

	Note	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Banking product		118,661	92,011	91,657
Interest and similar income	23a	161,495	147,789	120,115
Interest and similar expense	23b	(95,126)	(75,064)	(72,977)
Dividend income		288	98	215
Net gain (loss) on investment securities and derivatives	23c	7,311	(11,862)	(724)
Foreign exchange results and exchange variations on transactions		5,513	(6,353)	9,644
Banking service fees	24	31,918	29,452	26,342
Income related to insurance, private pension and capitalization operations before claim and selling expenses		5,880	6,672	6,888
Income related to insurance and private pension	30b III	24,849	22,634	22,797
Reinsurance Premiums	30b III	(94)	(89)	(1,031)
Change in reserves for insurance and private pension		(19,490)	(16,460)	(15,436)
Revenue from capitalization plans		615	587	558
Other income	25	1,382	1,279	2,154
Losses on loans and claims		(22,122)	(21,335)	(15,801)
Expenses for allowance for loan and lease losses	12b	(24,379)	(24,517)	(18,832)
Recovery of loans written-off as loss		3,742	4,779	5,054
Expenses for claims		(1,555)	(1,611)	(2,430)
Recovery of claims under reinsurance		70	14	407
Banking product net of losses on loans and claims		96,539	70,676	75,856
Other operating income (expenses)		(58,347)	(52,411)	(47,048)
General and administrative expenses	26	(50,904)	(47,626)	(42,550)
Tax expenses		(7,971)	(5,405)	(5,063)
Share of profit or (loss) in associates and joint ventures	13	528	620	565
Income before income tax and social contribution	27	38,192	18,265	28,808
Current income tax and social contribution		(3,898)	(8,965)	(7,209)
Deferred income tax and social contribution		(10,712)	16,856	262
Net income		23,582	26,156	21,861
Net income attributable to owners of the parent company	28	23,263	25,740	21,555
Net income (loss) attributable to non-controlling interests	21f	319	416	306
Earnings per share - basic	28			
Common		3.57	3.91	3.26
Preferred		3.57	3.91	3.26
Earnings per share - diluted	28			
Common		3.54	3.89	3.24
Preferred		3.54	3.89	3.24
Weighted average number of shares outstanding - basic	28			
Common		3,351,741,143	3,351,741,143	3,351,741,143
Preferred		3,171,215,661	3,228,881,081	3,266,347,063
Weighted average number of shares outstanding - diluted	28			
Common		3,351,741,143	3,351,741,143	3,351,741,143
Preferred		3,216,235,372	3,270,734,307	3,305,545,129

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

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

	Note	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Net income		23,582	26,156	21,861
Available-for-sale financial assets		2,040	(2,171)	583
Change in fair value		2,780	(6,518)	20
Income tax effect		(1,251)	2,659	14
(Gains) / losses transferred to income statement	23c	851	2,812	915
Income tax effect		(340)	(1,124)	(366)
Hedge		(697)	(1,739)	(143)
Cash flow hedge	9	(2,815)	1,148	336
Change in fair value		(5,041)	2,104	644
Income tax effect		2,226	(956)	(308)
Hedge of net investment in foreign operation	9	2,118	(2,887)	(479)
Change in fair value		3,760	(5,134)	(830)
Income tax effect		(1,642)	2,247	351
Remeasurements of liabilities for post-employment benefits (*)		(590)	(48)	202
Remeasurements	29	(1,048)	(68)	332
Income tax effect		458	20	(130)
Foreign exchange differences on foreign investments		(2,737)	3,099	440
Total comprehensive income		21,598	25,297	22,943
Comprehensive income attributable to non-controlling interests		319	416	306
Comprehensive income attributable to the owners of the parent company		21,279	24,881	22,637

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

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



ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Changes in Stockholders' Equity (Notes 21 and 22)

Periods ended December 31, 2016, 2015 and 2014

(In millions of Reals)

	Attributed to owners of the parent company											Total	
	Capital	Treasury shares	Additional paid-in capital	Appropriated reserves	Unappropriated reserves	Retained earnings	Other comprehensive income				Total stockholders' equity – owners of the parent company		Total stockholders' equity – non-controlling interests
							Available for sale ⁽¹⁾	Remeasurements of liabilities of post-employment benefits	Cumulative translation adjustments abroad	Gains and losses – hedge ⁽²⁾			
Balance at 01/01/2014	60,000	(1,854)	984	13,468	12,138	-	(1,183)	(379)	1,283	(1,234)	83,223	969	84,192
Transactions with owners	15,000	526	524	(12,053)	-	(7,344)	-	-	-	-	(3,347)	82	(3,265)
Capital increase - Statutory Reserve	15,000	-	-	(15,000)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options - exercised options	-	526	223	-	-	-	-	-	-	-	749	-	749
Granting of stock options – exercised options	-	561	(26)	-	-	-	-	-	-	-	535	-	535
Acquisition of treasury shares (Note 21a)	-	(35)	-	-	-	-	-	-	-	-	(35)	-	(35)
Granted options recognized	-	-	249	-	-	-	-	-	-	-	249	-	249
Share-based payment – variable compensation	-	-	301	-	-	-	-	-	-	-	301	-	301
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3a)	-	-	-	-	-	-	-	-	-	-	-	167	167
Dividends / interest on capital – Special profit reserve (Note 21b)	-	-	-	2,947	-	(7,344)	-	-	-	-	(4,397)	(85)	(4,482)
Dividends / Interest on capital paid in 2014 - Year 2013 - Special profit reserve	-	-	-	(2,597)	-	-	-	-	-	-	(2,597)	-	(2,597)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(639)	-	-	-	-	-	-	(639)	-	(639)
Other	-	-	-	(17)	-	-	-	-	-	-	(17)	-	(17)
Total comprehensive income	-	-	-	-	-	21,555	583	202	440	(143)	22,637	306	22,943
Net income	-	-	-	-	-	21,555	-	-	-	-	21,555	306	21,861
Other comprehensive income for the period	-	-	-	-	-	-	583	202	440	(143)	1,082	-	1,082
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	870	-	(870)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	9,178	4,163	(13,341)	-	-	-	-	-	-	-
Balance at 12/31/2014	75,000	(1,328)	1,508	8,210	16,301	-	(600)	(177)	1,723	(1,377)	99,260	1,357	100,617
Change in the period	15,000	526	524	(5,258)	4,163	-	583	202	440	(143)	16,037	388	16,425
Balance at 01/01/2015	75,000	(1,328)	1,508	8,210	16,301	-	(600)	(177)	1,723	(1,377)	99,260	1,357	100,617
Transactions with owners	10,148	(3,025)	225	(7,445)	-	(8,207)	-	-	-	-	(8,304)	34	(8,270)
Capital increase - Statutory Reserve	10,148	-	-	(10,148)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options	-	(3,025)	101	-	-	-	-	-	-	-	(2,924)	-	(2,924)
Granting of stock options – exercised options	-	299	45	-	-	-	-	-	-	-	344	-	344
Acquisition of treasury shares (Note 21a)	-	(3,324)	-	-	-	-	-	-	-	-	(3,324)	-	(3,324)
Granted options recognized	-	-	56	-	-	-	-	-	-	-	56	-	56
Share-based payment – variable compensation	-	-	124	-	-	-	-	-	-	-	124	-	124
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	276	276
Dividends and interest on capital - Statutory Reserve (Note 21b)	-	-	-	2,703	-	(8,207)	-	-	-	-	(5,504)	(242)	(5,746)
Dividends / Interest on capital paid in 2015 - Year 2014 - Special profit reserve	-	-	-	(2,936)	-	-	-	-	-	-	(2,936)	-	(2,936)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(639)	-	-	-	-	-	-	(639)	-	(639)
Other	-	-	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Total comprehensive income	-	-	-	-	-	25,740	(2,171)	(48)	3,099	(1,739)	24,881	416	25,297
Net income	-	-	-	-	-	25,740	-	-	-	-	25,740	416	26,156
Other comprehensive income for the period	-	-	-	-	-	-	(2,171)	(48)	3,099	(1,739)	(859)	-	(859)
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,054	-	(1,054)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	11,823	4,656	(16,479)	-	-	-	-	-	-	-
Balance at 12/31/2015	85,148	(4,353)	1,733	10,067	20,947	-	(2,771)	(225)	4,822	(3,116)	112,252	1,807	114,059
Change in the period	10,148	(3,025)	225	1,857	4,646	-	(2,171)	(48)	3,099	(1,739)	12,992	450	13,442
Balance at 01/01/2016	85,148	(4,353)	1,733	10,067	20,947	-	(2,771)	(225)	4,822	(3,116)	112,252	1,807	114,059
Transactions with owners	12,000	2,471	52	(9,620)	-	(11,574)	-	-	-	-	(6,671)	10,106	3,435
Capital increase - Statutory Reserve	12,000	-	-	(12,000)	-	-	-	-	-	-	-	-	-
Treasury shares - granting of stock options	-	2,471	39	(2,670)	-	-	-	-	-	-	(160)	-	(160)
Granting of stock options – exercised options	-	748	(17)	-	-	-	-	-	-	-	731	-	731
Acquisition of treasury shares (Note 21a)	-	(947)	-	-	-	-	-	-	-	-	(947)	-	(947)
Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	2,670	-	(2,670)	-	-	-	-	-	-	-	-	-
Granted options recognized	-	-	56	-	-	-	-	-	-	-	56	-	56
Share-based payment – variable compensation	-	-	13	-	-	-	-	-	-	-	13	-	13
(Increase) / Reduction of interest of controlling stockholders (Note 2.4a I and 3)	-	-	-	-	-	-	-	-	-	-	-	10,199	10,199
Dividends / interest on capital – Special profit reserve (Note 21b)	-	-	-	5,050	-	(11,574)	-	-	-	-	(6,524)	(93)	(6,617)
Dividends / Interest on capital paid in 2016 - Year 2015 - Special profit reserve	-	-	-	(2,697)	-	-	-	-	-	-	(2,697)	-	(2,697)
Corporate reorganizations (Note 2.4 a III)	-	-	-	(1,586)	-	-	-	-	-	-	(1,586)	-	(1,586)
Other	-	-	-	-	5	-	-	-	-	-	5	-	5
Total comprehensive income	-	-	-	-	-	23,263	2,040	(590)	(2,737)	(697)	21,279	319	21,598
Net income	-	-	-	-	-	23,263	-	-	-	-	23,263	319	23,582
Other comprehensive income for the period	-	-	-	-	-	-	2,040	(590)	(2,737)	(697)	(1,984)	-	(1,984)
Appropriations:	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	943	-	(943)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	6,336	4,410	(10,746)	-	-	-	-	-	-	-
Balance at 12/31/2016	97,148	(1,882)	1,785	3,443	25,362	-	(731)	(815)	2,085	(3,813)	122,582	12,232	134,814
Change in the period	12,000	2,471	52	(6,624)	4,415	-	2,040	(590)	(2,737)	(697)	10,330	10,425	20,755

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

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

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

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

	Note	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Adjusted net income		97,507	56,881	58,231
Net income		23,582	26,156	21,861
Adjustments to net income:		73,925	30,725	36,370
Granted options recognized and share-based payment – variable compensation		69	180	550
Effects of changes in exchange rates on cash and cash equivalents		17,941	(9,681)	1,186
Expenses for allowance for loan and lease losses	12b	24,379	24,517	18,832
Interest and foreign exchange expense from operations with subordinated debt		942	15,409	7,879
Change in reserves for insurance and private pension		19,490	16,460	15,436
Revenue from capitalization plans		(615)	(587)	(558)
Depreciation and amortization	15 and 16	3,233	2,828	2,544
Interest expense from provision for contingent and legal liabilities		1,610	1,479	1,019
Provision for contingent and legal liabilities		4,246	3,948	3,380
Interest income related to escrow deposits		(383)	(285)	(377)
Deferred taxes (excluding hedge tax effects)	27b	4,172	(1,869)	(262)
Share of profit or (loss) in associates and joint ventures		(528)	(620)	(565)
(Gain) loss on available-for-sale securities	23c	851	2,812	915
Interest and foreign exchange income related to available-for-sale financial assets		(1,719)	(16,941)	(9,012)
Interest and foreign exchange income related to held-to-maturity financial assets		(185)	(6,821)	(3,517)
(Gain) loss on sale of assets held for sale	25 and 26	124	36	35
(Gain) loss on sale of investments	25 and 26	(69)	43	14
(Gain) loss on sale of fixed assets	25 and 26	(14)	11	41
(Gain) loss from sale of investment of ISSC		-	-	(1,151)
Other		381	(194)	(19)
Change in assets and liabilities (*)		(67,196)	(91,340)	31,495
(Increase) decrease in assets		(30,405)	(149,459)	8,195
Interbank deposits		521	3,308	12,099
Securities purchased under agreements to resell		2,675	(88,250)	11,327
Compulsory deposits with the Central Bank of Brazil		(20,390)	(2,762)	13,893
Financial assets held for trading		(34,950)	(31,056)	26,073
Derivatives (assets / liabilities)		(4,047)	3,008	4,525
Financial assets designated at fair value through profit or loss		(655)	435	(303)
Loan operations		23,416	(28,103)	(42,309)
Financial assets		881	2,476	(35,546)
Other tax assets		5,262	(15,037)	1,203
Other assets		(3,118)	6,522	17,233
(Decrease) increase in liabilities		(36,791)	58,119	23,300
Deposits		(18,136)	(16,696)	(4,353)
Deposits received under securities repurchase agreements		8,534	47,833	22,013
Financial liabilities held for trading		206	(434)	47
Funds from interbank markets		(27,017)	33,199	3,946
Other financial liabilities		1,915	(5,222)	4,711
Technical reserve for insurance and private pension		5,141	3,067	(383)
Liabilities for capitalization plans		718	621	536
Provisions		(2,993)	(2,005)	(4,852)
Tax liabilities		6,359	6,931	8,119
Other liabilities		(5,095)	(2,693)	1,237
Payment of income tax and social contribution		(6,423)	(6,482)	(7,721)
Net cash from (used in) operating activities		30,311	(34,459)	89,726
Interest on capital / dividends received from investments in associates and joint ventures		287	243	213
Cash received on sale of available-for-sale financial assets		18,760	12,214	60,768
Cash received from redemption of held-to-maturity financial assets		3,473	3,160	2,667
Cash upon sale of assets held for sale		336	123	68
Cash upon sale of investments in associates and joint ventures		69	(43)	(14)
Cash and cash equivalents, net of assets and liabilities due from CorpBanca acquisition	3	5,869	-	-
Cash and cash equivalents, net of assets and liabilities due from Recovery acquisition	3	(714)	-	-
Cash and cash equivalents, net assets and liabilities due from BMG Seguradora acquisition	3a	-	-	(88)
Cash and cash equivalents, net assets and liabilities due from ISSC sale		-	-	1,474
Cash upon sale of fixed assets	15	109	104	62
Cash upon sale of intangible assets	16	10	69	222
Purchase of available-for-sale financial assets		(9,959)	(9,516)	(46,165)
Purchase of held-to-maturity financial assets		(1,363)	(4,090)	(11,322)
Purchase of investments in associates and joint ventures	13	(381)	(0)	(10)
Purchase of fixed assets	15	(991)	(1,466)	(3,966)
(Cash upon sale) Purchase of intangible assets / Goodwill	16	(1,076)	(1,158)	(1,232)
Net cash from (used in) investing activities		14,429	(361)	2,676
Funding from institutional markets		4,864	6,667	207
Redemptions in institutional markets		(18,198)	(5,242)	(16,158)
(Acquisition) / Disposal of interest of non-controlling stockholders		(1,013)	276	167
Granting of stock options – exercised options		731	344	535
Purchase of treasury shares		(947)	(3,324)	(35)
Dividends and interest on capital paid to non-controlling interests		(93)	(242)	(85)
Dividends and interest on capital paid		(7,673)	(7,008)	(6,319)
Net cash from (used in) financing activities		(22,329)	(8,529)	(21,688)
Net increase (decrease) in cash and cash equivalents	2.4c and 4	22,411	(43,350)	70,714
Cash and cash equivalents at the beginning of the period	4	91,649	125,318	55,790
Effects of changes in exchange rates on cash and cash equivalents		(17,941)	9,681	(1,186)
Cash and cash equivalents at the end of the period	4	96,119	91,649	125,318
Additional information on cash flow				
Interest received		168,708	136,277	117,079
Interest paid		79,227	58,436	67,559
Non-cash transactions				
Loans transferred to assets held for sale		-	-	-
Dividends and interest on capital declared and not yet paid		2,869	2,458	2,270

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

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

ITAÚ UNIBANCO HOLDING S.A.
Consolidated Statement of Added Value

(In millions of Reais)

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Income	193,150	147,337	150,856
Interest, similar income and other	174,607	129,672	119,606
Banking services	31,918	29,452	26,342
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,880	6,672	6,888
Result of loan losses	(20,637)	(19,738)	(13,778)
Other	1,382	1,279	11,798
Expenses	(104,771)	(86,175)	(82,962)
Interest, similar income and other	(95,126)	(75,064)	(72,977)
Other	(9,645)	(11,111)	(9,985)
Inputs purchased from third parties	(15,910)	(14,652)	(13,833)
Materials, energy and others	(738)	(798)	(654)
Third party services	(4,340)	(4,044)	(4,189)
Other	(10,832)	(9,810)	(8,990)
Data processing and telecommunications	(3,966)	(4,052)	(3,870)
Advertising, promotions and publication	(1,036)	(1,095)	(972)
Installations	(1,161)	(1,022)	(924)
Transportation	(391)	(411)	(432)
Security	(716)	(675)	(627)
Travel expenses	(199)	(212)	(204)
Other	(3,363)	(2,343)	(1,961)
Gross added value	72,469	46,510	54,061
Depreciation and amortization	(2,994)	(2,598)	(2,468)
Net added value produced by the company	69,475	43,912	51,593
Added value received through transfer	528	620	565
Total added value to be distributed	70,003	44,532	52,158
Distribution of added value	70,003	44,532	52,158
Personnel	20,321	17,609	15,238
Compensation	16,512	13,891	12,252
Benefits	2,983	2,914	2,286
FGTS – government severance pay fund	826	804	700
Taxes, fees and contributions	24,620	(522)	13,843
Federal	23,410	(1,661)	12,802
State	35	16	67
Municipal	1,175	1,123	974
Return on third parties' assets - Rent	1,480	1,289	1,216
Return on own assets	23,582	26,156	21,861
Dividends and interest on capital	6,617	5,746	4,482
Retained earnings (loss) for the period	16,646	19,994	17,073
Minority interest in retained earnings	319	416	306

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



ITAÚ UNIBANCO HOLDING S.A.**Notes to the Consolidated Financial Statements**

**At December 31, 2016 and December 31, 2015 for balance sheet accounts and
From January 1 to December 31, 2016, 2015 and 2014 for income statement accounts**

(In millions of Reais, except information per share)

Note 1 - Overview

ITAÚ UNIBANCO HOLDING S.A. (ITAÚ UNIBANCO HOLDING) is a publicly-held company, organized and existing under the Laws of Brazil. The head office of ITAÚ UNIBANCO HOLDING is located at Praça Alfredo Egydio de Souza Aranha, nº 100, in the city of São Paulo, Brazil.

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

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

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

These consolidated financial statements were approved by the Executive Board on February 6, 2017.



Note 2 – Significant accounting policies

2.1. Basis of preparation

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

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

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

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

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

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

a) Accounting standards applicable for period ended December 31, 2016

- IASB Annual Improvement Cycle (2012-2014) – Annually IASB makes minor amendments to a series of pronouncements to clarify the standards and avoid double interpretation. In this cycle IFRS 5 – “Non-Current Assets Held for Sale and Discontinued Operations”, IFRS 7 – “Financial Instruments: Disclosures”, IAS 19 – “Employee Benefits”, and IAS 34 – “Interim Financial Reporting” were reviewed. Effective for annual periods beginning on January 1, 2016. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.
- Amendment to IFRS 11 – “Joint Arrangement” – The change establishes criteria for recognition of acquisition of joint operations, which activity constitutes one business, according to the methodology established in IFRS 3 – Business Combinations. Effective for the years beginning on January 1, 2016 and early adoption is permitted by IASB. Impacts of this change will occur only if there is an acquisition of a joint operation that constitutes a business.
- Amendment to IAS 16 – “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – The amendment clarifies the base principle for depreciation and amortization as being the expected standard of consumption of future economic benefits embodied in the asset. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB. No material impacts arising from this amendment were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.
- Amendment to IAS 1 – “Presentation of Financial Statements” – The amendments are aimed at encouraging companies to identify which information is sufficiently material to be disclosed in the financial statements. It also clarifies that materiality is applicable to the full set of financial statements, including the notes to the financial statements, and it is applicable to any and all disclosure requirements of the IFRS standards. Effective for periods beginning on January 1, 2016. Main effects identified are related to the disclosure of accounting policies and judgment of materiality in the notes to the financial statements.
- Amendments to IAS 28, IFRS 10 and IFRS 12: “Investment Entities: Applying Consolidation Exception”: This document comprises guidance for applying the Investment Entities concept. Effective for annual periods beginning on January 1, 2016. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.



b) Accounting standards recently issued and applicable in future periods

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

- IFRS 9 – Financial Instruments – This standard replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 applies to financial instruments and will be adopted retrospectively at its effective date, on January 1, 2018. This standard is structured to cover the pillars (I) classification and measurement of financial assets (II) impairment, and (III) hedge accounting. Among the amendments, the items below may have the most significant impacts:
 - (I) Classification and measurement of financial assets: the classification of financial assets should depend on two criteria: the entity’s business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets.
 - (II) Impairment: The new standards introduced the expected loss approach and classification into three phases.
 - (III) Hedge accounting: The hedge accounting requirements are closed aligned with risk management and should be applied on a prospective basis.

IFRS 9 is in process of implementation by ITAÚ UNIBANCO HOLDING, and an evaluation of the possible impacts resulting from the adoption of this standard has been conducted and will be completed through its effective date. The adoption of the expected loss in relation to the incurred loss approach is likely to require an increase in the allowance for loan and lease losses since the recognition of losses will be anticipated. The finance, risks, and technology departments as well as Management are involved in the implementation process.

- IFRS 15 – “Revenue from Contracts with Customers” – The pronouncement replaces IAS 18 and IAS 11, as well as interpretations related thereto (IFRICs 13, 15 and 18). It requires that revenue is recognized in a way that shows the transfer of assets or services to the client for an amount that reflects the company’s expectation of having in consideration the rights to these assets or services. ITAÚ UNIBANCO HOLDING will adopt IFRS 15 retrospectively only for contracts with remaining obligations until the date this standard comes into effect. Other effects should be adjusted with a counter-entry to Retained Earnings (Losses). This standard is effective for annual periods beginning on January 1, 2018. No material impacts arising from the adoption of this standard were identified.
- IFRS 16 – “Leases” – The pronouncement replaces IAS 17 - Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model, that consists of: (a) recognizing leases which terms exceeds 12 months and with substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in the result. For the lessor, accounting will continue to be segregated between operating and financial lease. This standard is effective for annual periods beginning on January 1, 2019. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.
- Amendment to IFRS 10 – “Consolidated Financial Statements” and IAS 28 – “Investments in Associates and Joint Ventures” – The amendments refer to an inconsistency between IFRS 10 and IAS 28 requirements, when addressing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has not been defined by IASB yet. No material impacts arising from this change on the consolidated financial statements of ITAÚ UNIBANCO HOLDING were identified.



2.3. Critical accounting estimates and judgments

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

2.3.1 Critical accounting estimates

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

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

a) Allowance for loan and lease losses

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

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

ITAÚ UNIBANCO HOLDING uses statistical models to calculate the Allowance for Loan and Lease Losses in the homogeneous loan portfolio. ITAÚ UNIBANCO HOLDING periodically carries out procedures to improve these estimates by aligning the required provisions to the levels of losses observed by the historical behavior (as described in Note 2.4d X). This alignment aims at ensuring that the volume of allowances reflects the current economic conditions, the composition of the loan portfolios, the quality of guarantees obtained and the profile of our clients.

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

b) Deferred income tax and social contribution

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

c) Fair value of financial instruments, including derivatives

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

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



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

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

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

d) Defined benefit pension plan

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

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

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

e) Provisions, contingencies and other commitments

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

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

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

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

f) Technical provisions for insurance and pension plan

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

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

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

Additional information is described in Note 30.

2.3.2 Critical judgments in accounting policies



a) Goodwill

The impairment test for goodwill involves estimates and significant judgments, including the identification of cash generation units and the allocation of goodwill to such units based on the expectations of which ones will benefit from the acquisition. Determining the expected cash flows and a risk-adjusted interest rate for each unit requires that management exercises judgment and estimates. Semi-annually submitted to the impairment test and, at December 31, 2016 and 2015, ITAÚ UNIBANCO HOLDING did not identify goodwill impairment losses.

2.4. Summary of main accounting practices

a) Consolidation

I. Subsidiaries

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

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

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

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



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

		Incorporation country	Activity	Interest in voting capital at		Interest in total capital at	
				12/31/2016	12/31/2015	12/31/2016	12/31/2015
Banco CorpBanca Colombia S.A.	(Note 3)	Colombia	Financial institution	23.67%	0.00%	23.67%	0.00%
Banco Itaú Argentina S.A.		Argentina	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú BBA S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Chile	(Note 3)	Chile	Financial institution	-	99.99%	-	99.99%
Banco Itaú Consignado S.A(*)		Brazil	Financial institution	100.00%	60.00%	100.00%	60.00%
Banco Itaú Paraguay S.A.		Paraguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú (Suisse) S.A.		Switzerland	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Uruguay S.A.		Uruguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaucard S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itauleasing S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Cia. Itaú de Capitalização		Brazil	Capitalization	100.00%	100.00%	100.00%	100.00%
Dibens Leasing S.A. - Arrendamento Mercantil		Brazil	Leasing	100.00%	100.00%	100.00%	100.00%
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Hipercard Banco Múltiplo S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú Bank, Ltd.		Cayman Islands	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA Colombia S.A. Corporación Financiera		Colombia	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA International plc		United Kingdom	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA USA Securities Inc.		United States	Broker	100.00%	100.00%	100.00%	100.00%
Itaú BMG Seguradora S.A.		Brazil	Insurance	99.99%	60.00%	99.99%	60.00%
Itaú CorpBanca	(Note 3)	Chile	Financial institution	35.71%	0.00%	35.71%	0.00%
Itaú Corretora de Valores S.A.		Brazil	Broker	100.00%	100.00%	100.00%	100.00%
Itaú Seguros S.A.		Brazil	Insurance	100.00%	100.00%	100.00%	100.00%
Itaú Unibanco S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú Vida e Previdência S.A.		Brazil	Pension plan	100.00%	100.00%	100.00%	100.00%
Luizacred S.A. Soc. Cred. Financiamento Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Redecard S.A. - REDE		Brazil	Acquirer	100.00%	100.00%	100.00%	100.00%

(*) New company name of Banco Itaú BMG Consignado S.A..

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



II. Business combinations

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

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

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

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

III. Transactions with non-controlling stockholders

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

b) Foreign currency translation

I. Functional and presentation currency

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

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

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

II. Foreign currency transactions

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

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



c) Cash and cash equivalents

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

d) Financial Assets and Liabilities

In accordance with IAS 39, all financial assets and liabilities, including derivative financial instruments, should be recognized in the Balance Sheet, and measured in accordance with the category in which the instrument was classified.

Financial assets and liabilities may be classified as follows:

Categories	Recognition and Measurement
<ul style="list-style-type: none"> Financial assets and liabilities at fair value through profit or loss – held for trading 	<ul style="list-style-type: none"> Initially and subsequently recognized at fair value; Transaction costs are directly recognized in the Consolidated Statement of Income; Gains and losses arising from changes in fair value are directly included in Net gain (loss) from investments in securities and derivatives.
<ul style="list-style-type: none"> Financial assets and liabilities at fair value through profit or loss – designated at fair value 	
<ul style="list-style-type: none"> Available-for-sale financial assets (*) 	<ul style="list-style-type: none"> Initially and subsequently recognized at fair value plus transaction costs; Unrealized gains and losses (except losses for impairment, foreign exchange differences, dividends and interest income) are recognized, net of applicable taxes, in Other comprehensive income.
<ul style="list-style-type: none"> Held-to-maturity financial assets (*) 	<ul style="list-style-type: none"> Initially recognized at fair value plus transaction costs; Subsequently measured at amortized cost, using the effective interest rate method.
<ul style="list-style-type: none"> Loans and receivables 	
<ul style="list-style-type: none"> Financial liabilities at amortized cost 	

(*)Interest, including the amortization of premiums and discounts, is recognized in the Consolidated Statement of income under Interest and similar income.

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

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

Interest and similar income and expense are recognized in the Consolidated Statement of Income, in Interest and similar income and Interest and similar expense, respectively.

ITAÚ UNIBANCO HOLDING classifies as loans and receivables and financial liabilities at amortized cost the following Balance Sheet headings:

Loans and receivables	Financial liabilities at amortized cost
<ul style="list-style-type: none"> Central Bank compulsory deposits (Note 2.4dl and Note 5); Interbank deposits (Note 6); Securities purchased under agreements to resell (Note 2.4dll and Note 6); Loan operations (Note 2.4dVIII and Note 12); and Other financial assets (Note 20a). 	<ul style="list-style-type: none"> Deposits (Note 17); Securities sold under repurchase agreements (Note 2.4dll and Note 19a); Funds from interbank markets (Note 19a); Funds from institutional markets (Note 19b); Liabilities for capitalization plans; and Other financial liabilities (Note 20b).

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

Financial assets are derecognized when rights to receive cash flows expire or when ITAÚ UNIBANCO HOLDING transfers substantially all risks and rewards of ownership, and such transfer qualifies for write-off in accordance with IAS 39 requirements.

Otherwise, control should be assessed to determine whether the continuous involvement related to any retained control does not prevent write-off. Financial liabilities are derecognized when settled or extinguished.

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

I. Central Bank Compulsory deposits

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

II. Securities purchased under agreements to resell and sold under repurchase agreements

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

The difference between the sale and repurchase prices is treated as interest and recognized over the life of the agreements using the effective interest rate method.

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

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

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

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

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

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

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



V- Derivatives

All derivatives are recognized as assets when the fair value is positive, and as liabilities when negative.

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

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

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

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

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

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

Fair value hedge

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

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

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

Cash flow hedge

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

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

Hedge of net investments in foreign operations

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

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

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

VI - Available-for-sale financial assets

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

The average cost is used to determine the realized Gains and losses on Disposal of available-for-sale financial assets, which are recorded in the consolidated statement of income under Net gain (loss) on Investments in Securities and Derivatives – Available-for-sale financial assets. Dividends on available-for-sale assets are recognized in the consolidated statement of income as Dividend income when ITAU UNIBANCO HOLDING is entitled to receive such dividends and inflow of economic benefits is probable.

VII- Held-to-maturity financial assets

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

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

VIII- Loan operations

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

When a financial asset or group of similar financial assets is impaired and its carrying amount is reduced through an allowance for loan losses, the subsequent interest income is recognized on the



reduced carrying amount using the interest rate used to discount the future cash flows for purposes of measuring the allowance for loan losses.

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

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

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

IX - Lease operations (as lessor)

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

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

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

X- Allowance for loan and lease losses

General

ITAÚ UNIBANCO HOLDING periodically assesses whether there is any objective evidence that a receivable or group of receivables is impaired. A receivable or group of receivables is impaired and there is a need for recognizing an impairment loss if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated.

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

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

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

The estimated period between the loss event and its identification is defined by Management for each portfolio of similar receivables. Considering the representativeness of several homogeneous



groups, management chose to use a twelve month period as being the most representative. For portfolios of loans that are individually evaluated for impairment this period is at most 12 months, considering the review cycle for each loan operation.

Assessment

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

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

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

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

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

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

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

Measurement

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



the methodology and groups that validate the methodology. A centralized group in the credit risk area is responsible for measuring the allowance on a recurring basis following the methodologies developed and approved for each of the four areas.

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

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

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

- **Corporate (with no evidence of impairment)** - factors considered and inputs used are mainly the history of the customer relationship with us, the results of analysis of the customer's accounting statements and the information obtained through frequent contacts with its officers, aiming at understanding the strategy and the quality of its management. Additionally, industry and macroeconomic factors are also included in the analysis. All those factors (which are quantitative and qualitative) are used as inputs to the internal model developed to determine the corresponding rating category. This approach is also applied to the corporate credit portfolio inside and outside Brazil.
- **Individuals** – factors considered and inputs used are mainly the history of the customer relationship with us, and information available through credit bureaus (negative information).
- **Small / Medium Businesses** – factors considered and inputs used include, in addition to the history of the customer relationship and credit bureau information about the customer's revenues, industry expertise, and information about its shareholders and officers, among others.
- **Foreign Units – Latin America** – considering the relative smaller size of this portfolio and its more recent nature, the models are simpler and use the past due status and an internal rating of the customer as main factors.



Reversal, write-off, and renegotiation

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

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

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

e) Investments in associates and joint ventures

I – Associates

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

II – Joint arrangements

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

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

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

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

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



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

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

f) Lease commitments (as lessee)

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

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

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

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

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

g) Fixed assets

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

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

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

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

h) Goodwill

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



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

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

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

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

i) Intangible assets

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

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

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

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

The breakdown of intangible assets is described in Note 16.

j) Assets held for sale

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

k) Income tax and social contribution

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

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

Deferred income tax and social contribution represented by deferred tax assets and liabilities are obtained based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year end. The tax benefit of tax loss carryforwards is recognized as an asset. Deferred tax assets are only recognized when it is probable that future taxable



income will be available for offsetting. Deferred tax assets and liabilities are recognized in the balance sheet under Tax assets – Income tax and social contribution – Deferred and Tax liabilities – Income tax and social contribution - Deferred, respectively.

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

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

	12/31/2016
Income tax	15.00%
Additional income tax	10.00%
Social contribution (*)	20.00%

(*) On October 06, 2015, Law No. 13,169, a conversion of Provisional Measure No. 675, which increased the Social Contribution tax rate from 15.00% to 20.00% until December 31, 2018, for financial institutions, insurance companies and credit card management companies, was introduced. For the other companies, the tax rate remains at 9.00%.

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

I) Insurance contracts and private pension

IFRS 4 – “Insurance contracts” defines insurance contracts as contracts under which the issuer accepts a significant insurance risk of the counterparty, by agreeing to compensate it if a specified uncertain future event adversely affects it. An insurance risk is significant only if the insurance event could cause an issuer to pay significant additional benefits in any scenario, except for those that do not have commercial substance. Additional benefits refer to amounts that exceed those that would be payable if no insured event occurred.

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

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

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

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

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



Private pension plans

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

Insurance premiums

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

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

Reinsurance

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

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

Acquisition costs

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

Liabilities

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

Embedded derivatives

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

Liability adequacy test

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

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



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

m) Capitalization plans

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

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

n) Post-employments benefits

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

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

Pension plans - Defined benefit plans

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

- current service cost – defined as the increase in the present value of obligations resulting from employee service in the current period.
- interest on the net amount of assets (liabilities) of defined benefit plans is the change, during the period, in the net amount recognized in assets and liabilities, due to the time elapsed, which comprises the interest income on plan assets, interest expense on the obligations of the defined benefit plan and interest on the asset ceiling effects.

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

Pension plans - defined contribution

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

Other post-employment benefit obligations

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

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



o) Share-based payment

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

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

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

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

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

p) Financial guarantees

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

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

q) Provisions, contingent assets and contingent liabilities

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

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

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

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

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

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



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

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

r) Capital

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

s) Treasury shares

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

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

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

t) Dividends and interest on capital

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

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

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

Dividends and interest on capital are presented in Note 21.

u) Earnings per share

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

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

Earnings per share are presented in Note 28.



v) Revenue from services

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

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

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

w) Segment information

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

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

Segment information is presented in Note 34.

Note 3 – Business development

Credit Intelligence Bureau (“CIB”)

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

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

CIB’s incorporation is subject to the execution of definitive documents among the Parties, as well as the satisfaction of certain conditions precedent, including the approval by applicable regulatory authorities. The transaction was approved by CADE on November 9, 2016.

Banco Itaú BMG Consignado S.A.

On September 29, 2016, ITAÚ UNIBANCO HOLDING, through its subsidiary Itaú Unibanco S.A. (Itaú Unibanco), entered into a purchase and sale agreement with Banco BMG S.A. (BMG) for acquisition of a 40% interest in the capital of Banco Itaú BMG Consignado S.A. (Itaú BMG Consignado), corresponding to BMG’s total interest in Itaú BMG Consignado, for the amount of R\$ 1,460, and now holds 100% of Itaú BMG Consignado.

Itaú Unibanco and BMG will maintain an association by means of the execution of a new commercial agreement for the distribution of payroll loans of Itaú BMG Consignado and its affiliates, on an exclusive basis, through certain distribution channels linked to BMG and its affiliates.

After compliance with conditions precedent and approval by proper regulatory authorities, the transaction was completed on December 28, 2016.

Currently, Itaú BMG Consignado is controlled by ITAÚ UNIBANCO HOLDING and, therefore, this acquisition did not have accounting effects on its results on initial recognition.

ConectCar Soluções de Mobilidade Eletrônica S.A.

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

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

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

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

Recovery do Brasil Consultoria S.A.

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



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

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

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

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

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

Itaú CorpBanca

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

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

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

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

The operation was consummated by means of:

- i. Increase in BIC' capital in the amount of US\$ 2,309 million concluded on March 22, 2016;
- ii. Merger of BIC into CorpBanca, with the cancellation of BIC's shares and issue of new shares by CorpBanca, at the rate of 80,240 shares of CorpBanca for one share of BIC, so that interests resulting from the merger, named Itaú CorpBanca, are 33.58% for ITAÚ UNIBANCO HOLDING and 33.13% for Corp Group.

The following corporate structure resulted from the transaction:

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

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



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

The consideration transferred resulted in goodwill for future expected profitability of R\$ 6,928. Additionally, a goodwill of R\$ 692 was generated in Brazil due to the difference between the equity value of BIC and the equity value of Itaú CorpBanca resulting from the merger. This amount will not be deducted for tax purposes, except in case of disposal or merger of the investment.

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

CorpBanca

Assets	04/01/2016
Cash and deposits on demand	5,869
Interbank deposits	3,712
Securities purchased under agreements to resell	186
Financial assets held for trading	5,684
Derivatives	6,628
Available-for-sale financial assets	7,164
Held-to-maturity financial assets	236
Loan operations and lease operations portfolio, net	75,222
Other financial assets	3,018
Goodwill	888
Fixed assets, net	494
Intangible assets, net	2,603
Tax assets	1,413
Assets held for sale	2
Other assets	1,257
Total assets	114,376
Liabilities and stockholders' equity	04/01/2016
Deposits	68,387
Securities sold under repurchase agreements	4,052
Derivatives	5,749
Interbank market debt	6,429
Institucional market debt	17,025
Other financial liabilities	1,583
Provisions	140
Tax liabilities	1,341
Other liabilities	2,619
Total liabilities	107,325
Plan net assets	7,051
Non-controlling interests	1,515
Net assets assumed	5,536
Adjustment to fair value of net assets assumed	(1,946)
Net assets assumed at fair value	3,590

Up to one year from acquisition date, adjustments to the reported amounts will be made to reflect any new information obtained about facts and circumstances that existed at the transaction completion date, as provided for in IFRS 3 – Business Combinations.

Contingent liabilities have not been recorded due to the acquisition.

Additionally, on October 26, 2016, ITAÚ UNIBANCO HOLDING, by means of its controlled subsidiary, ITB Holding Brasil Participações Ltda., it has indirectly acquired 10,908,002,836 shares of Itaú CorpBanca, for equivalent to R\$ 288.1.

The possibility of implementing the acquisition of such Shares was already set forth in the shareholders' agreement entered into on April 1st, 2016 between ITAÚ UNIBANCO HOLDING and Corp Group and certain of its affiliates. As a consequence, ITAÚ UNIBANCO HOLDING's ownership in Itaú CorpBanca increased from approximately 33.58% to 35.71%, without altering its current governance.

This transaction was implemented by means of the acquisition of 100% of the capital stock of a company named CGB II SpA, which is the current holder of the shares. All the required regulatory approvals have been obtained on October of 2016.

The acquisitions did not have accounting effects on the net income of ITAÚ UNIBANCO HOLDING on initial recognition.

MaxiPago

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

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

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

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

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

In the second semester of 2016, ITAÚ UNIBANCO HOLDING CONSOLIDATED, through its subsidiary Rede, increased the capital of MaxiPago by 21.98 and acquired additional interest ownership of 3.02%, for the amount of R\$ 2, and now holds 100% of MaxiPago's capital stock.



Note 4 - Cash and cash equivalents

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

	12/31/2016	12/31/2015
Cash and deposits on demand	18,542	18,544
Interbank deposits	13,358	22,022
Securities purchased under agreements to resell	64,219	51,083
Total	96,119	91,649

Amounts related to interbank deposits and securities purchased under agreements to resell not included in cash equivalents are R\$ 9,334 (R\$ 8,503 at 12/31/2015) and R\$ 200,832 (R\$ 203,321 at 12/31/2015), respectively.

Note 5 - Central Bank compulsory deposits

	12/31/2016	12/31/2015
Non-interest bearing deposits	3,002	3,790
Interest-bearing deposits	82,698	62,766
Total	85,700	66,556

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

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Interbank deposits	21,503	1,189	22,692	29,769	756	30,525
Securities purchased under agreements to resell ^(*)	264,740	311	265,051	254,404	-	254,404
Total	286,243	1,500	287,743	284,173	756	284,929

(*) The amounts of R\$ 4,329 (R\$ 9,461 at 12/31/2015) are pledged in guarantee of operations on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and Central Bank and the amounts of R\$ 178,070 (R\$ 152,551 at 12/31/2015) are pledged in guarantee of repurchase agreement transactions, in conformity with the policies described in Note 2.4d.



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

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

	12/31/2016			12/31/2015		
	Cost	Accumulated gain / (loss) reflected in income	Fair value	Cost	Accumulated gain / (loss) reflected in income	Fair value
Investment funds	1,170	3	1,173	1,110	(59)	1,051
Brazilian government securities ^(1a)	159,602	422	160,024	117,848	(795)	117,053
Brazilian external debt bonds ^(1b)	5,275	50	5,325	4,672	(241)	4,431
Government securities – abroad ^(1c)	3,714	21	3,735	1,140	9	1,149
Argentina	634	17	651	682	14	696
Chile	126	1	127	36	-	36
Colombia	2,666	3	2,669	77	(5)	72
United States	78	-	78	132	-	132
Mexico	6	-	6	3	-	3
Paraguay	88	-	88	68	-	68
Uruguay	32	-	32	40	-	40
Other	84	-	84	102	-	102
Corporate securities ^(1d)	34,425	(34)	34,391	40,659	(32)	40,627
Shares	2,598	(107)	2,491	2,231	(70)	2,161
Bank deposit certificates	1,824	-	1,824	2,583	-	2,583
Debentures	3,129	61	3,190	4,460	62	4,522
Eurobonds and other	654	8	662	1,015	(24)	991
Financial credit bills	25,893	-	25,893	30,367	-	30,367
Other	327	4	331	3	-	3
Total ⁽²⁾	204,186	462	204,648	165,429	(1,118)	164,311

(1) Assets held for trading pledged as collateral of funding transactions of financial institutions and clients were: a) R\$ 7,696 (R\$ 7,384 at 12/31/2015), b) R\$ 4,045 (R\$ 3,541 at 12/31/2015), c) 1,183 (R\$ 68 at 12/31/2015) and d) R\$ 26 (R\$ 15 at 12/31/2015), totaling R\$ 12,950 (R\$ 11,008 at 12/31/2015).

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

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

	12/31/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	34,302	34,206	36,045	35,934
Non-stated maturity	3,356	3,206	3,341	3,212
Up to one year	30,946	31,000	32,704	32,722
Non-current	169,884	170,442	129,384	128,377
From one to five years	117,748	118,050	57,923	57,700
From five to ten years	42,135	42,284	66,148	65,437
After ten years	10,001	10,108	5,313	5,240
Total	204,186	204,648	165,429	164,311

Financial assets held for trading include assets with a fair value of R\$ 142,081 (R\$ 117,128 at 12/31/2015) that belong to investment funds wholly owned by Itaú Vida e Previdência S.A. The return of those assets (positive or negative) is fully transferred to customers of our PGBL and VGBL private pension plans whose premiums (less fees charged by us) are used by our subsidiary to purchase quotas of those investment funds.

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

	12/31/2016		
	Cost	Accumulated gain / (loss) reflected in income	Fair value
Brazilian external debt bonds	1,183	8	1,191
Total	1,183	8	1,191

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

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

	12/31/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	1,183	1,191	-	-
Up to one year	1,183	1,191	-	-
Non-current	-	-	636	642
From one to five years	-	-	636	642

Note 8 – Derivatives

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

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

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

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

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

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

The total value of margins pledged in guarantee by ITAÚ UNIBANCO HOLDING was R\$ 12,246 (R\$ 7,757 at 12/31/2015) and was basically comprised of government securities.



The following table shows the composition of derivatives by index:

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2016	12/31/2016	12/31/2016	12/31/2016
Futures contracts	666,927	61	66	127
Purchase commitments	200,752	(237)	86	(151)
Commodities	147	-	-	-
Indices	47,295	(213)	3	(210)
Interbank market	109,649	1	-	1
Foreign currency	31,141	(25)	83	58
Securities	12,520	-	-	-
Commitments to sell	466,175	298	(20)	278
Commodities	284	-	-	-
Indices	169,930	306	(1)	305
Interbank market	213,991	(11)	1	(10)
Foreign currency	70,719	3	(22)	(19)
Fixed rate	941	-	2	2
Securities	10,275	-	-	-
Other	35	-	-	-
Swap contracts		(4,446)	1,767	(2,679)
Asset position	471,221	6,602	3,940	10,542
Commodities	5	-	-	-
Indices	196,505	794	456	1,250
Interbank market	47,210	1,897	7	1,904
Foreign currency	13,582	1,136	(1)	1,135
Floating rate	38,262	(21)	1,471	1,450
Fixed rate	175,609	2,795	2,007	4,802
Securities	12	-	-	-
Other	36	1	-	1
Liability position	475,667	(11,048)	(2,173)	(13,221)
Commodities	131	-	-	-
Indices	147,560	(2,729)	(2,115)	(4,844)
Interbank market	36,554	(328)	(68)	(396)
Foreign currency	21,156	(915)	17	(898)
Floating rate	36,438	(140)	(1,204)	(1,344)
Fixed rate	233,780	(6,926)	1,195	(5,731)
Securities	20	(10)	2	(8)
Other	28	-	-	-
Option contracts	583,527	(2,108)	2,348	240
Purchase commitments – long position	163,069	1,490	(625)	865
Commodities	404	16	1	17
Indices	99,978	111	(8)	103
Interbank market	1,247	1	20	21
Foreign currency	45,106	1,205	(835)	370
Fixed rate	11	-	-	-
Securities	16,254	150	187	337
Other	69	7	10	17
Commitments to sell – long position	142,234	1,713	2,214	3,927
Commodities	162	4	5	9
Indices	92,088	106	(9)	97
Interbank market	7,533	6	(2)	4
Foreign currency	33,078	1,348	2,101	3,449
Fixed rate	145	6	(3)	3
Securities	9,211	243	122	365
Other	17	-	-	-
Purchase commitments – short position	129,392	(2,674)	1,721	(953)
Commodities	239	(3)	(8)	(11)
Indices	83,283	(161)	29	(132)
Interbank market	95	-	-	-
Foreign currency	39,900	(2,447)	1,875	(572)
Fixed rate	94	(1)	-	(1)
Securities	5,599	(54)	(166)	(220)
Other	182	(8)	(9)	(17)
Commitments to sell – short position	148,832	(2,637)	(962)	(3,599)
Commodities	268	(17)	(3)	(20)
Indices	104,268	(137)	51	(86)
Interbank market	3,438	(10)	2	(8)
Foreign currency	34,132	(2,258)	(884)	(3,142)
Fixed rate	28	(1)	-	(1)
Securities	6,681	(214)	(128)	(342)
Other	17	-	-	-

	Off-balance sheet notional amount	Balance sheet account receivable / (received) (payable) paid	Adjustment to market value (in results / stockholders' equity)	Fair value
	12/31/2016	12/31/2016	12/31/2016	12/31/2016
Forward operations (onshore)	13,429	1,446	(5)	1,441
Purchases receivable	1,186	1,240	(5)	1,235
Floating rate	546	545	1	546
Fixed rate	395	450	-	450
Securities	245	245	(6)	239
Purchases payable	-	(971)	-	(971)
Floating rate	-	(545)	-	(545)
Fixed rate	-	(421)	-	(421)
Securities	-	(5)	-	(5)
Sales receivable	8,139	3,734	2	3,736
Interbank market	4,396	8	-	8
Floating rate	300	300	-	300
Fixed rate	2,250	2,257	-	2,257
Securities	1,193	1,169	2	1,171
Sales deliverable	4,104	(2,557)	(2)	(2,559)
Interbank market	4,104	-	(2)	(2)
Floating rate	-	(300)	-	(300)
Fixed rate	-	(2,257)	-	(2,257)
Credit derivatives	12,100	-	34	34
Asset position	5,306	190	(9)	181
Foreign currency	3,876	188	(56)	132
Fixed rate	114	-	2	2
Securities	1,161	2	41	43
Other	155	-	4	4
Liability position	6,794	(190)	43	(147)
Foreign currency	5,487	(189)	70	(119)
Fixed rate	33	(1)	-	(1)
Securities	974	-	(21)	(21)
Other	300	-	(6)	(6)
Forwards operations (offshore)	250,775	472	162	634
Asset position	134,049	3,283	176	3,459
Commodities	206	18	1	19
Indices	148	9	-	9
Foreign currency	133,693	3,256	175	3,431
Securities	2	-	-	-
Liability position	116,726	(2,811)	(14)	(2,825)
Commodities	244	(27)	2	(25)
Indices	27	-	-	-
Foreign currency	116,437	(2,784)	(16)	(2,800)
Securities	18	-	-	-
Check of swap	1,493	(326)	61	(265)
Asset position - Foreign currency	923	18	70	88
Liability position - Interbank market	570	(344)	(9)	(353)
Other derivative financial instruments	4,217	45	(44)	1
Asset position	2,569	48	23	71
Foreign currency	148	(3)	8	5
Fixed rate	1,174	48	(5)	43
Securities	940	3	14	17
Other	307	-	6	6
Liability position	1,648	(3)	(67)	(70)
Commodities	2	-	-	-
Foreign currency	84	-	(32)	(32)
Fixed rate	81	(1)	(1)	(2)
Securities	1,317	(2)	(30)	(32)
Other	164	-	(4)	(4)
Asset	18,379	18,379	5,852	24,231
Liability	(23,235)	(23,235)	(1,463)	(24,698)
Total	(4,856)	(4,856)	4,389	(467)

Derivative contracts mature as follows (in days):

Off-balance sheet – notional amount	0 - 30	31 - 180	181 - 365	Over 365	12/31/2016
Futures contracts	184,309	221,487	50,749	210,382	666,927
Swaps contracts - difference payable	17,588	67,405	50,000	329,626	464,619
Options	191,242	191,998	175,220	25,067	583,527
Forwards (onshore)	9,197	4,230	2	-	13,429
Credit derivatives	-	1,233	1,098	9,769	12,100
Forwards (offshore)	63,764	124,695	42,700	19,616	250,775
Check of swap	-	180	913	400	1,493
Other derivative financial instruments	32	579	418	3,188	4,217

The following table shows the composition of derivatives by index:

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

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

Derivative contracts mature as follows (in days):

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

Derivative financial instruments

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

	12/31/2016							
	Fair value	%	0-30 days	31-90 days	91-180 days	181-365 days	366-720 days	Over 720 days
Assets								
Futures contracts	127	0.5	85	51	13	(18)	(6)	2
BM&FBOVESPA	128	0.5	85	52	13	(18)	(6)	2
Financial institutions	(1)	0.0	-	(1)	-	-	-	-
Swaps – difference receivable	10,542	43.5	828	723	585	659	1,497	6,250
BM&FBOVESPA	1,417	5.8	178	156	218	58	206	601
Companies	4,585	18.9	322	354	227	390	764	2,528
Financial institutions	4,256	17.6	319	197	122	196	447	2,975
Individuals	284	1.2	9	16	18	15	80	146
Option premiums	4,792	19.7	354	582	759	1,540	1,397	160
BM&FBOVESPA	1,679	6.9	144	209	182	1,075	41	28
Companies	507	2.1	23	19	88	134	188	55
Financial institutions	2,603	10.7	187	354	488	329	1,168	77
Individuals	3	0.0	-	-	1	2	-	-
Forwards (onshore)	4,971	20.6	3,947	735	287	2	-	-
BM&FBOVESPA	1,418	5.9	427	703	286	2	-	-
Companies	2,783	11.5	2,750	32	1	-	-	-
Financial institutions	770	3.2	770	-	-	-	-	-
Credit derivatives - financial Institutions	181	0.7	-	-	3	5	13	160
Forwards (offshore)	3,459	14.3	601	1,252	444	579	245	338
BM&FBOVESPA	305	1.3	82	123	56	44	-	-
Companies	1,243	5.1	185	344	216	231	200	67
Financial institutions	1,908	7.9	333	783	172	304	45	271
Individuals	3	0.0	1	2	-	-	-	-
Check of swap - Companies	88	0.4	-	-	35	53	-	-
Other	71	0.3	-	-	1	6	13	51
Companies	29	0.1	-	-	-	5	8	16
Financial institutions	42	0.2	-	-	1	1	5	35
Total (*)	24,231	100.0	5,815	3,343	2,127	2,826	3,159	6,961
% per maturity term			24.0	13.8	8.8	11.7	13.0	28.7

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ 14,111 refers to current and R\$ 10,120 to non-current.

Derivative financial instruments

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

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

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

	12/31/2016							
	Fair value	%	0 - 30 days	31 - 90 days	91 - 180 days	181 - 365 days	366 - 720 days	Over 720 days
Liabilities								
Swaps – Difference payable	(13,221)	53.4	(461)	(228)	(742)	(732)	(2,352)	(8,706)
BM&FBOVESPA	(1,614)	6.5	(304)	(75)	(124)	(97)	(125)	(889)
Companies	(2,531)	10.2	(67)	(32)	(90)	(248)	(573)	(1,521)
Financial institutions	(4,106)	16.6	(79)	(103)	(128)	(311)	(554)	(2,931)
Individuals	(4,970)	20.1	(11)	(18)	(400)	(76)	(1,100)	(3,365)
Option premiums	(4,552)	18.5	(837)	(659)	(516)	(713)	(1,116)	(711)
BM&FBOVESPA	(1,437)	5.8	(524)	(216)	(201)	(455)	(30)	(11)
Companies	(631)	2.6	(48)	(28)	(103)	(170)	(200)	(82)
Financial institutions	(2,463)	10.0	(265)	(414)	(208)	(81)	(882)	(613)
Individuals	(21)	0.1	-	(1)	(4)	(7)	(4)	(5)
Forwards (onshore)	(3,530)	14.3	(3,530)	-	-	-	-	-
BM&FBOVESPA	(6)	0.0	(6)	-	-	-	-	-
Companies	(2,754)	11.2	(2,754)	-	-	-	-	-
Financial institutions	(770)	3.1	(770)	-	-	-	-	-
Credit derivatives - Financial institutions	(147)	0.6	-	-	-	(2)	(10)	(135)
Forwards (offshore)	(2,825)	11.5	(466)	(881)	(527)	(299)	(99)	(553)
BM&FBOVESPA	(259)	1.0	(102)	(76)	(41)	(40)	-	-
Companies	(648)	2.6	(166)	(158)	(124)	(129)	(37)	(34)
Financial institutions	(1,916)	7.9	(198)	(647)	(360)	(130)	(62)	(519)
Individuals	(2)	0.0	-	-	(2)	-	-	-
Check of swap - Companies	(353)	1.4	-	-	-	(214)	(139)	-
Other - Companies	(70)	0.3	-	(1)	(1)	(1)	(10)	(57)
Total (*)	(24,698)	100.0	(5,294)	(1,769)	(1,786)	(1,961)	(3,726)	(10,162)
% per maturity term			21.4	7.2	7.2	7.9	15.1	41.2

(*) Of the total liability portfolio of Derivative Financial Instruments, R\$ (10,810) refers to current and R\$ (13,888) to non-current.

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

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

a) Information on credit derivatives

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

Credit Default Swaps – CDS

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

Total Return Swap – TRS

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

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

	12/31/2016				
	Maximum potential of future payments, gross	Before 1 year	From 1 to 3 years	From 3 to 5 years	Over 5 years
By instrument					
CDS	8,094	1,989	3,487	2,585	33
Total by instrument	8,094	1,989	3,487	2,585	33
By risk rating					
Investment grade	8,094	1,989	3,487	2,585	33
Total by risk	8,094	1,989	3,487	2,585	33
By reference entity					
Private entities	8,094	1,989	3,487	2,585	33
Total by entity	8,094	1,989	3,487	2,585	33

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

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

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

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

	12/31/2016		
	Notional amount of credit protection sold	Notional amount of credit protection purchased with identical underlying amount	Net position
CDS	(8,094)	4,006	(4,088)
Total	(8,094)	4,006	(4,088)

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



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

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

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

12/31/2016						
	Gross amount of recognized financial assets ⁽¹⁾	Gross amount offset in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position ⁽²⁾		Net amount
				Financial instruments ⁽³⁾	Cash collateral received	
Securities purchased under agreements to resell	265,051	-	265,051	(334)	-	264,717
Derivatives	24,231	-	24,231	(4,039)	(540)	19,652

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

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

12/31/2016						
	Gross amount of recognized financial liabilities ⁽¹⁾	Gross amount offset in the statement of financial position	Net amount of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position ⁽²⁾		Net amount
				Financial instruments ⁽³⁾	Cash collateral pledged	
Securities sold under repurchase agreements	349,164	-	349,164	(17,829)	-	331,335
Derivatives	24,698	-	24,698	(4,039)	-	20,659

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

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

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

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

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

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

Note 9 – Hedge accounting

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

a) Cash flow hedge

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

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

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

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

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

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

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

All hedge relationships were designated between 2008 and 2016. Periods in which expected cash flows should be paid and affect the income statement are as follows:

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



- Hedge of funding: interest paid monthly.
- Hedge of loan operations: interest received monthly.

Following we present gains (or losses) of the effective and ineffective of the strategies of cash flow hedge.

Hedge instruments	12/31/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate futures	(2,051)	10	2,947	80
NDF	-	-	16	-
Interest rate swap	(27)	(2)	-	-
Total	(2,078)	8	2,963	80

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

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

At 12/31/2016, the gain (loss) on cash flow hedge expected to be reclassified from Comprehensive Income to Income in the following 12 months is R\$ 130 (R\$ 452 at 12/31/2015).



b) Hedge of net investment in foreign operations

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

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

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

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

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

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

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

Following we present gains (or losses) of the effective and ineffective of the strategies of Hedge of net investment in foreign operations.

Hedge instrument	12/31/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
DDI futures	(7,490)	(51)	(11,728)	(6)
Forward	683	(48)	669	44
NDF	2,312	(35)	2,801	76
Financial assets	43	2	46	-
Total	(4,452)	(132)	(8,212)	114

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

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

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

c) Fair value hedge

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

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

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

ITAÚ UNIBANCO HOLDING has applied fair value hedge as follows:

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

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

- The percentage approach is based on the calculation of change in the fair value of the reviewed estimate for the hedged position (hedge item) attributable to the protected risk versus the change in the fair value of the hedged derivative instrument.
- The dollar offset method is calculated based on the difference between the variation of the fair value of the hedging instrument and the variation in the fair value of the hedged item attributed to changes in the interest rate.

Hedge relationships were designated between 2012 and 2016, and maturities of related swaps will occur between 2017 and 2030. Receipts (payments) of interest flows are expected to occur on a monthly basis, and they will affect the statement of income.

Following we present gains (or losses) of the effective and ineffective portions of the strategies of fair value hedge.

Hedge instrument used	12/31/2016		12/31/2015	
	Accumulated effective portion	Ineffective portion	Accumulated effective portion	Ineffective portion
Interest rate swap	(90)	(6)	(54)	(3)
Total	(90)	(6)	(54)	(3)

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



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

Strategies	12/31/2016			12/31/2015		
	Hedge instruments		Hedged item	Hedge instruments		Hedged item
	Notional amount	Fair value adjustments	Carrying value	Notional amount	Fair value adjustments	Carrying value
Hedge of deposits and repurchase agreements	83,068	(8)	83,580	77,905	43	77,922
Hedge of syndicated loan	6,844	(46)	6,844	8,200	(90)	8,200
Hedge of highly probable forecast transactions	-	-	-	1,125	16	1,125
Hedge of net investment in foreign operations ^(*)	21,449	221	12,330	21,927	(427)	12,815
Hedge of loan operations (Cash flow)	1,121	15	1,121	-	-	-
Hedge of assets transactions	24,168	312	26,495	7,405	(263)	7,876
Hedge of assets denominated in UF	13,147	(20)	13,147	-	-	-
Hedge of funding (Cash flow)	4,273	(22)	4,273	-	-	-
Hedge of Asset-backed securities under repurchase agreements	2,546	24	2,524	-	-	-
Hedge of loan operations (Market risk)	2,692	(91)	2,692	4,346	59	4,346
Hedge of available-for-sale securities	472	(14)	472	-	-	-
Hedge of funding (Market risk)	8,659	9	8,659	781	-	781
Total	168,439	380	162,137	121,689	(662)	113,065

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

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

Strategies	12/31/2016							Total
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	Over 10 years	
Hedge of deposits and repurchase agreements	-	32,132	28,616	10,188	5,646	6,486	-	83,068
Hedge of syndicated loan	6,844	-	-	-	-	-	-	6,844
Hedge of highly probable forecast transactions	-	-	-	-	-	-	-	-
Hedge of assets transactions	4,627	13,719	4,890	-	932	-	-	24,168
Hedge of fixed rate loan operations (Cash flow)	123	-	-	24	141	833	-	1,121
Hedge of net investment in foreign operations ^(*)	21,449	-	-	-	-	-	-	21,449
Hedge of assets denominated in UF	8,940	2,598	1,558	-	51	-	-	13,147
Hedge of funding (Cash flow)	121	1,485	73	536	774	1,284	-	4,273
Hedge of loan operations (Market risk)	189	422	63	29	93	335	1,561	2,692
Hedge of available-for-sale securities	-	-	-	218	-	254	-	472
Hedge of funding (Market risk)	1,266	2,460	3,433	701	72	488	239	8,659
Hedge of Asset-backed securities under repurchase agreements	-	-	1,465	918	163	-	-	2,546
Total	43,559	52,816	40,098	12,614	7,872	9,680	1,800	168,439

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

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

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

Note 10 – Available-for-sale financial assets

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

	12/31/2016			12/31/2015		
	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value	Cost	Accumulated gain / (loss) reflected in other comprehensive income	Fair value
Investment funds	42	-	42	218	-	218
Brazilian external debt bonds ^(1b)	14,465	(400)	14,065	19,843	(2,531)	17,312
Brazilian government securities ^(1a)	17,652	286	17,938	12,702	(906)	11,796
Government securities – abroad ^(1c)	14,488	(16)	14,472	9,942	(59)	9,883
Colombia	1,105	50	1,155	-	-	-
Chile	5,832	12	5,844	1,409	(2)	1,407
Korea	2,673	-	2,673	1,626	-	1,626
Denmark	819	-	819	2,548	-	2,548
Spain	923	-	923	1,060	-	1,060
United States	1,446	(19)	1,427	2,028	(6)	2,022
Netherlands	101	-	101	122	-	122
Paraguay	1,167	(56)	1,111	955	(43)	912
Uruguay	413	(2)	411	185	(7)	178
Other	9	(1)	8	9	(1)	8
Corporate securities ^(1d)	42,176	(416)	41,760	47,380	(544)	46,836
Shares	1,020	365	1,385	706	222	928
Rural product note	1,477	(52)	1,425	1,176	(46)	1,130
Bank deposit certificates	2,639	2	2,641	1,576	(3)	1,573
Securitized real estate loans	2,150	(55)	2,095	2,244	(207)	2,037
Debentures	21,863	(693)	21,170	23,153	(318)	22,835
Eurobonds and others	7,671	44	7,715	10,180	(68)	10,112
Financial bills	2,822	(6)	2,816	6,893	(47)	6,846
Promissory notes	2,191	(18)	2,173	1,060	(69)	991
Other	343	(3)	340	392	(8)	384
Total ⁽²⁾	88,823	(546)	88,277	90,085	(4,040)	86,045

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and Clients were: a) R\$ 9,120 (R\$ 1,755 at 12/31/2015), b) R\$ 3,240 (R\$ 14,135 at 12/31/2015), c) (R\$ 8 at 12/31/2015) and d) R\$ 5,075 (R\$ 808 at 12/31/2015), totaling R\$ 17,435 (R\$ 16,706 at 12/31/2015);

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

	12/31/2016		12/31/2015	
	Cost	Fair value	Cost	Fair value
Current	23,516	23,636	22,754	22,923
Non-stated maturity	1,010	1,375	923	1,145
Up to one year	22,506	22,261	21,831	21,778
Non-current	65,307	64,641	67,331	63,122
From one to five years	39,149	38,969	35,739	35,098
From five to ten years	12,521	12,329	17,041	15,682
After ten years	13,637	13,343	14,551	12,342
Total	88,823	88,277	90,085	86,045

Note 11 - Held-to maturity financial assets

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

	12/31/2016	12/31/2015
	Amortized cost	Amortized cost
Corporate securities	14,977	15,661
Brazilian external debt bonds ^(1b)	12,042	14,788
Brazilian government securities ^(1a)	12,937	11,721
Government securities – abroad	539	15
Total ⁽²⁾	40,495	42,185

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients were a) (R\$ 9,460 at 12/31/2015), b) R\$ 11,778.

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

The interest income related to held-to-maturity financial assets was R\$ 3,788 (R\$ 3,758 from 01/01 to 12/31/2015).

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

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

	12/31/2016	12/31/2015
	Amortized cost	Amortized cost
Current	2,498	661
Up to one year	2,498	661
Non-current	37,997	41,524
From one to five years	19,376	14,500
From five to ten years	10,957	18,870
After ten years	7,664	8,154
Total	40,495	42,185

Note 12 - Loan operations and lease operations portfolio

a) Composition of loan operations and lease operations

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

Loan operations and lease operations by type	12/31/2016	12/31/2015
Individuals	183,147	187,220
Credit card	59,022	58,542
Personal loan	25,813	28,396
Payroll loans	44,636	45,434
Vehicles	15,434	20,058
Mortgage loans	38,242	34,790
Corporate	121,754	152,527
Small and medium businesses	58,935	66,038
Foreign loans - Latin America	126,530	68,463
Total loan operations and lease operations	490,366	474,248
Allowance for loan and lease losses	(26,972)	(26,844)
Total loan operations and lease operations, net of allowance for loan and lease losses	463,394	447,404
By maturity	12/31/2016	12/31/2015
Overdue as from 1 day	16,843	15,596
Falling due up to 3 months	130,313	128,389
Falling due more than 3 months but less than 1 year	112,923	111,083
Falling due after 1 year	230,287	219,180
Total loan operations and lease operations	490,366	474,248
By concentration	12/31/2016	12/31/2015
Largest debtor	3,543	4,615
10 largest debtors	21,609	27,173
20 largest debtors	32,720	40,831
50 largest debtors	52,992	63,797
100 largest debtors	72,441	85,167

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

The accretion of the net present value of impaired loan operations and lease operations and the respective allowance for loan and lease losses are not presented using their gross amounts in the statement of income but on a net basis within interest and similar income. If they were presented at gross amounts, there would be an increase of R\$ 2,017, R\$ 1,882 and R\$ 1,623 in interest and similar income as of 12/31/2016, 12/31/2015 and 12/31/2014 respectively, with the same impact on the allowance for loan and lease losses expenses.

b) Allowance for loan and lease losses

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

Composition of the carrying amount by class of assets	Opening balance 12/31/2015	Write-offs	Net increase / (Reversal)	Closing balance 12/31/2016
Individuals	14,717	(13,682)	13,224	14,259
Credit card	4,141	(4,905)	4,457	3,693
Personal loans	8,330	(6,745)	6,171	7,756
Payroll loans	1,319	(1,273)	2,062	2,108
Vehicles	874	(709)	479	644
Mortgage loans	53	(50)	55	58
Corporate	6,459	(4,985)	4,388	5,862
Small and medium businesses	4,809	(4,267)	4,201	4,743
Foreign loans - Latin America	859	(1,317)	2,566	2,108
Total	26,844	(24,251)	24,379	26,972

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

Composition of the carrying amount by class of assets	Opening balance 12/31/2013	Write-offs	Net increase / (Reversal)	Closing balance 12/31/2014
Individuals	13,853	(12,668)	12,200	13,385
Credit card	2,952	(3,784)	4,572	3,740
Personal loans	6,488	(5,150)	5,686	7,024
Payroll loans	1,133	(429)	403	1,107
Vehicles	3,245	(3,254)	1,478	1,469
Mortgage loans	35	(51)	61	45
Corporate	2,006	(672)	1,780	3,114
Small and medium businesses	5,854	(4,992)	4,296	5,158
Foreign loans - Latin America	522	(343)	556	735
Total	22,235	(18,675)	18,832	22,392

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

	12/31/2016	12/31/2015
Public sector	5	2
Industry and commerce	5,253	4,314
Services	5,237	6,001
Natural resources	872	922
Other sectors	19	18
Individuals	15,586	15,587
Total	26,972	26,844

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

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

	12/31/2016						12/31/2015					
	Impaired		Not impaired		Total		Impaired		Not impaired		Total	
	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance	Loan	Allowance
I – Individually evaluated												
Corporate ^(*)	14,138	5,351	107,616	511	121,754	5,862	11,627	5,716	140,900	743	152,527	6,459
II- Collectively evaluated												
Individuals	10,763	6,756	172,384	7,503	183,147	14,259	11,579	6,587	175,641	8,130	187,220	14,717
Credit card	3,512	2,150	55,510	1,543	59,022	3,693	4,072	2,436	54,470	1,705	58,542	4,141
Personal loans	4,837	3,302	20,976	4,454	25,813	7,756	5,049	3,442	23,347	4,888	28,396	8,330
Payroll loans	1,431	954	43,205	1,154	44,636	2,108	1,242	227	44,192	1,092	45,434	1,319
Vehicles	591	326	14,843	318	15,434	644	880	459	19,178	415	20,058	874
Mortgage loans	392	24	37,850	34	38,242	58	336	23	34,454	30	34,790	53
Small and medium businesses	3,646	2,523	55,289	2,220	58,935	4,743	3,276	2,357	62,762	2,452	66,038	4,809
Foreign loans - Latin America	1,770	727	124,760	1,381	126,530	2,108	675	313	67,788	546	68,463	859
Total	30,317	15,357	460,049	11,615	490,366	26,972	27,157	14,973	447,091	11,871	474,248	26,844

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



c) Present value of lease operations

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

	12/31/2016		
	Minimum future payments	Future financial income	Present value
Current	3,572	(1,636)	1,936
Up to 1 year	3,572	(1,636)	1,936
Non-current	9,726	(2,955)	6,771
From 1 to 5 years	5,741	(2,778)	2,963
Over 5 years	3,985	(177)	3,808
Total	13,298	(4,591)	8,707

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

The allowance for loan and lease losses related to the lease portfolio amounts to: R\$ 254 (R\$ 176 at 12/31/2015).

d) Sale or transfer of financial assets

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

Nature of operation	12/31/2016				12/31/2015			
	Assets		Liabilities ⁽¹⁾		Assets		Liabilities ⁽¹⁾	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Companies – working capital	2,768	2,768	2,768	2,768	2,849	2,849	2,849	2,849
Companies - loan ⁽²⁾	-	-	8	8	-	-	-	-
Individuals - vehicles ⁽²⁾	-	-	4	4	-	-	-	-
Individuals – mortgage loan	3,061	2,960	3,055	2,944	2,806	2,763	2,805	2,752
Total	5,829	5,728	5,835	5,724	5,655	5,612	5,654	5,601

(1) Under Interbank Market Debt.

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

Note 13 - Investments in associates and joint ventures

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

	Interest % at 12/31/2016		12/31/2016					
	Total	Voting	Stockholders' equity	Other Comprehensive Income	Net income	Investment	Equity in earnings	Market value ^(g)
Associates								
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	4,251	26	293	2,587	241	2,644
BSF Holding S.A. ^(c)	49.00	49.00	2,067	(1)	396	1,687	194	-
IRB-Brasil Resseguros S.A. ^{(a) (d)}	15.01	15.01	3,230	(17)	745	478	109	-
Other ^(e)	-	-	-	-	-	114	13	-
Joint Ventures - Other ^(f)	-	-	-	-	-	207	(29)	-
Total	-	-	-	-	-	5,073	528	-

	Interest % at 12/31/2015		12/31/2015						12/31/2014
	Total	Voting	Stockholders' equity	Other comprehensive income	Net income	Investment	Equity in earnings	Market value ^(g)	Equity in earnings
Associates									
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	3,931	(26)	708	2,464	289	2,830	196
BSF Holding S.A. ^(c)	49.00	49.00	1,561	-	447	1,348	219	-	202
IRB-Brasil Resseguros S.A. ^{(a) (d)}	15.01	15.01	3,213	12	674	475	102	-	134
Other ^(e)	-	-	-	-	-	106	12	-	36
Joint Ventures - Other ^(f)	-	-	-	-	-	6	(2)	-	(3)
Total	-	-	-	-	-	4,399	620	-	565

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

(b) For purposes of market value, the quoted share price of Porto Seguro S.A. was taken into account. The investment included the amounts of R\$ 762 at 12/31/2016 and R\$ 776 at 12/31/2015 that correspond to the difference between the interest in the net assets at fair value of Porto Seguro Itaú Unibanco Participações S.A. and the investment book value.

(c) In May 2012 Itaú Unibanco S.A. acquired 137,004,000 common shares of BSF Holding S.A. (parent company of Banco Carrefour) for R\$ 816 which corresponds to 49% of interest in its capital. The investment amount includes R\$ 582 to goodwill and R\$ 92 to dividends provisioned not received on 12/31/2016.

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

(e) At 12/31/2016, includes interest in total capital and voting capital of the following companies: Companhia Uruguaya de Medios de Procesamiento S.A. (39.58% total and voting capital and 38,39% on 12/31/2015), Rias Redbanc S.A. (25% total and voting capital and 25% on 12/31/2015) and Tecnologia Bancária S.A. (24.91% total capital and voting capital and 24,91% on 12/31/2015).

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

(g) Disclosed only for public companies.

At 12/31/2016, ITAÚ UNIBANCO HOLDING receives / recognizes dividends and interest on capital of the unconsolidated companies being the main IRB - Brasil Resseguros S.A. in the amount of R\$ 104 (R\$ 73 at 12/31/2015 and R\$ 46 on 12/31/2014), BSF Holding S.A in the amount of R\$ 62 (R\$ 58 at 12/31/2015) and Porto Seguro Itaú Unibanco Participações S.A. in the amount of R\$ 222 (R\$ 240 at 12/31/2015 and R\$ 336 on 12/31/2014).

b) Other information

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

	12/31/2016	12/31/2015	12/31/2014
Total Assets ^(*)	20,819	20,183	17,812
Total Liabilities ^(*)	11,272	11,477	9,917
Total Income ^(*)	14,868	22,083	6,907
Total Expenses ^(*)	(13,401)	(20,255)	(5,112)

^(*) Represented by IRB-Brasil Resseguros S.A., in the amount of R\$ 14,313 (R\$ 14,690 at 12/31/2015) related to assets, R\$ 11,083 (R\$ 11,477 at 12/31/2015) related to liabilities, R\$ 14,142 (R\$ 20,928 at 12/31/2015) related to income and of R\$ (13,397) (R\$ (20,254) at 12/31/2015) related to expenses.

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

Note 14 – Lease commitments as lessee

a) Finance lease

ITAÚ UNIBANCO HOLDING is the lessee in finance lease contracts of data processing equipment, with the option of purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R\$ 26 (R\$ 517 at 12/31/2015).

The table below shows the total future minimum payments:

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

b) Operating leases

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

The expenses related to operating lease agreements recognized under General and Administrative Expenses total R\$ 1,145 from 01/01 to 12/31/2016 (R\$ 1,102 from 01/01 to 12/31/2015 and R\$ 1,018 from 01/01 to 12/31/2014).

ITAÚ UNIBANCO HOLDING has no relevant sublease contracts.

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

	12/31/2016	12/31/2015
Current	1,336	1,267
Up to 1 year	1,336	1,267
Non-current	5,402	5,028
From 1 to 5 years	4,689	4,043
Over 5 years	713	985
Total future minimum payments	6,738	6,295

Note 15 - Fixed assets

Fixed Assets ⁽¹⁾	Fixed assets under construction	Real estate in use ⁽²⁾			Other fixed assets ^{(2) (3)}				Total
		Land	Buildings	Improvements	Installations	Furniture and equipment	EDP systems ⁽³⁾	Other (communication, security and transportation)	
Annual depreciation rates			4%	10%	10 a 20%	10 a 20%	20 a 50%	10 a 20%	
Cost									
Balance at 12/31/2015	792	1,008	3,026	1,673	1,801	975	8,217	858	18,350
Acquisitions	341	57	70	137	47	309	246	223	1,430
Disposal	-	(4)	(13)	(56)	(15)	(8)	(449)	(6)	(551)
Exchange variation	(2)	(15)	(11)	(22)	(3)	(67)	151	3	34
Transfers	(738)	-	27	125	-	1	515	4	(66)
Other	(6)	1	-	-	71	(5)	(137)	(7)	(83)
Balance at 12/31/2016	387	1,047	3,099	1,857	1,901	1,205	8,543	1,075	19,114
Depreciation									
Balance at 12/31/2015	-	-	(1,764)	(930)	(841)	(579)	(5,138)	(557)	(9,809)
Accumulated depreciation	-	-	(80)	(245)	(142)	(102)	(1,038)	(95)	(1,702)
Disposal	-	-	11	53	6	5	377	4	456
Exchange variation	-	-	(8)	8	9	(1)	(101)	(8)	(101)
Other	-	-	1	-	(18)	3	96	2	84
Balance at 12/31/2016	-	-	(1,840)	(1,114)	(986)	(674)	(5,804)	(654)	(11,072)
Impairment									
Balance at 12/31/2015	-	-	-	-	-	-	-	-	-
Additions/ assumptions	-	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-	-
Balance at 12/31/2016	-	-	-	-	-	-	-	-	-
Book value									
Balance at 12/31/2016	387	1,047	1,259	743	915	531	2,739	421	8,042

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 48, achievable by 2017 (Note 36 - Off balance sheet).

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

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



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

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

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

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



Fixed assets ⁽¹⁾	Fixed assets under construction	Real estate in use ⁽²⁾		Other fixed assets					Total
		Land	Buildings	Improvements	Installations	Furniture and equipment	EDP systems ⁽³⁾	Other (communication, security and transportation)	
Annual depreciation rates			4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost									
Balance at 12/31/2013	948	1,019	2,236	1,283	1,043	925	6,279	725	14,458
Acquisitions	1,485	3	11	169	117	74	2,045	62	3,966
Disposal	-	(1)	(6)	(163)	(9)	(89)	(829)	(5)	(1,102)
Exchange variation	-	-	(7)	22	4	(12)	4	(11)	-
Transfers	(157)	-	-	157	-	-	-	-	-
Other	1	(10)	(14)	-	(39)	18	(80)	2	(122)
Balance at 12/31/2014	2,277	1,011	2,220	1,468	1,116	916	7,419	773	17,200
Depreciation									
Balance at 12/31/2013	-	-	(1,651)	(667)	(439)	(487)	(4,230)	(411)	(7,885)
Accumulated depreciation	-	-	(58)	(247)	(85)	(79)	(1,098)	(74)	(1,641)
Disposal	-	-	3	162	2	60	768	4	999
Exchange variation	-	-	-	1	2	12	(13)	-	2
Other	-	-	11	(3)	1	(10)	35	2	36
Balance at 12/31/2014	-	-	(1,695)	(754)	(519)	(504)	(4,538)	(479)	(8,489)
Impairment									
Balance at 12/31/2013	-	-	-	-	-	(9)	-	-	(9)
Additions/ assumptions	-	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	9	-	-	9
Balance at 12/31/2014	-	-	-	-	-	-	-	-	-
Book value									
Balance at 12/31/2014	2,274	1,011	525	714	597	415	2,881	294	8,711

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 67, achievable by 2016 (Note 36 - Off balance sheet).

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

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



Note 16 - Intangible assets

Intangible assets ⁽¹⁾	Other intangible assets					Total
	Acquisition of rights to credit payroll	Association for the promotion and offer of financial products and services	Acquisition of software	Development of software	Other intangible assets	
Amortization rates p.a.	20%	8%	20%	20%	10 a 20%	
Cost						
Balance at 12/31/2015	1,005	1,409	2,362	3,311	960	9,047
Acquisitions	342	719	1,293	215	277	2,846
Terminated agreements/ write off	(308)	(73)	(3)	(1)	-	(385)
Exchange variation	-	(12)	120	-	(130)	(22)
Other	7	(295)	68	-	(29)	(249)
Balance at 12/31/2016	1,046	1,748	3,840	3,525	1,078	11,237
Amortization ⁽²⁾						
Balance at 12/31/2015	(600)	(330)	(1,190)	(252)	(342)	(2,714)
Amortization expense	(261)	(263)	(429)	(280)	(298)	(1,531)
Terminated agreements/ write off	306	67	1	-	-	374
Exchange variation	-	84	(107)	-	110	87
Other	-	66	24	-	246	336
Balance at 12/31/2016	(555)	(376)	(1,701)	(532)	(284)	(3,448)
Impairment ⁽³⁾						
Balance at 12/31/2015	(18)	(2)	-	(18)	-	(38)
Additions / assumptions	(1)	-	(57)	(317)	-	(375)
Write off	-	2	3	-	-	5
Balance at 12/31/2016	(19)	-	(54)	(335)	-	(408)
Book value						
Balance at 12/31/2016	472	1,372	2,085	2,658	794	7,381

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 262, achievable by 2017 (Note 36 - Off balance sheet).

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

(3) Note 2.4i.



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

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

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

(3) Note 2.4i.



Intangible assets ⁽¹⁾	Other intangible assets					Total
	Acquisition of rights to credit payroll	Association for the promotion and offer of financial products and services	Acquisition of software	Development of software	Other intangible assets	
Amortization rates p.a.	20%	8%	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2013	1,165	1,688	1,839	2,195	1,019	7,906
Acquisitions	109	36	393	651	10	1,199
Terminated agreements / write off	(214)	(104)	(201)	(10)	(300)	(829)
Exchange variation	-	(2)	(23)	-	43	18
Other	7	(36)	(43)	-	19	(53)
Balance at 12/31/2014	1,067	1,582	1,965	2,836	791	8,241
Amortization ⁽²⁾						
Balance at 12/31/2013	(535)	(256)	(868)	(47)	(352)	(2,058)
Amortization expense	(225)	(157)	(324)	(66)	(131)	(903)
Terminated agreements / write off	204	81	201	-	119	605
Exchange variation	-	-	10	-	(34)	(24)
Other	-	(5)	63	-	249	307
Balance at 12/31/2014	(556)	(337)	(918)	(113)	(149)	(2,073)
Impairment ⁽³⁾						
Balance at 12/31/2013	(18)	(27)	-	(6)	-	(51)
Additions / assumptions	-	-	-	(8)	-	(8)
Reversals	-	25	-	-	-	25
Balance at 12/31/2014	(18)	(2)	-	(14)	-	(34)
Book value						
Balance at 12/31/2014	493	1,243	1,047	2,709	642	6,134

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 508, achievable by 2016 (Note 36 - Off balance sheet).

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

(3) Note 2.4i.



Note 17 - Deposits

The table below shows the breakdown of deposits:

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Interest-bearing deposits	187,882	80,399	268,281	171,527	59,991	231,518
Time deposits	75,913	80,361	156,274	45,994	59,256	105,250
Interbank deposits	3,719	38	3,757	14,214	735	14,949
Savings deposits	108,250	-	108,250	111,319	-	111,319
Non-interest bearing deposits	61,133	-	61,133	61,092	-	61,092
Demand deposits	61,133	-	61,133	61,092	-	61,092
Total	249,015	80,399	329,414	232,619	59,991	292,610

Note 18 – Financial liabilities held for trading

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

	12/31/2016	12/31/2015
Structured notes		
Shares	49	57
Debt securities	470	355
Total	519	412

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

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

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

	12/31/2016	12/31/2015
	Cost / Fair value	Cost / Fair value
Current - up to one year	134	34
Non-current	385	378
From one to five years	295	364
From five to ten years	52	5
After ten years	38	9
Total	519	412

Note 19 – Securities sold under repurchase agreements and interbank and institutional market debts**a) Securities sold under repurchase agreements and interbank market debt**

The table below shows the breakdown of funds:

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Securities sold under repurchase agreements	234,569	114,595	349,164	181,198	155,445	336,643
Transactions backed by own financial assets ⁽¹⁾	101,400	114,595	215,995	64,955	155,445	220,400
Transactions backed by third party financial assets	133,169	-	133,169	116,243	-	116,243
Interbank market debt	75,352	60,131	135,483	80,547	76,339	156,886
Mortgage notes	-	-	-	31	108	139
Real estate credit bills	12,830	6,349	19,179	12,441	2,011	14,452
Agribusiness credit bills	9,158	6,284	15,442	6,695	7,080	13,775
Financial credit bills	5,976	13,590	19,566	3,860	14,636	18,496
Import and export financing	38,123	7,510	45,633	45,633	19,933	65,566
On-lending - domestic	9,205	20,623	29,828	11,884	26,920	38,804
Liabilities from transactions related to credit assignments (Note 12d)	60	5,775	5,835	3	5,651	5,654

(*) It includes R\$ 132,149 (R\$ 152,215 at 12/31/2015) related to Debentures of own issue.

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

	Brazil	Foreign
Securities sold under repurchase agreements ⁽¹⁾	8.5% of CDI to 17.36%	0.63% to 1.85%
Mortgage notes	-	2.5% to 8%
Real estate credit bills	83% to 100% of CDI	-
Financial credit bills	IGPM to 113%	-
Agribusiness credit bills	83% to 98% of CDI	-
Import and export financing	1.1% to 6.0%	0.4% to 9.5%
On-lending - domestic	2.5% to 14.5%	-
Liabilities from transactions related to credit assignments	6.38% to 13.17%	-

(*) Note 2,4d presents the operations comprising Deposits received under securities repurchased agreements. Final repurchase dates are set until December 2032.

b) Institutional market debt

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

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Subordinated debt ⁽¹⁾	11,056	46,364	57,420	10,209	55,576	65,785
Foreign borrowing through securities	5,947	27,636	33,583	4,757	19,431	24,188
Structured Operations Certificates ⁽²⁾	2,050	3,186	5,236	893	3,052	3,945
Total	19,053	77,186	96,239	15,859	78,059	93,918

(1) At 12/31/2016, the amount of R\$ 51,875 (R\$ 64,861 at 12/31/2015) is included in the Reference Equity, under the proportion defined by CMN Resolution No. 3,444, of February 28, 2007, as amended by CMN Resolution No. 3,532, of January 31, 2008.

(2) As at December 31, 2016, the market value of the funding from Structured Operations Certificates issued is R\$ 5,816.

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

	Brazil	Foreign
Subordinated debt	CDI+ 1% to IGPM + 7.6%	3.5% to 10.79%
Foreign borrowing through securities	0.89% to 12.73%	0.63% to 25.04%
Structured Operations Certificates	IPA + 3.28% to 16.54%	-

Note 20 - Other assets and liabilities

a) Other assets

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Financial ⁽¹⁾	41,648	12,269	53,917	41,546	11,960	53,506
Receivables from credit card issuers	26,124	-	26,124	25,191	-	25,191
Insurance and reinsurance operations	1,306	14	1,320	1,367	-	1,367
Deposits in guarantee for contingent liabilities (Note 32)	2,118	11,144	13,262	2,131	10,502	12,633
Deposits in guarantee for foreign borrowing program	893	-	893	409	-	409
Negotiation and intermediation of securities	6,770	-	6,770	7,725	-	7,725
Receivables from reimbursement of contingent liabilities (Note 32c)	258	870	1,128	335	758	1,093
Receivables from services provided	2,510	-	2,510	2,333	149	2,482
Amounts receivable from FCVS – Salary Variations Compensation Fund ⁽²⁾	7	234	241	-	551	551
Foreign exchange portfolio	-	-	-	444	-	444
Operations without credit granting characteristics	1,662	7	1,669	1,611	-	1,611
Non-financial	7,804	2,223	10,027	7,005	4,606	11,611
Prepaid expenses	2,101	687	2,788	2,196	1,012	3,208
Retirement plan assets (Notes 29c and d)	-	1,113	1,113	-	2,183	2,183
Sundry domestic	1,634	32	1,666	602	-	602
Premiums from loan operations	531	319	850	814	850	1,664
Sundry foreign	1,776	65	1,841	1,542	550	2,092
Other	1,762	7	1,769	1,851	11	1,862

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

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

b) Other liabilities

	12/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Financial	71,798	34	71,832	68,478	237	68,715
Credit card operations	58,920	-	58,920	56,143	-	56,143
Foreign exchange portfolio	620	-	620	-	-	-
Negotiation and intermediation of securities	10,538	-	10,538	10,920	177	11,097
Finance leases (Note 14a)	26	-	26	491	26	517
Funds from consortia participants	84	-	84	45	-	45
Other	1,610	34	1,644	879	34	913
Non-financial	25,968	1,142	27,110	24,975	812	25,787
Collection and payment of taxes and contributions	297	-	297	239	-	239
Sundry creditors - domestic	2,488	117	2,605	1,681	75	1,756
Funds in transit	10,214	190	10,404	10,893	-	10,893
Provision for sundry payments	2,007	203	2,210	1,944	199	2,143
Social and statutory	5,541	35	5,576	5,110	-	5,110
Related to insurance operations	224	-	224	253	-	253
Liabilities for official agreements and rendering of payment services	864	-	864	808	-	808
Provision for retirement plan benefits (Note 29c and e)	201	548	749	-	491	491
Personnel provision	1,352	49	1,401	1,336	47	1,383
Provision for health insurance	742	-	742	716	-	716
Deferred income	1,975	-	1,975	1,909	-	1,909
Other	63	-	63	86	-	86

Note 21 – Stockholders' equity

a) Capital

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

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

Capital comprises 6,582,307,543 book-entry shares with no par value, of which 3,351,744,217 are common and 3,230,563,326 are preferred shares without voting rights, but with tag-along rights, in the event of the public offer of common shares, at a price equal to 80% of the amount paid per share with voting rights in the controlling stake, as well as a dividend at least equal to that of the common shares. Capital stock amounts to R\$ 97,148 (85,148 at 12/31/2015), of which R\$ 65,534 (58,284 at 12/31/2015) refers to stockholders domiciled in the country and R\$ 31,614 (R\$ 26,864 at 12/31/2015) refers to stockholders domiciled abroad.

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

	12/31/2016			Amount
	Number			
	Common	Preferred	Total	
Residents in Brazil at 12/31/2015	3,033,657,386	1,130,776,196	4,164,433,582	
Residents abroad at 12/31/2015	13,382,812	1,906,099,555	1,919,482,367	
Shares of capital stock at 12/31/2015	3,047,040,198	3,036,875,751	6,083,915,949	
(-) Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	(100,000,000)	(100,000,000)	
Bonus Shares - ESM of 09/14/2016 - Carried out at 09/23/2016	304,704,019	293,687,575	598,391,594	
Shares of capital stock at 12/31/2016	3,351,744,217	3,230,563,326	6,582,307,543	
Residents in Brazil at 12/31/2016	3,335,350,311	1,104,963,731	4,440,314,042	
Residents abroad at 12/31/2016	16,393,906	2,125,599,595	2,141,993,501	
Treasury shares at 12/31/2015⁽¹⁾	2,795	162,562,650	162,565,445	(4,353)
Purchase of shares	-	30,640,000	30,640,000	(947)
Exercised options – granting of stock options	-	(19,931,626)	(19,931,626)	315
Disposals – stock option plan	-	(8,293,957)	(8,293,957)	433
(-) Cancellation of shares - ESM of April 27, 2016 – Approved on June 7, 2016	-	(100,000,000)	(100,000,000)	2,670
Bonus Shares - ESM of 09/14/2016	279	4,627,395	4,627,674	-
Treasury shares at 12/31/2016⁽¹⁾	3,074	69,604,462	69,607,536	(1,882)
Outstanding shares at 12/31/2016	3,351,741,143	3,160,958,864	6,512,700,007	
Outstanding shares at 12/31/2015⁽²⁾	3,351,741,143	3,161,744,411	6,513,485,554	

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

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

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

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

Cost / market value	01/01 to 12/31/2016	
	Common	Preferred
Minimum	-	23.79
Weighted average	-	30.13
Maximum	-	36.05
Treasury shares		
Average cost	6.59	27.04
Market value at 12/31/2016	30.00	33.85

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



b) Dividends

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

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

Calculation of dividends and interest on capital

	12/31/2016	12/31/2015	12/31/2014
Statutory net income	18,853	21,084	17,392
Adjustments:			
(-) Legal reserve	(943)	(1,054)	(870)
Dividend calculation basis	17,910	20,030	16,522
Mandatory dividend - 25%	4,478	5,007	4,130
Dividends and interest on capital – paid / provisioned for	10,000	7,305	6,635

Payments / provision for interest on capital and dividends

	12/31/2016		
	Gross	WHT	Net
Paid / prepaid	3,355	(355)	3,000
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2016	987	-	987
Interest on capital - R\$ 0.3990 per share paid on 08/25/2016	2,368	(355)	2,013
Declared until 12/31/2016 (recorded in other liabilities)	3,169	(461)	2,708
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/02/2017	98	-	98
Interest on capital - R\$ 0.4714 per share, credited on 12/30/2016, paid by 04/28/2017	3,071	(461)	2,610
Declared after 12/31/2016 (Recorded in Revenue Reserves - Dividends equalization)	5,050	(758)	4,292
Interest on capital - R\$ 0.7754 per share	5,050	(758)	4,292
Total from 01/01 to 12/31/2016 - R\$ 1.5789 net per share	11,574	(1,574)	10,000

	12/31/2015		
	Gross	WHT	Net
Paid / prepaid	3,002	(311)	2,691
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2015	932	-	932
Interest on capital - R\$ 0.3460 per share paid on 08/25/2015	2,070	(311)	1,759
Declared until 12/31/2015 (recorded in other liabilities)	2,502	(186)	2,316
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/04/2016	89	-	89
Dividends provision - R\$ 0.1980 per share	1,173	-	1,173
Interest on capital - R\$ 0.2090 per share, credited on 12/30/2015, paid by 04/30/2016	1,240	(186)	1,054
Declared after 12/31/2015 (Recorded in Revenue Reserves - Unrealized Profits Reserve)	2,703	(405)	2,298
Interest on capital - R\$ 0.4564 per share	2,703	(405)	2,298
Total from 01/01 to 12/31/2015 - R\$ 1.2376 net per share	8,207	(902)	7,305

Payments / provision for interest on capital and dividends

	12/31/2014		
	Gross	WHT	Net
Paid / prepaid	2,637	(267)	2,370
Dividends - 11 monthly installments of R\$ 0.015 per share paid from February to December 2014	857	-	857
Interest on capital - R\$ 0.3256 per share paid on 08/25/2014	1,780	(267)	1,513
Declared until 12/31/2014 (recorded in other liabilities)	1,760	-	1,760
Dividends - 1 monthly installment of R\$ 0.015 per share paid on 01/02/2015	82	-	82
Interest on capital - R\$ 0.3063 per share	1,678	-	1,678
Declared after 12/31/2014 (Recorded in Revenue Reserves - Unrealized Profits Reserve)	2,947	(442)	2,505
Interest on capital - R\$ 0.5380 per share	2,947	(442)	2,505
Total from 01/01 to 12/31/2014 - R\$ 1.2204 net per share	7,344	(709)	6,635

c) Additional paid-in capital

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

d) Appropriated reserves

	12/31/2016	12/31/2015	12/31/2014
Capital reserves ⁽¹⁾	285	285	285
Premium on subscription of shares	284	284	284
Reserves from tax incentives, restatement of equity securities and other	1	1	1
Revenue reserves	3,158	9,782	7,925
Legal ⁽²⁾	7,838	6,895	5,841
Statutory	1,132	9,461	7,775
Dividends equalization ⁽³⁾	337	3,355	2,885
Working capital increase ⁽⁴⁾	-	1,655	1,162
Increase in capital of investees ⁽⁵⁾	795	4,451	3,728
Corporate reorganizations (Note 2.4 a III)	(10,862)	(9,277)	(8,638)
Unrealized profits ⁽⁶⁾	5,050	2,703	2,947
Total reserves at parent company	3,443	10,067	8,210

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

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

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

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

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

(6) Refers to interest on capital declared after December 31 of each period.

e) Unappropriated reserves

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

f) Non-controlling interests

	Stockholders' equity		Net Income	
	12/31/2016	12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015
Itaú CorpBanca (Note 3)	10,117	-	119	-
Banco CorpBanca Colômbia S.A. (Note 3)	1,231	-	22	-
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento	519	428	119	118
Banco Itaú Consignado S.A.	-	983	(20)	217
Luizacred S.A. Soc. Cred. Financiamento Investimento	275	282	51	62
Others	90	114	28	19
Total	12,232	1,807	319	416

Note 22 – Share-based payment

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

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

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

At the ESM of September 14, 2016 a capital increase with 10% share bonus was approved and ratified by BACEN on September 23, 2016. The new shares will be included in the share position on October 21, 2016. Therefore, for better comparability, the number of shares shown in this note consider the bonus shares.

From 01/01 to 12/31/2016, the accounting effect of the share-based payment in income was R\$ (591) (R\$ (734) from 01/01 to 12/31/2015 and R\$ (441) from 01/01 to 12/31/2014).

I – Stock Option Plan (Simple Options)

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

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

Simple options have the following characteristics:

- a) **Exercise price:** calculated based on the average prices of shares in the three months of the year prior to the grant date. The prices determined will be restated to the last business day of the month prior to the option exercise date based on IGP-M or, in its absence, on an index to be determined internally, and should be paid within the period in force for the settlement of operations on BM&FBOVESPA.
- b) **Vesting period:** determined upon issue, from one to seven years, counted from the grant date. The vesting period is normally determined at five years.
- c) **Fair value and economic assumptions for cost recognition:** the fair value of Simple Options is calculated on the grant date based on the Binominal model. Economic assumptions used are as follows:
 - (i) Exercise price: exercise price previously agreed upon the option issue, adjusted by the IGP-M variation;
 - (ii) Price of the underlying asset (ITUB4 shares): closing price on BM&FBOVESPA on the calculation base date.
 - (iii) Expected dividends: the average annual return rate for the last three years of dividends paid plus interest on capital of the ITUB4 share;
 - (iv) Risk-free interest rate: IGP-M coupon rate at the expiration date of the Simple Option;
 - (v) Expected volatility: calculated based on the standard deviation from the history of the last 84 monthly returns of the ITUB4 share closing prices, disclosed by BM&FBOVESPA, adjusted by the IGP-M variation.



Summary of changes in the plan

	Simple options		
	Quantity	Weighted average exercise price	Weighted average market value
Opening balance 12/31/2015	50,543,148	31.89	
Options exercisable at the end of the period	35,647,958	33.40	
Options outstanding but not exercisable	14,895,190	28.29	
Options:			
Granted	-	-	
Canceled / Forfeited ^(*)	(127,798)	35.91	
Exercised	(12,381,844)	26.92	35.15
Balance at 12/31/2016	38,033,506	36.94	
Options exercisable at the end of the period	23,440,177	40.98	
Options outstanding but not exercisable	14,593,329	30.45	
Range of exercise prices			
Granting 2009-2010		25,66 - 41,69	
Granting 2011-2012		30,45 - 40,72	
Weighted average of the remaining contractual life (in years)	2.63		

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

	Simple options		
	Quantity	Weighted average exercise price	Weighted average market value
Opening balance 12/31/2014	60,678,323	29.48	
Options exercisable at the end of the period	31,759,519	29.23	
Options outstanding but not exercisable	28,918,804	29.75	
Options:			
Granted	-	-	
Canceled / Forfeited ^(*)	(9,968,681)	36.44	
Exercised	(166,494)	22.11	31.24
Opening balance 12/31/2015	50,543,148	31.89	
Options exercisable at the end of the period	35,647,958	33.40	
Options outstanding but not exercisable	14,895,190	28.29	
Range of exercise prices			
Granting 2008-2009		23,95 - 36,62	
Granting 2010-2012		21,71 - 38,90	
Weighted average of the remaining contractual life (in years)	2.60		

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

	Simple options		
	Quantity	Weighted average exercise price	Weighted average market value
Opening balance 12/31/2013	79,033,384	27.15	
Options exercisable at the end of the period	39,609,101	25.14	
Options outstanding but not exercisable	39,424,283	29.96	
Options:			
Granted	-	-	
Canceled / Forfeited ^(*)	(1,684,588)	28.91	
Exercised	(16,670,473)	24.80	33.39
Opening balance 12/31/2014	60,678,323	29.48	
Options exercisable at the end of the period	31,759,519	29.23	
Options outstanding but not exercisable	28,918,804	29.75	
Range of exercise prices			
Granting 2006-2009		21,64 - 36,25	
Granting 2010-2012		21,71 - 35,15	
Weighted average of the remaining contractual life (in years)	2.56		

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



II – Partner Plan

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

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

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

The weighted average of the fair value of the ITUB4 shares as consideration was estimated at R\$ 19.45 per share at 12/31/2016 (R\$ 26.56 per share at 12/31/2015 and R\$ 26.95 per share at 12/31/2014).

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

Changes in the Partner Program

	Quantity
Balance at 12/31/2015	33,666,355
New granted	12,392,845
Cancelled	(370,039)
Exercised	(10,226,782)
Balance at 12/31/2016	35,462,379
Weighted average of remaining contractual life (years)	2.73

	Quantity
Balance at 12/31/2014	29,407,871
New granted	11,442,795
Cancelled	(889,690)
Exercised	(6,294,621)
Balance at 12/31/2015	33,666,355
Weighted average of remaining contractual life (years)	2.02

	Quantity
Balance at 12/31/2013	22,205,702
New granted	13,318,700
Cancelled	(1,883,243)
Exercised	(4,233,288)
Balance at 12/31/2014	29,407,871
Weighted average of remaining contractual life (years)	2.05



III- Variable compensation

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

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

The weighted average of the fair value of ITUB4 shares was estimated at R\$ 21.96 per share at 12/31/2016 (R\$ 28.40 per share at 12/31/2015 and R\$ 23.03 per share at 12/31/2014).

Change in variable compensation in shares	
	Quantity
Opening balance 12/31/2015	22,325,573
New	13,422,462
Delivered	(11,136,079)
Cancelled	(72,550)
Balance at 12/31/2016	24,539,406

Change in variable compensation in shares	
	Quantity
Opening balance 12/31/2014	17,492,005
New	13,792,517
Delivered	(8,306,134)
Cancelled	(652,815)
Balance at 12/31/2015	22,325,573

Change in variable compensation in shares	
	Quantity
Opening balance 12/31/2013	9,119,826
New	12,102,893
Delivered	(3,250,234)
Cancelled	(480,480)
Balance at 12/31/2014	17,492,005



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

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Central Bank compulsory deposits	6,920	5,748	5,904
Interbank deposits	677	1,628	1,286
Securities purchased under agreements to resell	34,162	27,572	17,929
Financial assets held for trading	23,669	19,826	15,128
Available-for-sale financial assets	11,160	8,979	7,272
Held-to-maturity financial assets	3,788	3,758	2,347
Loan and lease operations	80,118	79,392	69,248
Other financial assets	1,001	886	1,001
Total	161,495	147,789	120,115

b) Interest and similar expense

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Deposits	(14,701)	(13,587)	(12,064)
Securities sold under repurchase agreements	(45,932)	(32,879)	(26,771)
Interbank market debt	(8,348)	(7,970)	(14,404)
Institutional market debt	(8,248)	(8,030)	(10,695)
Financial expense from technical reserves for insurance and private pension	(17,790)	(12,556)	(8,987)
Other	(107)	(42)	(56)
Total	(95,126)	(75,064)	(72,977)

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

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Financial assets held for trading	2,514	(1,625)	215
Derivatives (*)	7,320	(6,071)	119
Financial assets designated at fair value through profit or loss	49	51	32
Available-for-sale financial assets	(1,685)	(4,345)	(1,089)
Held-to-Maturity Financial Assets (Permanent Loss)	(740)	-	-
Financial liabilities held for trading	(147)	128	(1)
Total	7,311	(11,862)	(724)

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

During the period ended 12/31/2016, ITAÚ UNIBANCO HOLDING recognized impairment expenses in the amount of R\$ 1,882, out of which R\$ 1,142 on Available-for-Sale Financial Assets and R\$ 740 on Held-to-Maturity Financial Assets. Total loss, net of reversals, amounted to R\$ 1,522 and was recorded in the statement of income in line item Net gain (loss) on securities and derivatives.

Note 24 - Banking service fees

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Current account services	9,528	8,815	7,725
Asset management fees	3,514	2,932	2,660
Collection commissions	1,315	1,250	1,279
Fees from credit card services	13,330	12,722	11,507
Fees for guarantees issued and credit lines	1,773	1,609	1,407
Brokerage commission	295	248	262
Other	2,163	1,876	1,502
Total	31,918	29,452	26,342

Note 25 - Other income

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Gains on sale of assets held for sale, fixed assets and investments in associates and joint ventures	233	97	1,194
Recovery of expenses	331	210	207
Reversal of provisions	156	455	179
Program for Cash or Installment Payment of Federal Taxes	13	65	158
Other	649	452	416
Total	1,382	1,279	2,154



Note 26 - General and administrative expenses

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Personnel expenses	(22,360)	(19,573)	(17,071)
Compensation	(8,752)	(7,982)	(7,046)
Payroll taxes	(2,567)	(2,540)	(2,364)
Welfare benefits	(3,070)	(2,472)	(2,133)
Retirement plans and post-employment benefits (Note 29)	279	(240)	33
Defined benefit	(81)	(78)	(30)
Defined contribution	360	(162)	63
Stock option plan (Note 22d)	(306)	(214)	(231)
Training	(192)	(202)	(186)
Employee profit sharing	(3,610)	(3,387)	(3,324)
Dismissals	(571)	(351)	(377)
Provision for labor claims (Note 32)	(3,571)	(2,185)	(1,443)
Administrative expenses	(15,959)	(15,112)	(14,325)
Data processing and telecommunications	(3,966)	(4,052)	(3,870)
Third party services	(4,340)	(4,044)	(4,189)
Installations	(1,161)	(1,022)	(924)
Advertising, promotions and publications	(1,036)	(1,095)	(972)
Rent	(1,480)	(1,289)	(1,216)
Transportation	(391)	(411)	(432)
Materials	(313)	(380)	(365)
Financial services	(731)	(614)	(544)
Security	(716)	(675)	(627)
Utilities	(425)	(418)	(289)
Travel	(199)	(212)	(204)
Other	(1,201)	(900)	(693)
Depreciation	(1,702)	(1,688)	(1,641)
Amortization	(1,292)	(910)	(827)
Insurance acquisition expenses	(721)	(1,138)	(1,214)
Other expenses	(8,870)	(9,205)	(7,472)
Expenses related to credit cards	(3,165)	(3,415)	(2,691)
Losses with third party frauds	(571)	(468)	(472)
Loss on sale of assets held for sale, fixed assets and investments in associates and joint ventures	(274)	(187)	(133)
Provision for civil lawsuits (Note 32)	(1,489)	(2,069)	(1,708)
Provision for tax and social security lawsuits	(915)	(1,361)	(971)
Refund of interbank costs	(294)	(262)	(229)
Other	(2,162)	(1,443)	(1,268)
Total	(50,904)	(47,626)	(42,550)

Note 27 – Income tax and social contribution

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

a) Composition of income tax and social contribution expenses

Demonstration of Income tax and social contribution expense calculation:

Due on operations for the period	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Income before income tax and social contribution	38,192	18,265	28,808
Charges (income tax and social contribution) at the rates in effect (Note 2.4 k)	(17,187)	(7,611)	(11,523)
Increase / decrease in income tax and social contribution charges arising from:			
Share of profit or (loss) of associates and joint ventures net	165	176	109
Foreign exchange variation on assets and liabilities abroad	(4,313)	8,329	1,471
Interest on capital	3,617	2,585	1,738
Corporate reorganizations (Note 2.4 a III)	628	631	639
Dividends and interest on external debt bonds	365	271	311
Other nondeductible expenses net of non taxable income ^(*)	12,827	(13,346)	46
Income tax and social contribution expenses	(3,898)	(8,965)	(7,209)
Related to temporary differences			
Increase (reversal) for the period	(10,774)	13,006	1,341
Increase (reversal) of prior periods	62	(71)	(1,079)
Increase in the social contribution tax rate (Note 27b III)	-	3,921	-
(Expenses)/Income related to deferred taxes	(10,712)	16,856	262
Total income tax and social contribution expenses	(14,610)	7,891	(6,947)

^(*) Includes temporary (additions) and exclusions.



b) Deferred taxes

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

	12/31/2015	Realization / reversal	Increase ⁽¹⁾	12/31/2016
Reflected in income	48,911	(16,508)	15,480	47,883
Allowance for loan and lease losses	25,572	(6,337)	7,740	26,975
Related to income tax and social contribution tax carryforwards	6,655	(288)	561	6,928
Provision for contingent liabilities	<u>5,385</u>	<u>(1,784)</u>	<u>2,106</u>	<u>5,707</u>
Civil lawsuits	2,149	(701)	507	1,955
Labor claims	1,812	(1,010)	1,366	2,168
Tax and social security	1,420	(71)	233	1,582
Other	4	(2)	-	2
Goodwill on purchase of investments	511	(346)	-	165
Legal liabilities – tax and social security	508	(200)	79	387
Adjustments of operations carried out on the futures settlement market	1,253	(797)	29	485
Adjustment to market value of financial assets held for trading and derivatives	4,951	(4,951)	145	145
Provision related to health insurance operations	322	(22)	-	300
Other	3,754	(1,783)	4,820	6,791
Reflected in stockholders' equity	4,253	(1,970)	711	2,994
Corporate reorganizations (Note 2.4 a III)	1,883	(627)	-	1,256
Adjustment to market value of available-for-sale securities	1,980	(1,338)	-	642
Cash flow hedge	137	-	706	843
Other	253	(5)	5	253
Total ⁽²⁾⁽³⁾	53,164	(18,478)	16,191	50,877

(1) Includes balance arising from the Corpbanca acquisition R\$ 1,221 and Recovery acquisition R\$ 45 (Note 3).

(2) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 37,395 and R\$ 643.

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

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

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

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

	12/31/2015	Realization / reversal	Increase ⁽¹⁾	12/31/2016
Reflected in income	4,277	(2,283)	11,513	13,507
Depreciation in excess – finance lease	1,487	(551)	-	936
Adjustment of escrow deposits and contingent liabilities	1,130	(168)	231	1,193
Pension plans	336	(143)	40	233
Adjustments of operations carried out on the futures settlement market	51	(100)	1,144	1,095
Adjustment to market value of financial assets held for trading and derivatives	198	(198)	7,293	7,293
Taxation of results abroad – capital gains	286	-	1,216	1,502
Other	789	(1,123)	1,589	1,255
Reflected in stockholders' equity accounts	1,804	(1,639)	453	618
Adjustment to market value of available-for-sale securities	53	-	433	486
Cash flow hedge	1,313	(1,250)	-	63
Provision for pension plan benefits	424	(389)	-	35
Other	14	-	20	34
Total ⁽²⁾	6,081	(3,922)	11,966	14,125

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

(2) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 37,395 and R\$ 643.

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

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

III - The estimate of realization and present value of tax credits and from the Provision for Deferred Income Tax and Social Contribution existing at 12/31/2016, are:

	Deferred tax assets				Deferred tax liabilities				Net deferred taxes	
	Temporary differences	%	Tax loss / social contribution loss carryforwards	%	Total	%	Deferred tax liabilities	%	Net deferred taxes	%
2017	21,863	50%	37	1%	21,900	43%	(1,260)	8%	20,640	56%
2018	10,363	23%	151	2%	10,514	21%	(646)	5%	9,868	27%
2019	4,682	11%	2,060	30%	6,742	13%	(2,372)	17%	4,370	12%
2020	1,130	3%	2,416	35%	3,546	7%	(1,363)	10%	2,183	6%
2021	598	1%	1,775	25%	2,373	5%	(366)	3%	2,007	5%
After 2021	5,313	12%	489	7%	5,802	11%	(8,118)	57%	(2,316)	-6%
Total	43,949	100%	6,928	100%	50,877	100%	(14,125)	100%	36,752	100%
Present value ^(*)	40,415		5,937		46,352		(11,370)		34,982	

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

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

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

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

Note 28 – Earnings per share

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

Net income attributable to owners of the parent company – basic earnings per share	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Net income	23,263	25,740	21,555
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(70)	(71)	(72)
Subtotal	23,193	25,669	21,483
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(73)	(74)	(74)
Subtotal	23,120	25,595	21,409
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis			
To common equity owners	11,880	13,036	10,843
To preferred equity owners	11,240	12,559	10,566
Total net income available to common equity owners	11,953	13,110	10,917
Total net income available to preferred equity owners	11,310	12,630	10,638
Weighted average number of shares outstanding (Note 21a)			
Common shares	3,351,741,143	3,351,741,143	3,351,741,143
Preferred shares	3,171,215,661	3,228,881,081	3,266,347,063
Earnings per share - basic – R\$			
Common shares	3.57	3.91	3.26
Preferred shares	3.57	3.91	3.26
Net income attributable to owners of the parent company – diluted earnings per share	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Total net income available to preferred equity owners	11,310	12,630	10,638
Dividend on preferred shares after dilution effects	82	83	64
Net income available to preferred equity owners considering preferred shares after the dilution effect	11,392	12,713	10,702
Total net income available to ordinary equity owners	11,953	13,110	10,917
Dividend on preferred shares after dilution effects	(82)	(83)	(64)
Net income available to ordinary equity owners considering preferred shares after the dilution effect	11,871	13,027	10,853
Adjusted weighted average of shares (Note 21a)			
Common shares	3,351,741,143	3,351,741,143	3,351,741,143
Preferred shares	3,216,235,372	3,270,734,307	3,305,545,129
Preferred shares	3,171,215,661	3,228,881,081	3,266,347,063
Incremental shares from stock options granted under our share-based payment	45,019,711	41,853,226	39,198,066
Earnings per share - diluted – R\$			
Common shares	3.54	3.89	3.24
Preferred shares	3.54	3.89	3.24

Potential anti-dilution effects of shares under our share-based payment, which were excluded from the calculation of diluted earnings per share, totaled 6,901,686 preferred shares at 12/31/2016, 4,805,473 preferred shares at 12/31/2015 and 3,494,779 preferred shares at 12/31/2014.

Note 29 – Post-employment benefits

The accounting policies and procedures adopted by ITAÚ UNIBANCO HOLDING CONSOLIDATED for employee benefits are summarized below:

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

Total amounts recognized in Income for the period

	Defined benefit			Defined contribution ^(*)			Other benefits			Total		
	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	01/01 to	
	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014
Cost of current service	(62)	(68)	(74)	-	-	-	-	-	-	(62)	(68)	(74)
Net interest	(13)	(6)	(32)	239	219	196	(19)	(17)	(14)	207	196	150
Contribution	-	-	-	121	(381)	(133)	-	-	-	121	(381)	(133)
Benefits paid	-	-	-	-	-	-	13	13	9	13	13	9
Total Amounts Recognized	(75)	(74)	(106)	360	(162)	63	(6)	(4)	(5)	279	(240)	(48)

(*) In the period, contributions to the defined contributions plan, including PGBL, totaled R\$ 339 (R\$ 207 from 01/01 to 12/31/2015 and R\$ 190 from 01/01 to 12/31/2014), of which R\$ 115 (R\$ 144 from 01/01 to 12/31/2015 and R\$ 133 from 01/01 to 12/31/2014) arising from social security funds.

Total amounts recognized in Stockholders' Equity – Other comprehensive income

	Defined benefit			Defined contribution			Other benefits			Total		
	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014
At the beginning of the period	(45)	(75)	(354)	(314)	(221)	(286)	(13)	(8)	7	(372)	(304)	(633)
Effects on asset ceiling (*)	(633)	(103)	(453)	(1,244)	(38)	77	-	-	-	(1,877)	(141)	(376)
Remeasurements	608	133	732	236	(55)	(12)	(36)	(5)	(15)	808	73	705
Total Amounts Recognized	(70)	(45)	(75)	(1,322)	(314)	(221)	(49)	(13)	(8)	(1,441)	(372)	(304)

(*) The revision of the estimate for recognition of the social security fund resulted in the reversal of future contributions by R\$ 1,053.



a) Retirement plans

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

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

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

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

⁽¹⁾ Defined benefit plan;

⁽²⁾ Variable contribution plan;

⁽³⁾ Defined contribution plan.

b) Governance

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



c) Defined benefit plans

I - Main assumptions used in actuarial valuation of retirement plans

	12/31/2016	12/31/2015	12/31/2014
Discount rate ⁽¹⁾	10.24% p.a.	11.28% p.a.	10.24% p.a.
Mortality table ⁽²⁾	AT-2000	AT-2000	AT-2000
Turnover ⁽³⁾	Exp.Itaú 2008/2010	Exp.Itaú 2008/2010	Exp.Itaú 2008/2010
Future salary growth	5.04% to 7.12% p.a.	5.04% to 7.12% p.a.	5.04 to 7.12% p.a.
Growth of the pension fund and social security benefits	4.00% p.a.	4.00% p.a.	4.00% p.a.
Inflation	4.00% p.a.	4.00% p.a.	4.00% p.a.
Actuarial method ⁽⁴⁾	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

(1) The adoption of this assumption is based on interest rates obtained from the actual interest curve in IPCA, for medium term liabilities of retirement plans sponsored by ITAÚ UNIBANCO HOLDING. At 12/31/2016 assumptions were adopted consistently with the economic scenario at the balance sheet date rate, considering the volatility of the interest markets and the models adopted.

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

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

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

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

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

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

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

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

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

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

III - Management of defined benefit plan assets

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

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



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

Types	Fair Value			% Allocation			
	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014	Meta 2017
Fixed income securities	15,134	12,369	12,250	91.61%	90.73%	91.16%	53% to 100%
Variable income securities	685	537	641	4.15%	3.94%	4.77%	0% to 20%
Structured investments	9	27	22	0.05%	0.20%	0.17%	0% to 10%
Real estate	623	633	488	3.77%	4.64%	3.63%	0% to 7%
Loans to participants	69	67	37	0.42%	0.49%	0.27%	0% to 5%
Total	16,520	13,633	13,438	100.00%	100.00%	100.00%	

The defined benefit plan assets include shares of ITAÚ UNIBANCO HOLDING, its main parent company (ITAÚSA) and of subsidiaries of the latter, with a fair value of R\$ 575 (R\$ 452 at 12/31/2015 and R\$ 554 at 12/31/2014), and real estate rented to Group companies, with a fair value of R\$ 597 (R\$ 606 at 12/31/2015 and R\$ 455 at 12/31/2014).

Fair Value

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

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

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

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

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

Fund Allocation Target

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

IV- Net amount recognized in the balance sheet

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

	12/31/2016	12/31/2015	12/31/2014
1 - Net assets of the plans	16,520	13,633	13,438
2- Actuarial liabilities	(13,723)	(11,587)	(11,695)
3- Surplus (1-2)	2,797	2,046	1,743
4- Asset ceiling ^(*)	(3,008)	(2,134)	(1,847)
5- Net amount recognized in the balance sheet (3-4)	(211)	(88)	(104)
Amount recognized in assets (Note 20a)	317	224	242
Amount recognized in liabilities (Note 20b)	(528)	(312)	(346)

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

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

	12/31/2016				
	Plan net assets	Actuarial liabilities	Surplus	Asset ceiling	Recognized amount
Value at the beginning of the period	13,633	(11,587)	2,046	(2,134)	(88)
Cost of current service	-	(62)	(62)	-	(62)
Net interest ⁽¹⁾	1,483	(1,255)	228	(241)	(13)
Benefits paid	(1,060)	1,060	-	-	-
Contributions of sponsors	149	-	149	-	149
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(633)	(633)
Balance arising from the CoprBanca acquisition (Note 3)	-	(207)	(207)	-	(207)
Exchange Variation	(8)	43	35	-	35
Remeasurements ^{(2) (3)}	2,308	(1,715)	593	-	593
Value end of the period	16,520	(13,723)	2,797	(3,008)	(211)

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

	12/31/2014				
	Plan net assets	Actuarial liabilities	Surplus	Asset ceiling	Recognized amount
Value beginning of the period	12,512	(11,577)	935	(1,293)	(358)
Cost of current service	-	(74)	(74)	-	(74)
Net interest ⁽¹⁾	1,178	(1,087)	91	(123)	(32)
Benefits paid	(780)	780	-	-	-
Contributions of sponsors	81	-	81	-	81
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(453)	(453)
Remeasurements ^{(2) (3)}	432	263	695	22	717
Value end of the period	13,438	(11,695)	1,743	(1,847)	(104)

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

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

(3) The actual return on assets amounted to R\$ 3,791 (R\$ 1,028 at 12/31/2015 and R\$ 1,610 at 12/31/2014).

During the period, the contributions made totaled R\$ 149 (R\$ 60 from 01/01 to 12/31/2015 and R\$ 81 from 01/01 to 12/31/2014). The contribution rate increases based on the beneficiary's salary.

In 2017, contribution to the retirement plans sponsored by ITAÚ UNIBANCO HOLDING is expected to amount to R\$ 71.

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

Period	Payment estimate
2017	1,071
2018	1,112
2019	1,160
2020	1,212
2021	1,266
2022 to 2026	7,098

VI- Sensitivity of defined benefit obligation

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

Change in Assumption	Effects on actuarial liabilities of the plan		Effect which would be recognized in Stockholders' Equity ^(*)
	Value	Percentage of actuarial liabilities	Value
- Decrease by 0.5%	703	5.13%	(271)
- Increase by 0.5%	(644)	(4.70%)	235

(*) Net of effects of asset ceiling



d) Defined contribution plans

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

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

	12/31/2016			12/31/2015			12/31/2014		
	Pension plan fund	Asset ceiling	Recognized amount	Pension plan fund	Asset ceiling	Recognized amount	Pension plan fund	Asset ceiling	Recognized amount
Value beginning of the period	2,229	(270)	1,959	2,438	(224)	2,214	2,361	(275)	2,086
Net interest	269	(30)	239	239	(20)	219	223	(27)	196
Contribution (Note 29)	121	-	121	(381)	-	(381)	(133)	-	(133)
Receivables – allocation of funds (*)	(515)	-	(515)	-	-	-	-	-	-
Effects on asset ceiling (Note 29)	(1,053)	(191)	(1,244)	-	(38)	(38)	-	77	77
Remeasurements	236	-	236	(67)	12	(55)	(13)	1	(12)
Value end of the period (Note 20a)	1,287	(491)	796	2,229	(270)	1,959	2438	-224	2214

(*) Refers to the allocation of the surplus of Plano Itaúbanco CD's social security fund.

e) Other post-employment benefits

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

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

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

	12/31/2016	12/31/2015	12/31/2014
At the beginning of the period	(179)	(170)	(146)
Interest cost	(19)	(17)	(14)
Benefits paid	13	13	9
Remeasurements	(36)	(5)	(19)
At the end of the period (Note 20b)	(221)	(179)	(170)

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

Period	Payment estimate
2017	13
2018	14
2019	15
2020	16
2021	17
2022 to 2026	103

II- Assumptions and sensitivity - medical care cost

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

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

	Recognition	1% increase	1% decrease
Service cost and interest cost	Income	3	(2)
Present value of obligation	Other comprehensive income	26	(22)

Note 30 – Insurance contracts

a) Insurance contracts

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

b) Main products

I - Insurance

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

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

Main insurance lines	Loss ratio		Sales ratio	
	%		%	
	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015
Group accident insurance	5.0	5.8	42.1	42.0
Individual accident	19.5	19.5	12.4	11.4
Commercial multiple peril	63.3	44.6	21.1	20.9
Internal credit	221.7	113.7	3.9	18.3
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	85.7	86.7	1.4	1.4
Serious or terminal diseases	22.1	16.1	10.7	10.7
Extended warranty - assets	17.1	16.8	63.8	64.6
Credit Life	18.7	15.6	19.0	21.8
Multiple risks	7.8	7.4	62.1	62.2
Home insurance in market policies – Credit Life	14.7	15.0	(0.3)	(2.8)
Group life	46.8	46.7	13.6	13.0

II - Private pension

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

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

III – Income related to insurance and private pension

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

	Premiums and contributions issued			Reinsurance			Retained premiums and contributions		
	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Group accident insurance	780	862	796	(4)	(2)	(2)	776	860	794
Individual accident	224	214	186	(12)	(11)	(2)	212	203	184
Commercial multiple peril	56	57	139	-	-	(25)	56	57	114
Internal Credit	63	151	105	-	-	-	63	151	105
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	37	37	243	-	-	-	37	37	243
Serious or terminal diseases	167	169	159	(1)	(2)	(1)	166	167	158
Warranty extension - assets	112	252	1,202	-	-	-	112	252	1,202
Disability Savings Pension	298	256	194	(3)	(6)	(5)	295	250	189
PGBL	1,955	1,840	1,665	-	-	-	1,955	1,840	1,665
Credit Life	570	726	802	-	(1)	-	570	725	802
Petroleum risks	-	-	284	-	-	(252)	-	-	32
Multiple risks	162	172	223	-	-	(53)	162	172	170
Specified and all risks	-	-	501	-	-	(393)	-	-	108
Home Insurance in Market Policies – Credit Life	261	224	187	(18)	(19)	(19)	243	205	168
Traditional	142	159	174	-	-	-	142	159	174
VGBL	18,153	15,501	13,532	-	-	-	18,153	15,501	13,532
Group life	1,278	1,453	1,414	(44)	(37)	(28)	1,234	1,416	1,386
Other lines	591	561	991	(12)	(11)	(251)	579	550	740
Total	24,849	22,634	22,797	(94)	(89)	(1,031)	24,755	22,545	21,766



c) Technical reserves for insurance and private pension

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

I - Insurance and private pension:

- **Provision for unearned premiums** – this provision is recognized, based on insurance premiums, for the coverage of amounts payable related to claims and expenses to be incurred, throughout their terms maturity, in connection with the risks assumed at the calculation base date. The calculation is performed on the level of policies or endorsement of agreements in force, on a *pro rata-die* basis. The provision includes an estimate for effective and not issued risks (PPNG-RVNE).
- **Provision for unsettled claims** – this provision is recognized for the coverage of amounts payable related to lump-sum payments and income overdue from claims reported up to the calculation base date, but not yet paid. The provision covers administrative and legal claims, gross of accepted coinsurance operations and reinsurance operations and net of ceded coinsurance operations. The provision should include, whenever required, IBNER (claims incurred but not sufficiently reported) for the aggregate development of claims reported but not paid, which amounts may be changed throughout the process up to final settlement.
- **Provision for claims incurred and not reported** – this provision is recognized for the coverage of expected unsettled amounts related to claims incurred but not reported up to the calculation base date, gross of accepted coinsurance operations and reinsurance operations, and net of ceded coinsurance operations.
- **Mathematical provisions for benefits to be granted** - recognized for the coverage of commitments assumed to participants or policyholders, based on the assumptions set forth in the contract, while the event that gave rise to the benefit and/or indemnity has not occurred. The provision is calculated in accordance with the methodology approved in the actuarial technical note to the product.
- **Mathematical provisions for granted benefits** - recognized after the event triggering the benefit occurs, for the coverage of the commitments assumed to the participants or insured parties, based on the assumptions established in the agreement. The provision is calculated in accordance with the methodologies approved in the technical actuarial note on the product.
- **Provision for financial surplus** – it is recognized to ensure the amounts intended for distribution of financial surplus, if the event is stated in the agreement. Corresponds to the financial income exceeding the minimum return guaranteed in the product.
- **Other technical provisions** – it is recognized when insufficiency of premiums or contributions are identified related to payments of benefits and indemnities.
- **Provision for redemptions and other amounts to regularize** – it comprises the amounts related to redemptions to regularize, returns of premiums or funds, portability requested but, for any reason, not yet transferred to the insurance company or open private pension entity beneficiary, and premiums received but not quoted.
- **Provision for related expenses** - It is recognized for the coverage of expected amounts related to expenses with benefits and indemnities, due to events incurred and to be incurred.

II - Change in reserves for insurance and private pension

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



II.I - Change in technical provisions

	12/31/2016				12/31/2015			
	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total	Property, individuals and life insurance	Private pension	Life with survivor benefits	Total
Opening balance	4,755	32,688	91,862	129,305	5,872	28,228	75,678	109,778
(+) Additions arising from premiums / contribution	4,302	2,395	18,153	24,850	4,825	2,255	15,501	22,581
(-) Deferral of risk	(5,124)	(297)	-	(5,421)	(5,780)	(253)	-	(6,033)
(-) Payment of claims / benefits	(1,623)	(370)	(39)	(2,032)	(1,553)	(337)	(19)	(1,909)
(+) Reported claims	1,620	-	-	1,620	1,712	-	-	1,712
(-) Redemptions	(1)	(1,939)	(13,277)	(15,217)	(2)	(1,479)	(8,720)	(10,201)
(+/-) Net portability	-	380	709	1,089	-	886	504	1,390
(+) Adjustment of reserves and financial surplus	20	4,371	13,171	17,562	9	3,244	9,052	12,305
(+/-) Other (recognition / reversal)	(23)	451	1,892	2,320	(328)	144	(134)	(318)
Reserves for insurance and private pension	3,926	37,679	112,471	154,076	4,755	32,688	91,862	129,305

II.II - Technical provisions balances

	Insurance		Private pension		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Unearned premiums	2,204	3,027	17	15	2,221	3,042
Mathematical reserve for benefits to be granted and benefits granted	24	24	148,341	122,914	148,365	122,938
Redemptions and Other Unsettled Amounts	11	23	210	166	221	189
Financial surplus	2	1	581	547	583	548
Unsettled claims ⁽¹⁾	769	783	23	18	792	801
IBNR	435	424	27	24	462	448
Administrative and Related Expenses	39	42	71	50	110	92
Other	442	431	880	816	1,322	1,247
Total ⁽²⁾	3,926	4,755	150,150	124,550	154,076	129,305

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

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

d) Deferred selling expenses

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

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

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

Balance at 01/01/2016	901
Increase	902
Amortization	(1,374)
Balance at 12/31/2016	429
Balance to be amortized in up to 12 months	335
Balance to be amortized after 12 months	94
Balance at 01/01/2015	1,647
Increase	1,133
Amortization	(1,879)
Balance at 12/31/2015	901
Balance to be amortized in up to 12 months	644
Balance to be amortized after 12 months	257

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



e) Table of loss development

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

I – Gross of reinsurance

Reserve for unsettled claims (*)	792
(-) DPVAT operations	19
(-) IBNER (claims incurred but not sufficiently reported)	240
(-) Retrocession and other estimates	3
Liability claims presented in the development table (Ia + Ib)	530

(*) Provision for unsettled claims stated in Note 30c II.II of 12/30/2016, gross of reinsurance

Ia - Administratives claims - gross of reinsurance

Occurrence date	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Total
At the end of reporting period	1,230	1,168	1,142	1,243	1,310	
After 1 year	1,221	1,166	1,130	1,286		
After 2 years	1,227	1,172	1,150			
After 3 years	1,227	1,177				
After 4 years	1,229					
Current estimate	1,229	1,177	1,150	1,286	1,310	
Accumulated payments through base date	1,226	1,173	1,142	1,262	1,098	5,901
Liabilities recognized in the balance sheet	3	4	8	24	212	251
Liabilities in relation to prior years						27
Total administratives claims included in balance sheet						278

Ib - Judicial claims - gross of reinsurance

Occurrence date	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Total
At the end of reporting period	54	32	32	35	34	
After 1 year	64	49	44	48		
After 2 years	72	59	56			
After 3 years	78	70				
After 4 years	85					
Current estimate	85	70	56	48	34	
Accumulated payments through base date	65	50	40	33	24	212
Liabilities recognized in the balance sheet	20	20	17	15	10	82
Liabilities in relation to prior years						170
Total judicial claims included in balance sheet						252

II - Net of reinsurance

Reserve for unsettled claims ⁽¹⁾	792
(-) DPVAT operations	19
(-) IBNER	240
(-) Reinsurance ⁽²⁾	31
(-) Retrocession and other estimates	3
Liability claims presented in the development table (IIa + IIb)	499

(1) Provision refers to provision for unsettled claims stated in Note 30c II.II of 12/31/2016.

(2) Reinsurance operations stated in Note 30I III of 12/31/2016.

IIa - Administratives claims - net of reinsurance

Occurrence date	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Total
At the end of reporting period	1,186	1,144	1,129	1,221	1,298	
After 1 year	1,175	1,142	1,116	1,253		
After 2 years	1,181	1,148	1,131			
After 3 years	1,182	1,152				
After 4 years	1,183					
Current estimate	1,183	1,152	1,131	1,253	1,298	
Accumulated payments through base date	1,180	1,149	1,123	1,229	1,092	5,773
Liabilities recognized in the balance sheet	3	4	8	24	206	245
Liabilities in relation to prior years						18
Total administratives claims included in balance sheet						263

IIb - Judicial claims - net of reinsurance

Occurrence date	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	Total
At the end of reporting period	54	32	32	35	31	
After 1 year	64	49	44	47		
After 2 years	72	59	56			
After 3 years	77	70				
After 4 years	84					
Current estimate	84	70	56	47	31	
Accumulated payments through base date	64	50	40	33	21	208
Liabilities recognized in the balance sheet	20	20	17	14	10	81
Liabilities in relation to prior years						155
Total judicial claims included in balance sheet						236

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

f) Liability adequacy test

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

The Liability adequacy test did not show any deficiency for periods ended 2016, 2015 and 2014.

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

Methodology and Test Grouping

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

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

Biometric Tables

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

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

Risk-free Interest Rate

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

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

Income conversion rate

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

Other Assumptions

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

g) Insurance risk – effect of changes on actuarial assumptions

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

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

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

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

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

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

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

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

Sensitivity analysis	Impact in Results and Stockholders' Equity ⁽¹⁾					
	12/31/2016			12/31/2015		
	Supplementary Retirement Plans and Life with Living Benefits	Insurance Gross of reinsurance	Insurance Net of reinsurance	Supplementary Retirement Plans and Life with Living Benefits	Insurance Gross of reinsurance	Insurance Net of reinsurance
5% increase in mortality rates	21	(3)	(3)	8	(4)	(3)
5% decrease in mortality rates	(23)	3	3	(8)	3	3
0.1% increase in risk-free interest rates	49	6	6	38	7	7
0.1% decrease in risk-free interest rates	(50)	(6)	(6)	(39)	(7)	(7)
5% increase in conversion in income rates	(6)	-	-	(12)	-	-
5% decrease in conversion in income rates	6	-	-	12	-	-
5% increase in claims	0	(50)	(48)	-	(62)	(60)
5% decrease in claims	0	50	48	-	63	60

(1) Amounts net of tax effects.

h) Risks of insurance and private pension

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

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



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

	01/01 to 12/31/2016			01/01 to 12/31/2015			01/01 to 12/31/2014		
	Insurance premiums	Retained premium	Retention (%)	Insurance premiums	Retained premium	Retention (%)	Insurance premiums	Retained premium	Retention (%)
Property and casualty									
Mandatory personal injury caused by motor vehicle (DPVAT)	37	37	100.0	37	37	100.0	243	243	100.0
Extended warranty	112	112	100.0	252	252	100.0	1,202	1,202	100.0
Individuals									
Group accident insurance	780	776	99.5	862	860	99.7	796	794	99.8
Individual accident	224	212	94.8	214	203	94.8	186	184	98.9
Credit life	570	570	100.0	726	725	99.9	802	802	100.0
Group life	1,278	1,234	96.5	1,453	1,416	97.5	1,414	1,386	98.2
Large risks									
Engineering	-	-	-	-	-	-	46	8	17.4
Petroleum risks	-	-	-	-	-	-	284	32	11.3
Specified and operational risks	-	-	-	-	-	-	501	108	21.6

i) Insurance, pension plan and capitalization management structure

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

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

j) Duties and responsibilities

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

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

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

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

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

k) Market, credit and liquidity risk

l) Market risk

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

Class	12/31/2016		12/31/2015	
	Account balance	DV01	Account balance	DV01
Government securities				
NTN-C	5,141	(3.03)	4,821	(3.20)
NTN-B	2,969	(3.53)	2,055	(1.95)
LTN	-	-	-	-
DI Future	-	-	-	-
Private securities				
Indexed to IPCA	307	(0.14)	209	(0.09)
Indexed to PRE	240	(0.00)	77	(0.00)
Shares	0	0.00	1	0.01
Floating assets	5,852	-	4,998	-
Under agreements to resell	6,266	-	4,977	-

II) Liquidity Risk

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

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

Liabilities	Assets	12/31/2016			12/31/2015		
		Liabilities amounts ⁽¹⁾	Liabilities DU ⁽²⁾	Assets DU ⁽²⁾	Liabilities amounts ⁽¹⁾	Liabilities DU ⁽²⁾	Assets DU ⁽²⁾
Insurance operations	Backing asset						
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	2,202	13.5		3,025	15.8	13.8
IBNR, PDR e PSL	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	1,242	13.8		1,243	15.7	16.9
Other provisions	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	446	119.0		434	104.6	22.7
Subtotal	Subtotal	3,890			4,702		
Pension plan, VGBL and individual life operations							
Related expenses	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	71	107.4	80.9	50	102.7	85.7
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB and debentures	19	-	14.1	17	-	12.2
Unsettled claims	LFT, repurchase agreements, NTN-B, CDB and debentures	25	-	13.9	20	-	12.3
IBNR	LFT, repurchase agreements, NTN-B, CDB and debentures	27	11.4	14.1	28	9.8	10.5
Redemptions and Other Unsettled Amounts	LFT, repurchase agreements, NTN-B, CDB and debentures	221	-	14.0	190	-	12.3
Mathematical reserve for benefits granted	LFT, repurchase agreements, NTN-B, CDB and debentures	1,737	107.4	81.1	1,540	102.7	85.8
Mathematical reserve for benefits to be granted – PGBL/ VGBL	LFT, repurchase agreements, NTN-B, NTN-C, NTN-F, CDB, LF and debentures ⁽³⁾	142,039	169.9	39.4	117,073	160.6	23.9
Mathematical reserve for benefits to be granted – traditional	LFT, repurchase agreements, NTN-B, NTN-C, Debentures	4,584	210.9	92.0	4,321	208.1	79.4
Other provisions	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	880	210.9	92.0	816	208.1	79.4
Financial surplus	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	583	210.6	91.8	548	207.8	79.2
Subtotal	Subtotal	150,186			124,603		
Total technical reserves	Total backing assets	154,076			129,305		

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

(2) DU = Duration in months

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

III) Credit Risk

Reinsurers – Breakdown

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

- **Insurance Operations:** reinsurance premiums operations are basically represented by: IRB Brasil Resseguros with 56.14% (66.67% at 12/31/2015) and Munich Re do Brasil with 43.33% (32.94% at 12/31/2015).
- **Social Security Operations:** social security operations related to reinsurance premiums are entirely represented by Munich Re do Brasil with 70% (50% at 12/31/2015) and General Reinsurance AG with 30% (50% at 12/31/2015).



IV) Risk level of financial assets

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

12/31/2016						
Internal rating ^(*)	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Derivatives assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Lower risk	7,859	125,944	284	3,558	4,629	142,274
Satisfactory	-	13	-	-	-	13
Higher Risk	-	-	-	-	-	-
Total	7,859	125,957	284	3,558	4,629	142,287
%	5.5	88.5	0.2	2.5	3.3	100.0

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

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

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



I) Reinsurance

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

Reinsurance assets

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

Reinsurance transferred

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



I- Changes in balances of transactions with reinsurance companies

	Credits		Debits	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Opening balance	18	262	103	610
Issued contracts	-	-	79	75
Recoverable claims	32	-	-	-
Prepayments / payments to reinsurer	(3)	12	(108)	(36)
Other increase / reversal	(1)	(256)	-	(546)
Closing balance	46	18	74	103

II – Balances of technical reserves with reinsurance assets

	12/31/2016	12/31/2015
Reinsurance claims	52	52
Reinsurance premiums	15	24
Closing balance	67	76

III – Changes in balances of technical reserves for reinsurance claims

	12/31/2016	12/31/2015
Opening balance	52	2,456
Reported claims	70	32
Paid claims	(99)	(25)
Other increase / reversal	2	(2,412)
Monetary adjustment and interest of claims	27	1
Closing balance ^(*)	52	52

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

IV – Changes in balances of technical reserves for reinsurance premiums

	12/31/2016	12/31/2015
Opening balance	24	949
Receipts	65	61
Payments	(74)	(45)
Other increase / reversal	-	(941)
Closing balance	15	24

V – Changes in balances of technical reserves for reinsurance commission

	12/31/2016	12/31/2015
Opening balance	-	(37)
Receipts	6	4
Payments	(6)	(4)
Other increase / reversal	-	37
Closing balance	-	-

m) Regulatory authorities

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

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

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



Note 31 – Fair value of financial instruments

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

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

	12/31/2016		12/31/2015	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	104,242	104,242	85,100	85,100
Interbank deposits	22,692	22,731	30,525	30,525
Securities purchased under agreements to resell	265,051	265,051	254,404	254,404
Financial assets held for trading ^(*)	204,648	204,648	164,311	164,311
Financial assets designated at fair value through profit or loss ^(*)	1,191	1,191	642	642
Derivatives ^(*)	24,231	24,231	26,755	26,755
Available-for-sale financial assets ^(*)	88,277	88,277	86,045	86,045
Held-to-maturity financial assets	40,495	40,749	42,185	38,892
Loan operations and lease operations	463,394	472,704	447,404	446,787
Other financial assets	53,917	53,917	53,506	53,506
Financial liabilities				
Deposits	329,414	329,371	292,610	292,775
Securities sold under repurchase agreements	349,164	349,164	336,643	336,643
Financial liabilities held for trading ^(*)	519	519	412	412
Derivatives ^(*)	24,698	24,698	31,071	31,071
Interbank market debt	135,483	134,730	156,886	156,174
Institutional market debt	96,239	95,012	93,918	95,461
Liabilities for capitalization plans	3,147	3,147	3,044	3,044
Other financial liabilities	71,832	71,832	68,715	68,715

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

Financial instruments not included in the Balance Sheet (Note 36) are represented by Standby letters of credit and guarantees provided, which amount to R\$ 77,453 (R\$ 81,180 at 12/31/2015) with an estimated fair value of R\$ 1,066 (R\$ 1,143 at 12/31/2015).

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

- Cash and deposits on demand, Central Bank compulsory deposits, Securities purchased under agreements to resell, Securities sold under repurchase agreements and liabilities for capitalization plans** – The carrying amounts for these instruments approximate their fair values.
- Interbank deposits, deposits, Interbank market debt and Institutional market debt** – ITAÚ UNIBANCO HOLDING estimates the fair values by discounting the estimated cash flows and adopting the market interest rates.
- Financial assets held for trading, including Derivatives (assets and liabilities), Financial assets designated at fair value through profit or loss, Available-for-sale financial assets, Held-to-maturity financial assets and Financial liabilities held for trading** – Under normal conditions, market prices are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quoted market prices and, in such cases, the adoption of present value estimates and other pricing techniques are required. In the absence of quoted prices from National Association of Financial Market Institutions (ANBIMA), the fair values of bonds are calculated based on the interest rates provided by others on the market (brokers). The fair values of corporate debt securities are computed by adopting criteria similar to those applied to interbank deposits, as described above. The fair values of shares are computed based on their prices quoted in the market. The fair values of derivative financial instruments were determined as follows:
 - Swaps:** The cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves may be drawn mainly based on the exchange price of derivatives at BM&FBOVESPA, of Brazilian government securities in the secondary market or derivatives and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).

- **Futures and forwards:** Quotations on exchanges or criteria identical to those applied to swaps.
 - **Options:** The fair values are determined based on mathematical models (such as Black&Scholes) that are fed with implicit volatility data, interest rate yield curve and fair value of the underlying asset. Current market prices of options are used to compute the implicit volatilities. All these data are obtained from different sources (usually Bloomberg).
 - **Credit:** Inversely related to the probability of default (PD) in a financial instrument subject to credit risk. The process of adjusting the market price of these spreads is based on the differences between the yield curves with no risk and the yield curves adjusted for credit risk.
- d) Loan operations and lease operations** – Fair value is estimated based on groups of loans with similar financial and risk characteristics, using valuation models. The fair value of fixed-rate loans was determined by discounting estimated cash flows, applying current interest rates for similar loans. For the majority of loans at floating rate, the carrying amount was considered close to their fair value. The fair value of loan and lease operations not overdue was calculated by discounting the expected payments of principal and interest through maturity, at the aforementioned rates. The fair value of overdue loan and lease transactions was based on the discount of estimated cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying collateral. The assumptions related to cash flows and discount rates are determined using information available in the market and the borrower's specific information of the debtor.
- e) Deposits** – The fair value of fixed-rate loans with maturity dates was determined by discounting estimated cash flows, applying current interest rates for similar funding operations. Cash deposits are not considered in the fair value estimate. The assumptions related to cash flows and discount rates are determined based on information available in the market and information specific for each operation.
- f) Other financial assets / liabilities** – primarily composed of receivables from credit card issuers, deposits in guarantee for contingent liabilities and trading and intermediation of securities. The carrying amounts for these assets/liabilities substantially approximate their fair values, since they principally represent amounts to be received in the short term from credit card holders and to be paid to credit card acquirers, judicially required deposits (indexed to market rates) made by ITAÚ UNIBANCO HOLDING as guarantees for lawsuits or very short-term receivables (generally with a maturity of approximately 5 (five) business days). All of these items represent assets / liabilities without significant associated market, credit and liquidity risks.

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

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

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

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



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

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

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

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

Derivatives:

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

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

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

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



Distribution by level

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

	12/31/2016				12/31/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	165,883	37,760	1,005	204,648	123,948	40,303	60	164,311
Investment funds	14	1,159	-	1,173	19	1,032	-	1,051
Brazilian government securities	157,369	2,654	1	160,024	114,007	3,043	3	117,053
Brazilian external debt bonds	5,325	-	-	5,325	4,431	-	-	4,431
Government securities – other countries	819	2,916	-	3,735	933	216	-	1,149
Argentina	651	-	-	651	696	-	-	696
Chile	-	127	-	127	-	36	-	36
Colombia	-	2,669	-	2,669	-	72	-	72
United States	78	-	-	78	132	-	-	132
Mexico	6	-	-	6	3	-	-	3
Paraguay	-	88	-	88	-	68	-	68
Uruguay	-	32	-	32	-	40	-	40
Other	84	-	-	84	102	-	-	102
Corporate securities	2,356	31,031	1,004	34,391	4,558	36,012	57	40,627
Shares	1,533	-	958	2,491	2,161	-	-	2,161
Bank deposit certificates	12	1,812	-	1,824	19	2,564	-	2,583
Debentures	216	2,949	25	3,190	2,333	2,141	48	4,522
Eurobonds and others	595	49	18	662	45	940	6	991
Financial credit bills	-	25,893	-	25,893	-	30,367	-	30,367
Other	-	328	3	331	-	-	3	3
Available-for-sale financial assets	34,840	43,903	9,534	88,277	32,439	49,347	4,259	86,045
Investment funds	-	42	-	42	6	98	114	218
Brazilian government securities	17,039	671	228	17,938	10,793	791	212	11,796
Brazilian external debt bonds	14,065	-	-	14,065	17,312	-	-	17,312
Government securities – other countries	1,536	12,850	86	14,472	2,152	7,702	29	9,883
Chile	-	5,758	86	5,844	-	1,378	29	1,407
Colombia	-	1,155	-	1,155	-	-	-	-
Korea	-	2,673	-	2,673	-	1,626	-	1,626
Denmark	-	819	-	819	-	2,548	-	2,548
Spain	-	923	-	923	-	1,060	-	1,060
United States	1,427	-	-	1,427	2,022	-	-	2,022
Netherlands	101	-	-	101	122	-	-	122
Paraguay	-	1,111	-	1,111	-	912	-	912
Uruguay	-	411	-	411	-	178	-	178
Other	8	-	-	8	8	-	-	8
Corporate securities	2,200	30,340	9,220	41,760	2,176	40,756	3,904	46,836
Shares	817	-	568	1,385	661	-	267	928
Rural Product Note	-	876	549	1,425	-	1,078	52	1,130
Bank deposit certificates	-	2,527	114	2,641	-	1,443	130	1,573
Securitized real estate loans	-	-	2,095	2,095	-	-	2,037	2,037
Debentures	277	16,007	4,886	21,170	410	21,581	844	22,835
Eurobonds and others	1,105	5,615	995	7,715	1,105	8,981	26	10,112
Financial credit bills	-	2,816	-	2,816	-	6,479	367	6,846
Promissory notes	1	2,172	-	2,173	-	937	54	991
Other	-	327	13	340	-	257	127	384
Financial assets designated at fair value through profit or loss	1,191	-	-	1,191	642	-	-	642
Brazilian government securities	1,191	-	-	1,191	506	-	-	506
Government securities – other countries	-	-	-	-	136	-	-	136
Financial liabilities held for trading	-	519	-	519	-	412	-	412
Structured notes	-	519	-	519	-	412	-	412

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

	12/31/2016				12/31/2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivatives - assets	127	23,583	521	24,231	529	24,975	1,251	26,755
Futures	127	-	-	127	529	-	-	529
Swap – differential receivable	-	10,074	468	10,542	-	7,958	1,189	9,147
Options	-	4,745	47	4,792	-	5,550	33	5,583
Forwards (onshore)	-	4,971	-	4,971	-	3,166	-	3,166
Credit derivatives	-	181	-	181	-	614	-	614
Forwards (offshore)	-	3,459	-	3,459	-	3,430	-	3,430
Check of swap	-	88	-	88	-	355	-	355
Other derivatives	-	65	6	71	-	3,902	29	3,931
Derivatives - liabilities	-	(24,638)	(60)	(24,698)	-	(31,038)	(33)	(31,071)
Swap – differential payable	-	(13,165)	(56)	(13,221)	-	(16,310)	(21)	(16,331)
Options	-	(4,548)	(4)	(4,552)	-	(5,771)	(12)	(5,783)
Forwards (onshore)	-	(3,530)	-	(3,530)	-	(833)	-	(833)
Credit derivatives	-	(147)	-	(147)	-	(875)	-	(875)
Forwards (offshore)	-	(2,825)	-	(2,825)	-	(3,142)	-	(3,142)
Check of swap	-	(353)	-	(353)	-	(545)	-	(545)
Other derivatives	-	(70)	-	(70)	-	(3,562)	-	(3,562)

There were no significant transfer between Level 1 and Level 2 during the period from December 31, 2016 and December 31, 2015. Transfers to and from Level 3 are presented in movements of Level 3.

Measurement of fair value Level 2 based on pricing services and brokers

When pricing information is not available for securities classified as Level 2, pricing services, such as Bloomberg or brokers, are used to value such instruments.

In all cases, to assure that the fair value of these instruments is properly classified as Level 2, internal analysis of the information received are conducted, so as to understand the nature of the input used in the establishment of such values by the service provider.

Prices provided by pricing services that meet the following requirements are considered Level 2: input is immediately available, regularly distributed, provided by sources actively involved in significant markets and it is not proprietary.

Of the total of R\$ 81,633 million in financial instruments classified as Level 2, at December 31, 2016, pricing service or brokers were used to evaluate securities at the fair value of R\$ 40,388 million, substantially represented by:

- **Debentures:** When available, we use price information for transactions recorded in the Brazilian Debenture System (SND), an electronic platform operated by CETIP, which provides multiple services for transactions involving debentures in the secondary market. Alternatively, prices of debentures provided by ANBIMA are used. Its methodology includes obtaining, on a daily basis, illustration and non-binding prices from a group of market players deemed to be significant. Such information is subject to statistical filters established in the methodology, with the purpose of eliminating outliers.
- **Global and corporate securities:** The pricing process for these securities consists in capturing from 2 to 8 quotes from Bloomberg, depending on the asset. The methodology consists in comparing the highest purchase prices and the lowest sale prices of trades provided by Bloomberg for the last day of the month. Such prices are compared with information from purchase orders that the Institutional Treasury of ITAÚ UNIBANCO HOLDING provides for Bloomberg. Should the difference between them be lower than 0.5%, the average price of Bloomberg is used. Should it be higher than 0.5% or if the Institutional Treasury does not provide information on this specific security, the average price gathered directly from other banks is used. The price of the Institutional Treasury is used as a reference only and never in the computation of the final price.

Level 3 recurring fair value measurements

The departments in charge of defining and applying the pricing models are segregated from the business areas. The models are documented, submitted to validation by an independent area and approved by a specific committee. The daily process of price capture, calculation and disclosure are periodically checked according to formally defined testing and criteria and the information is stored in a single and corporate history data base.

The most recurring cases of assets classified as Level 3 are justified by the discount factors used. Factors such as the fixed interest curve in Brazilian Reais and the TR coupon curve – and, as a result, its related factors – have inputs with terms shorter than the maturities of these fixed-income assets. For swaps, the analysis is carried out by index for both parties. There are some cases in which the inputs periods are shorter than the maturity of the derivative.

Level 3 recurring fair value changes

The tables below show the changes in balance sheet for financial instruments classified by ITAÚ UNIBANCO HOLDING in Level 3 of the fair value hierarchy. Derivative financial instruments classified in Level 3 mainly correspond to other derivatives linked to shares.

	Fair value at 12/31/2015	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2016	Total gains (losses) related to assets and liabilities still held at 12/31/2016
Financial assets held for trading	60	(151)	87	(344)	1,353	1,005	(154)
Brazilian government securities	3	-	-	(2)	-	1	-
Corporate securities	57	(151)	87	(342)	1,353	1,004	(154)
Shares	-	(114)	-	-	1,072	958	(152)
Debentures	48	(37)	33	(306)	287	25	(2)
Eurobonds and others	6	-	54	(36)	(6)	18	-
Other	3	-	-	-	-	3	-
Available-for-sale financial assets	4,259	(677)	4,626	(4,380)	5,706	9,534	(685)
Investment funds	114	313	-	(427)	-	-	-
Brazilian government securities	212	(208)	-	220	4	228	11
Government securities – abroad - Chile	29	(44)	321	(220)	-	86	-
Corporate securities	3,904	(738)	4,305	(3,953)	5,702	9,220	(696)
Shares	267	119	-	(227)	409	568	76
Rural Product Note	52	(54)	1,205	(851)	197	549	(57)
Bank deposit certificates	130	2	483	(501)	-	114	-
Securitized real estate loans	2,037	58	11	(10)	(1)	2,095	(55)
Debentures	844	(739)	2,111	(994)	3,664	4,886	(653)
Eurobonds and others	26	(130)	446	(837)	1,490	995	(7)
Financial credit bills	367	14	-	(301)	(80)	-	-
Promissory notes	54	-	-	(54)	-	-	-
Other	127	(8)	49	(178)	23	13	-

	Fair value at 12/31/2015	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2016	Total gains (losses) related to assets and liabilities still held at 12/31/2016
Derivatives - assets	1,251	(713)	254	(728)	457	521	(7)
Swap – differential receivable	1,189	(731)	8	(455)	457	468	21
Options	33	36	246	(268)	-	47	(28)
Other derivatives	29	(18)	-	(5)	-	6	-
Derivatives - liabilities	(33)	18	(35)	96	(106)	(60)	(2)
Swap – differential payable	(21)	9	(5)	67	(106)	(56)	(8)
Options	(12)	9	(30)	29	-	(4)	6

	Fair value at 12/31/2014	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2015	Total gains (losses) related to assets and liabilities still held at 12/31/2015
Financial assets held for trading	790	33	102	(865)	-	60	-
Brazilian government securities	-	4	-	(1)	-	3	-
Corporate securities	790	29	102	(864)	-	57	-
Securitized real estate loans	1	-	-	(1)	-	-	-
Debentures	210	(13)	66	(215)	-	48	-
Promissory notes	577	54	-	(631)	-	-	-
Eurobonds and others	2	(6)	27	(17)	-	6	-
Other	-	(6)	9	-	-	3	-
Available-for-sale financial assets	5,404	(1,241)	4,453	(4,624)	267	4,259	(451)
Investment funds	-	(1,128)	1,242	-	-	114	-
Brazilian government securities	249	(116)	85	(6)	-	212	(22)
Government securities – abroad - Chile	13	(1)	101	(84)	-	29	-
Corporate securities	5,142	4	3,025	(4,534)	267	3,904	(429)
Shares	-	-	-	-	267	267	-
Rural Product Note	51	1	9	(9)	-	52	-
Bank deposit certificates	58	7	201	(136)	-	130	-
Securitized real estate loans	2,522	(142)	68	(411)	-	2,037	(207)
Debentures	706	(12)	915	(765)	-	844	(222)
Eurobonds and others	53	(8)	94	(113)	-	26	2
Financial credit bills	270	48	49	-	-	367	(2)
Promissory notes	1,397	72	1,574	(2,989)	-	54	-
Other	85	38	115	(111)	-	127	-

	Fair value at 12/31/2014	Total gains or losses (realized / unrealized)	Purchases	Settlements	Transfers in and / or out of Level 3	Fair value at 12/31/2015	Total gains (losses) related to assets and liabilities still held at 12/31/2015
Derivatives - Assets	121	369	316	(219)	664	1,251	31
Swaps - differential receivable	33	318	192	(18)	664	1,189	-
Options	16	(29)	124	(78)	-	33	(10)
Other derivatives	72	80	-	(123)	-	29	41
Derivatives - Liabilities	(44)	(40)	(95)	148	(2)	(33)	-
Swaps - differential payable	(38)	(38)	(11)	68	(2)	(21)	-
Options	(6)	(2)	(84)	80	-	(12)	-

Sensitivity analyses operations of Level 3

The fair value of financial instruments classified in Level 3 (in which prices negotiated are not easily noticeable in active markets) is measured through assessment techniques based on correlations and associated products traded in active markets, internal estimates and internal models.

Significant unverifiable inputs used for measurement of the fair value of instruments classified in Level 3 are: interest rates, underlying asset prices and volatility. Significant variations in any of these inputs separately may give rise to significant changes in the fair value.

The table below shows the sensitivity of these fair values in scenarios of changes of interest rates, asset prices, or in scenarios vary in prices with shocks and the volatility for non-linear assets:

Sensitivity – Level 3 Operations		12/31/2016	
Risk factor groups	Scenarios	Impact	
		Result	Stockholders' equity
Interest rates	I	(2.3)	(1.8)
	II	(57.6)	(44.2)
	III	(115.2)	(87.9)
Currency, commodities, and ratios	I	(76.3)	-
	II	(152.6)	-
Nonlinear	I	(13.5)	-
	II	(19.8)	-

The following scenarios are used to measure the sensitivity:

Interest rate

Shocks at 1, 25 and 50 basis points (scenarios I, II and III respectively) in the interest curves, both for increase and decrease, considering the largest losses resulting in each scenario.

Currencies, commodities and ratios

Shocks at 5 and 10 percentage points (scenarios I and II respectively) in prices of currencies, commodities and ratios, both for increase and decrease, considering the largest losses resulting in each scenario.

Non linear

Scenario I: Shocks at 5 percentage points in prices and 25 percentage points the level in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Scenario II: Shocks at 10 percentage points in prices and 25 percentage points the level in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Note 32 – Provisions, contingencies and other commitments

Provision	12/31/2016	12/31/2015
Civil	5,172	5,227
Labor	7,232	6,132
Tax and social security	8,246	7,500
Other	259	135
Total	20,909	18,994
Current	4,434	3,848
Non-current	16,475	15,146

ITAÚ UNIBANCO HOLDING, as a result of the ordinary course of its business, may be a party to legal lawsuits of labor, civil and tax nature. The contingencies related to these lawsuits are classified as follows:

a) Contingent assets: there are no contingent assets recorded.

b) Provisions and contingencies: The criteria to quantify contingencies are adequate in relation to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks, taking into consideration the opinion of its legal advisors, the nature of the lawsuits, the similarity with previous lawsuits and the prevailing previous court decisions.

- Civil lawsuits

In general, contingencies arise from claims related to the revision of contracts and compensation for damages and pain and suffering and the lawsuits are classified as follows:

Collective lawsuits (related to claims of a similar nature and with individual amounts that are not considered significant): contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the nature of the lawsuit and the characteristics of the court (Small Claims Court or Regular Court). Contingencies and provisions are adjusted to reflect the amounts deposited as guarantee for their execution when realized.

Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): These are periodically calculated based on the calculation of the amount claimed. Probability of loss, which is estimated based on the characteristics of the lawsuit. The amounts considered as probable losses are recorded as provisions.

It should be mentioned that ITAÚ UNIBANCO HOLDING is a party to specific lawsuits related to the collection of understated inflation adjustments to savings accounts resulting from economic plans implemented in the 80's and 90's as a measure to combat inflation.

Although ITAÚ UNIBANCO HOLDING complied with the rules in effect at the time, the company is a defendant in lawsuits filed by individuals that address this topic, as well as in class actions filed by: (i) consumer protection associations; and (ii) the Public Prosecution Office on behalf of savings account holders. With respect to these lawsuits, ITAÚ UNIBANCO HOLDING records provisions when it is served and when the individuals apply to enforce the decision rendered by the Judicial Branch, using the same criteria adopted to determine provisions for individual lawsuits.

The Federal Supreme Court (STF) has issued some decisions favorable to savings account holders, but it has not established its understanding with respect to the constitutionality of the economic plans and their applicability to savings accounts. Currently, the appeals involving these matters are suspended, as determined by the STF, until it pronounces a final decision.

No amount is recorded as a provision in relation to Civil lawsuits which likelihood of loss is considered possible, which total estimated risk is R\$ 3,388 (R\$ 2,460 at 12/31/2015), in this amount there are no values resulting from interests in joint ventures.

- Labor claims

Contingencies arise from lawsuits in which labor rights provided for in labor legislation specific to the related profession are discussed, such as: overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement, among others, are discussed. These lawsuits are classified as follows:

Collective lawsuits (related to claims considered similar and with individual amounts that are not considered relevant): The expected amount of loss is determined and accrued on a monthly basis in accordance with a statistical share pricing model and is reassessed taking into account the court rulings. These contingencies are adjusted to the amounts deposited as guarantee for their execution when realized.

Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): These are periodically calculated based on the calculation of the amount claimed. Probability of loss which, in turn, is estimated in accordance with the actual and legal characteristics related to that lawsuit.

No amount is recorded as a provision for labor claims for which the likelihood of loss is considered possible, and for which the total estimated risk is R\$ 79 (R\$ 829 of 12/31/2015).

- Other risks

These are quantified and recorded as provisions mainly based on the evaluation of agribusiness credit transactions with joint obligation and FCVS (Salary Variations Compensation Fund) credits transferred to Banco Nacional.



The table below shows the changes in the balances of provisions for civil, labor and other provision and the respective escrow deposit balances:

	01/01 to 12/31/2016			
	Civil	Labor	Other	Total
Opening balance	5,227	6,132	135	11,494
Balance arising from Corpbanca acquisition (Note 3)	2	5	133	140
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(236)	(1,089)	-	(1,325)
Subtotal	4,993	5,048	268	10,309
Interest (Note 26)	248	625	-	873
Changes in the period reflected in results (Note 26)	<u>1,241</u>	<u>2,946</u>	<u>(9)</u>	<u>4,178</u>
Increase ^(*)	1,901	3,149	(7)	5,043
Reversal	(660)	(203)	(2)	(865)
Payment	(1,566)	(2,453)	-	(4,019)
Subtotal	4,916	6,166	259	11,341
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	256	1,066	-	1,322
Closing balance	5,172	7,232	259	12,663
Escrow deposits at 12/31/2016 (Note 20a)	1,541	2,337	-	3,878

(*) Civil provisions include the provision for economic plans amounting to R\$ 408.

	01/01 to 12/31/2015			
	Civil	Labor	Other	Total
Opening balance	4,643	5,598	159	10,400
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(132)	(1,029)	-	(1,161)
Subtotal	4,511	4,569	159	9,239
Interest (Note 26)	322	548	-	870
Changes in the period reflected in results (Note 26)	<u>1,747</u>	<u>1,637</u>	<u>(24)</u>	<u>3,360</u>
Increase ^(*)	2,698	1,795	(21)	4,472
Reversal	(951)	(158)	(3)	(1,112)
Payment	(1,589)	(1,711)	-	(3,300)
Subtotal	4,991	5,043	135	10,169
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	236	1,089	-	1,325
Closing balance	5,227	6,132	135	11,494
Escrow deposits at 12/31/2015 (Note 20a)	1,741	2,218	-	3,959

(*) Civil provisions include the provision for economic plans amounting to R\$ 233.

	01/01 to 12/31/2014			
	Civil	Labor	Other	Total
Opening balance	4,473	5,192	223	9,888
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(134)	(811)	-	(945)
Subtotal	4,339	4,381	223	8,943
Interest (Note 26)	184	320	-	504
Changes in the period reflected in results (Note 26)	<u>1,524</u>	<u>1,123</u>	<u>(64)</u>	<u>2,583</u>
Increase ^(*)	2,100	1,459	23	3,582
Reversal	(576)	(336)	(87)	(999)
Payment	(1,536)	(1,255)	-	(2,791)
Subtotal	4,511	4,569	159	9,239
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	132	1,029	-	1,161
Closing balance	4,643	5,598	159	10,400
Escrow deposits at 12/31/2014 (Note 20a)	2,073	2,567	-	4,640

(*) Civil provisions include the provision for economic plans amounting to R\$ 210.

- Tax and social security lawsuits

ITAÚ UNIBANCO HOLDING classify as legal liability the lawsuits filed to discuss the legality and unconstitutionality of the legislation in force, which are the subject matter of a provision, regardless of the probability of loss.

Tax contingencies correspond to the principal amount of taxes involved in tax, administrative or judicial challenges, subject to tax assessment notices, plus interest and, when applicable, fines and charges. A provision is recognized whenever the likelihood of loss is probable.

The table below shows the changes in the balances of provisions and respective balance of escrow deposits for tax and social security lawsuits:

Provision	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Opening balance	7,500	6,627	8,974
(-) Contingencies guaranteed by indemnity clause	(65)	(61)	(57)
Subtotal	7,435	6,566	8,917
Interest ^(*)	737	609	515
Changes in the period reflected in results	68	588	797
Increase ^(*)	287	1,170	1,156
Reversal ^(*)	(219)	(582)	(359)
Payment	(63)	(328)	(3,663)
Subtotal	8,177	7,435	6,566
(+) Contingencies guaranteed by indemnity clause	69	65	61
Closing balance	8,246	7,500	6,627

(*) The amounts are included in the headings Tax Expenses, General and Administrative Expenses and Current Income Tax and Social Contribution.

Escrow deposits	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Opening balance	4,339	4,736	5,658
Appropriation of interest	383	285	377
Changes in the period	125	(682)	(1,299)
Deposits made	217	355	193
Withdrawals	(66)	(944)	(5)
Deposits released	(26)	(93)	(1,487)
Closing balance (Note 20a)	4,847	4,339	4,736



Main discussions related to the provisions recognized for Tax and Social Securities Lawsuits are described as follows:

- CSLL – Isonomy – R\$ 1,207: the company is discussing the lack of constitutional support for the increase, establishes by law nº 11,727/08, of the CSLL rate for financial and insurance companies from 9% to 15%. The balance of the deposit in court totals R\$ 1,191;
- INSS – Accident Prevention Factor (FAP) – R\$ 1,004: the company is discussing the legality of FAP and inconsistent calculations made by the INSS. The balance of the deposit in court totals R\$ 110;
- PIS and COFINS – Calculation basis – R\$ 650: the company is defending the levy of PIS and COFINS on revenue, which should be understood as revenue from the sales of assets and services. The balance of the deposit in court totals R\$ 571;
- IRPJ and CSLL – Profits abroad– R\$ 599: the company is discussing the calculation bases with respect to profits earned abroad and defending the inapplicability of the SRF Regulatory Instruction No. 213/02, which exceeds the corresponding legal provision. The balance of the deposit in court totals R\$ 229.

Off-balance sheet contingencies

The amounts involved in tax and social security lawsuits for which the likelihood of loss is possible are not recognized in a provision. The estimated amounts at risk in the main tax and social security lawsuits with a likelihood of loss deemed possible, which total R\$ 18,106, are described below:

- INSS – Non-compensatory amounts – R\$ 4,770: the company defends the non-levy of this contribution on these amounts, among which are profit sharing, stock options, transportation vouchers and sole bonuses;
- IRPJ and CSLL – Goodwill – Deduction – R\$ 3,122: the deductibility of goodwill with future expected profitability on the acquisition of investments, and R\$ 665 of this amount is guaranteed in purchase agreements;
- IRPJ, CSLL, PIS and COFINS – Requests for offsetting dismissed - R\$ 1,613: cases in which the liquidity and the ability of offset credits are discussed;
- IRPJ and CSLL – Interest on capital – R\$ 1,406: the company is defending the deductibility of interest on capital declared to stockholders based on the Brazilian long term interest rate (TJLP) on the stockholders' equity for the year and for prior years;
- ISS – Banking Institutions – R\$ 930: these are banking operations, revenue from which may not be interpreted as prices for services rendered, and/or which arises from activities not listed under Supplementary Law No. 116/03 or Decree Law No. 406/68.
- IRPJ and CSLL – Disallowance of Tax Losses – R\$ 606: Discussion on the amount of tax loss carryforwards, which may reduce the calculation basis of such taxes.
- IRPJ/ CSLL – Deductibility of Losses in Credit Operations – R\$ 601 – Assessments drawn up to require the payment of IRPJ and CSLL due to the alleged non-observance of the legal criteria for the deduction of losses upon the receipt of credits.

c) Receivables - Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R\$ 1,128 (R\$ 1,093 at 12/31/2015) (Note 20a). This value is derived from basically the guarantee in the privatization process of the Banco Banerj S.A. which occurred 1997, where the State of Rio de Janeiro created a fund to guarantee civil, labor and tax contingencies.



d) Assets pledged as collateral for contingencies

Assets pledged as collateral for lawsuits involving contingent liabilities are restricted or deposited as shown below:

	12/31/2016	12/31/2015
Financial assets held for trading and Available-for-sale financial assets (basically financial treasury bills)	950	793
Escrow deposits (Note 20a)	4,537	4,335

Deposits related to lawsuits must be made in court and can be withdrawn by the winning party in the lawsuit, with the respective additions provided for by law, according to the court decision.

In general, the provisions related to the lawsuits of ITAÚ UNIBANCO HOLDING are long term, considering the time required for the termination of these lawsuits in the Brazilian judicial system. For this reason, no estimate of the specific year in which these lawsuits will be terminated has been disclosed.

According to the opinion of its legal advisors, ITAÚ UNIBANCO HOLDING CONSOLIDATED is not involved in any other administrative or judicial proceedings that may significantly impact the results of their operations.

e) Programs for Cash or Installment Payment of Municipal Taxes

ITAÚ UNIBANCO HOLDING adhere to PPIs – Installment Payment Incentive Programs substantially related to the local level, established the following by laws: Law No. 5,854, of April 27, 2015 - Rio de Janeiro; Law No. 8,927, of October 22, 2015 and Decree-Law No. 26,624, of October 26, 2015 - Salvador; Law No. 18,181, of November 30, 2015 and Decree Law No. 29,275, of November 30, 2015 - Recife; Supplementary Law No. 95, of October 19, 2015 - Curitiba; Law No. 3,546, of December 18, 2015 – Salto; Law No. 12,457, of October 03, 2016 – Londrina.

The PPIs promote the regularization of debts mentioned in these laws, arising from tax and non-tax credits, either recognized or not, including those that are part of the Enforceable Debt, either filed or to be filed in court.

The net effect of the PPIs in result was R\$ 14, and it is recorded in Other Operating Income.

Note 33 – Regulatory capital

ITAÚ UNIBANCO HOLDING is subject to regulation by the Central Bank of Brazil (BACEN), which issues rules and instructions regarding currency and credit policies for financial institutions operating in Brazil. BACEN also determines minimum capital requirements, procedures for verification of information for assessment of the global systemic importance of financial institutions, limits for fixed assets, limits for loans, accounting practices and requirements of compulsory deposits, requiring banks to comply with the regulation based on the Basel Accord on capital adequacy. Additionally, the National Council of Private Insurance (CNSP) and SUSEP issue regulations on capital requirement, which affect our insurance, pension plan and capitalization operations.

a) Capital Requirements in Place and In Progress

ITAÚ UNIBANCO HOLDING's minimum capital requirements comply with the set of BACEN resolutions and circulars which established in Brazil the global capital requirement standards known as Basel III. These are expressed as indices obtained from the ratio between capital - represented by the Referential Equity (PR), or Total Capital, composed by the Tier I Capital (which comprises the Common Equity and Additional Tier I Capital) and Tier II Capital, and the risk-weighted assets (RWA).

The Total Capital, Tier 1 Capital and Common Equity Tier I Capital ratios are calculated on a consolidated basis, applied to entities that are part of Prudential Conglomerate, which comprises not only financial institutions but also collective financing plans ("consórcios"), payment entities, factoring companies or companies that directly or indirectly assume credit risk, and investment funds in which ITAÚ UNIBANCO HOLDING retains substantially all risks and rewards.

For purposes of calculating these minimum capital requirements, the total RWA is determined as the sum of the risk weighted asset amounts for credit, market, and operational risks. ITAÚ UNIBANCO HOLDING uses the standardized approaches to calculate credit and operational risk-weighted asset amounts.

From September 1, 2016, BACEN authorized ITAÚ UNIBANCO HOLDING to use internal market risk models to determine the total amount of regulatory capital, using for its daily calculation the portion of RWA_{MINT} , replacing the portion RWA_{MPAD} , as set out in BACEN Circular 3,646.

For units which are not considered significant in calculating regulatory capital for market risk, the standardized approach is used. Therefore, the internal models are not used for Argentina, Chile, Itaú BBA *International*, Itaú BBA Colombia, Paraguay, and Uruguay units.

From January 1, 2016 to December 31, 2016, the minimum Total Capital ratio required is 9.875%. The required minimum Total Capital ratio between October 1, 2013 and December 31, 2015 was 11%, reducing gradually to 8% on January 1, 2019.

In addition to the minimum regulatory capital requirements, BACEN rules calls for Additional Common Equity Tier I Capital (ACP), corresponding to the sum of the components $ACP_{Conservation}$, $ACP_{Countercyclical}$ and $ACP_{Systemic}$, which, in conjunction with the requirements mentioned, increase capital requirements over time. Under CMN Resolution 4,193, the value of each of the components $ACP_{Conservation}$ and $ACP_{Countercyclical}$ will increase gradually from 0.625%, as from January 1, 2016, to 2.5%, as from January 1, 2019. However, component $ACP_{Countercyclical}$ is triggered during the phase of expansion of the credit cycle and, in accordance with BACEN Circular 3,769, the value currently required for component $ACP_{Countercyclical}$ is equal to zero. Also, if this component increases, the new percentage rate will take effect only twelve months after the announcement. In the case of component $ACP_{Systemic}$, under BACEN Circular 3,768, the current requirement applicable to ITAÚ UNIBANCO HOLDING is 0%, increasing gradually from 0.25%, as from January 2017, to 1%, as from January 1, 2019.

The Basel III regulatory reform also redefined the requirements for the qualification of instruments eligible for Tier I or Tier II Capital, as regulated by CMN Resolution 4,192, including a gradual reduction calendar for instruments already considered in the capital, issued prior to the effective date of the standard, which do not fully meet the new requirements.

The table below shows Basel III implementation calendar for Brazil, as defined by BACEN, in which the figures refer to the percentage of ITAÚ UNIBANCO HOLDING's risk-weighted assets.



Basel III Implementation Calendar	From January 1,				
	2015	2016	2017	2018	2019
Common Equity Tier I	4.5%	4.5%	4.5%	4.5%	4.5%
Tier I	6.0%	6.0%	6.0%	6.0%	6.0%
Total Capital	11%	9.875%	9.25%	8.625%	8.0%
Additional Common Equity Tier I (ACP)	0.0%	0.625%	1.50%	2.375%	3.5%
Conservation	0%	0.625%	1.25%	1.875%	2.5%
Countercyclical(1)	0%	0%	0%	0%	0%
Systemic	0%	0%	0.25%	0.5%	1.0%
Common Equity Tier I + ACP	4.5%	5.125%	6.0%	6.875%	8.0%
Total Capital + ACP	11.0%	10.5%	10.75%	11.0%	11.5%
Prudential Adjustments Deductions	40%	60%	80%	100%	100%

(1) According to BACEN Circular 3,769, the current requirement for component ACP countercyclical is equal to zero.

Additionally, in March 2015, Circular BACEN 3,751 came into force, It provides for the calculation of the relevant indicators for assessing the Global Systemically Important Banks (G-SIBs) of financial institutions in Brazil. Information on the values of the G-SIBs indicators, which are not part of its financial statements, can be found at www.itaubank.com.br/investor-relations, "Corporate Governance" section, "Global Systemically Important Banks".

The Leverage Ratio is defined as the ratio between the Tier I Capital and Total Exposure, calculated as prescribed by BACEN Circular 3,748. The objective of this ratio is to be a simple, risk-insensitive leverage measure. Therefore, it does not take into consideration risk-weighting or mitigation factors. In line with the instructions set out in BACEN Circular 3,706, since October 2015, ITAÚ UNIBANCO HOLDING has reported its Leverage Ratio to BACEN on a monthly basis. However, according to recommendations in Basel III Accord, a minimum Leverage Ratio should be required in 2018, which will be defined based on the period over which the ratio's behavior was monitored, since its implementation in 2011 up to 2017.

More information on the composition of the Leverage Ratio, which are not part of its financial statements, is available at www.itaubank.com.br/investors-relations, "Governança Corporate Governance section/Risk and Capital Management – Pillar 3.

b) Capital Management

The Board of Directors is the main body in the management of ITAÚ UNIBANCO HOLDING's capital and it is responsible for approving the institutional capital management policy and guidelines regarding the institution's capitalization level. The Board is also responsible for fully approving the ICAAP report, a process which is intended to assess the adequacy of ITAÚ UNIBANCO HOLDING's capital by identifying material risks; defining the need for additional capital for such risks and the internal capital quantification methodologies; preparing a capital plan, both for normal and stress situations; and structuring a capital contingency plan.

At the executive level, corporate bodies are responsible for approving risk assessment and capital calculation methodologies, as well as revising, monitoring and recommending capital-related documents and topics to the Board of Directors. To support the governance of its management bodies, ITAÚ UNIBANCO HOLDING has a dedicated capital management structure, which coordinates and consolidates information and related processes, all of which subject to verification by independent validation, internal control and audit areas.

In order to provide Executives and the Board of Directors with necessary information to support the decision-making process, management reports are prepared and presented at corporate bodies, keeping them informed of ITAÚ UNIBANCO HOLDING as well as of projections of future capital levels under normal and stress situations.

The "Public Access Report – Capital Management", which are not part of its financial statements, which provides the guidelines established in the institutional capital management policy can be accessed at www.itaubank.com.br/investor-relations, under Corporate Governance, Regulations and Policies.

c) Risk appetite

ITAÚ UNIBANCO HOLDING's risk appetite is a set of guidelines and limits defining acceptable levels of risk for ITAÚ UNIBANCO HOLDING, aligned with the institution's strategy. Divided into four dimensions consisting of a set of metrics of the key risks involved, risk appetite combines complementary forms of risk measurement, in order to give a comprehensive overview of the institution's exposure.

The capitalization dimension reflects the level of protection of the bank against significant losses. This dimension establishes the minimum capitalization guidelines of ITAÚ UNIBANCO HOLDING in relation to its risks, according



to which management uses ITAÚ UNIBANCO HOLDING's capital in accordance with acceptable leverage levels and funding costs.

The liquidity dimension reflects the level of protection against a long period of funding stress, which could lead to a lack of liquidity. This dimension establishes the guidelines regarding the minimum liquidity levels, acceptable levels of mismatch of terms and funding structure.

The business composition dimension, in turn, seeks to ensure, by means of concentration limits, proper portfolio composition, aiming at low volatility and sustainability of the businesses.

Whereas, the franchise dimension addresses risks that may impact the value of the brand and reputation of ITAÚ UNIBANCO HOLDING with stakeholders.

The Board of Directors holds the highest approval authority for risk appetite guidelines and limits, carrying out its responsibilities with the support of its Risk and Capital Management Committee, which submits reports and recommendations on the issue for the Board's approval. The acceptable risk levels should be in line with the risk appetite limits approved by the Board of Directors.

Executive and operational functions are the responsibility of the Executive Board and the risk commissions, whose members include the Chief Risk Officer (CRO) and the CEO of the institution. In addition to regularly monitoring and supervising the metrics, the risk commissions are also responsible for implementing the risk appetite framework. Also, the Audit Committee monitors the evolution of the risk appetite and helps in its management.

d) Composição do Capital

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

- Common Equity Tier I: the sum of capital, reserves and retained earnings, less deductions and prudential adjustments.
- Additional Tier I Capital: consists of instruments of a perpetual nature, which meet eligibility requirements. Together with Common Equity Tier I it makes up Tier I.
- Tier II: consists of subordinated debt instruments with defined maturity dates that meet eligibility requirements. Together with Common Equity Tier I and Additional Tier I Capital, makes up Total Capital.

The table below presents the composition of the referential equity segregated into Common Equity Tier I, Additional Tier I Capital and Tier II Capital, taking into consideration their respective prudential adjustments, as required by current regulations.

Composition of Referential Equity	12/31/2016	12/31/2015
Stockholders' equity Itaú Unibanco Holding S.A. (Consolidated)	115,590	106,462
Non-controlling Interests	11,568	916
Changes in Subsidiaries' Interests in Capital Transactions	2,777	3,683
Consolidated Stockholders' Equity (BACEN)	129,935	111,061
Common Equity Tier I Prudential Adjustments	(14,527)	(10,107)
Common Equity Tier I	115,408	100,955
Additional Tier I Prudential Adjustments	532	46
Additional Tier I Capital	532	46
Tier I (Common Equity Tier I + Additional Tier I Capital)	115,940	101,001
Instruments Eligible to Comprise Tier II	23,488	27,403
Tier II Prudential Adjustments	49	61
Tier II	23,537	27,464
Referential Equity (Tier I + Tier II)	139,477	128,465

The table below shows the most significant Prudential Adjustments for ITAÚ UNIBANCO HOLDING. Together, they correspond to more than 90% of the prudential adjustments as at December 31, 2016.

Composition of Prudential Adjustments	12/31/2016	12/31/2015
Goodwill paid on the acquisition of investments	7,408	2,926
Intangible assets	3,254	1,078
Tax credits	3,678	2,389
Surplus of Common Equity Tier I Capital - Noncontrolling interests	909	152
Adjustments relating to the fair value of derivatives used as cash flow hedge, for hedged items that do not have their mark-to-market adjustments accounted for	(1,254)	-
Other	532	3,562
Total	14,527	10,107

During 2016, ITAÚ UNIBANCO HOLDING bought back shares in the amount of R\$ 947. These shares are recorded in line item "Treasury Shares", which totaled R\$ (1,882) as at December 31, 2016. Treasury shares reduce the institution's Equity, causing its capital base to be decreased.

In this period, the amount of dividends and interest on capital paid / accrued that affected the base of the institution's capital totaled R\$ 9,221. Dividends are deducted from the institution's Equity, thus reducing the base of its capital. Whereas, interest on capital, which is accounted for as an expense directly in profit (loss), reduces the institution's net income and, consequently, the base of its capital.

For details on capital requirements, which are not part of its financial statements, are available at www.itaubank.com.br/investors-relations, Corporate Governance section / Risk and Capital Management – Pillar 3.

The funds obtained through the issuance of subordinated debt securities are considered Tier II capital for the purpose of capital to risk-weighted assets ratio, as follows. According to current legislation, the accounting balance of subordinated debt as of December 2012 was used for the calculation of reference equity as of December 2016, considering instruments approved after the closing date to compose Tier II, totaling R\$ 51,134.

Name of security / currency	Principal amount (original currency)	Issue	Maturity	Return p.a.	Saldo Contábil 12/31/2016
Subordinated CDB - BRL					
	367	2010	2017	IPCA + 7,21% to 7,33%	929
	367			Total	929
Subordinated financial bills - BRL					
	206	2010	2017	IPCA + 6,95% to 7,2%	337
	3,224	2011	2017	108% to 112% of CDI	3,565
	3,650			100% of CDI + 1,29% to 1,52%	3,802
	352			IPCA + 6,15% to 7,8%	647
	138			IGPM + 6,55% to 7,6%	276
	500	2012	2017	100% of CDI + 1,12%	506
	42	2011	2018	IGPM + 7%	65
	30			IPCA + 7,53% to 7,7%	48
	6,373	2012	2018	108% to 113% of CDI	7,250
	461			IPCA + 4,4% to 6,58%	760
	3,782			100% of CDI + 1,01% to 1,32%	3,904
	112			9,95% to 11,95%	174
	2	2011	2019	109% to 109,7% of CDI	4
	1	2012	2019	110% of CDI	2
	12			11.96%	21
	101			IPCA + 4,7% to 6,3%	163
	1	2012	2020	111% of CDI	2
	20			IPCA + 6% to 6,17%	37
	6	2011	2021	109,25% to 110,5% of CDI	11
	2,307	2012	2022	IPCA + 5,15% to 5,83%	3,885
	20			IGPM + 4,63%	27
	21,340			Total	25,486
Subordinated euronotes - USD					
	990	2010	2020	6.20%	3,264
	1,000	2010	2021	5.75%	3,352
	730	2011	2021	5,75% to 6,20%	2,396
	550	2012	2021	6.20%	1,793
	2,600	2012	2022	5,50% to 5,65%	8,580
	1,851	2012	2023	5.13%	6,075
	7,721			Total	25,460
Total					51,875

(*) Subordinated CDBs may be redeemed from November 2011.

e) Risk-weighted Assets (RWA)

According to CMN Resolution 4,193, and subsequent amendments, for assessing the minimum capital requirements, the RWA must be calculated by adding the following portions:

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

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

RWA_{MINT} = portion related to the market risk capital requirement, using internal approach, according to BACEN Circular 3,646;

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

The table below shows the amounts of risk weighted assets for Credit Risk (RWA_{CPAD}):

	12/31/2016	12/31/2015
Risk exposures		
Exposure Weighted by Credit Risk (RWA_{CPAD})	669,284	679,593
a) Per Weighting Factor (FPR):		
FPR at 2%	105	179
FPR at 20%	8,011	7,000
FPR at 35%	12,056	11,695
FPR at 50%	44,251	46,025
FPR at 75%	142,194	136,104
FPR at 85%	82,494	129,884
FPR at 100%	325,890	288,057
FPR at 250%	33,213	37,858
FPR at 300%	7,357	10,751
FPR up to 1250% ^(*)	1,608	1,990
Derivatives - Changes in the Counterparty Credit Quality	6,168	4,924
Derivatives - Future Potential Gain	5,937	5,126
b) Per Type:		
Securities	45,741	51,085
Loan Operations - Retail	114,481	109,882
Loan Operations - Non-Retail	247,911	237,365
Joint Liabilities - Retail	205	242
Joint Liabilities - Non-Retail	47,108	46,655
Loan Commitments - Retail	27,504	25,972
Loan Commitments - Non-Retail	10,234	12,924
Other Exposures	176,100	195,468

^(*) Taking into consideration the application of the "F" factor required by Article 29 of BACEN Circular 3,644.



We present below the breakdown of Risk-weighted assets of market risk (RWA_{MINT}), as follows:

	12/31/2016 ⁽¹⁾	12/31/2015 ⁽²⁾
Risk-weighted assets of market risk (RWA_{MINT})	24,130	14,252
Operations subject to interest rate variations	24,919	11,291
Fixed rate denominated in Real	4,952	2,127
Foreign currency coupon	15,497	6,700
Price index coupon	4,470	2,464
Operations subject to commodity price variation	353	473
Operations subject to stock price variation	401	952
Operations subject to risk exposures in gold, foreign currency and foreign	1,138	1,536
Capital benefit – Internal models	(2,681)	

⁽¹⁾ Market risk-weighted assets calculated based on internal models.

⁽²⁾ Market risk-weighted assets calculated based on standard models.

The capital requirement for the market risk portion is the maximum of the internal model and 90% of the standardized model. As at December 31, 2016, RWA_{MPAD} was R\$ 26,811; hence, the regulatory capital for market risk (RWA_{MINT}) amounted to R\$ 24,130, or 90% of the standardized model.

The table below shows the amounts of risk weighted assets for Operational Risk (RWA_{OPAD}):

	12/31/2016	12/31/2015
Risk-weighted assets of operational risk (RWA_{OPAD})	37,826	28,623
Retail	10,887	7,470
Commercial	24,166	16,491
Corporate finance	2,789	1,380
Negotiation and sales	(11,026)	(4,927)
Payments and settlement	3,418	3,074
Financial agent services	3,471	2,873
Asset management	4,109	2,145
Retail brokerage	12	118

f) Capital Adequacy Assessment

In annually assessing its capital adequacy, ITAÚ UNIBANCO HOLDING adopts the following flow:

- Identification of risks to which the institution is exposed and analysis of their materiality;
- Evaluation of capital requirements for material risks;
- Development of methodologies for quantifying additional capital;
- Quantification and internal capital adequacy evaluation;
- Sending the capital adequacy report to BACEN.

Under ICAAP, a fundamental component for ITAÚ UNIBANCO HOLDING's internal capital management, noteworthy is the stress testing, a most significant element. This process provides for assessing capital by way of adverse scenarios, approved on a yearly basis by the Board of Directors, and whose purpose is measuring and assessing whether, even in severe adverse scenarios, the institution would have adequate capital levels that would not generate restrictions to the development of its activities.

The result of the last ICAAP – conducted as of December 2015 – indicated that, in addition to capital to face all material risks, ITAÚ UNIBANCO HOLDING has significant capital surplus, thus assuring the institution's equity soundness.

g) Capital Adequacy

ITAÚ UNIBANCO HOLDING, through the ICAAP, assesses the adequacy of its capital to face the incurred risks. For ICAAP, capital is composed by regulatory capital for credit, market and operational risks and by the necessary capital to face other risks.

In order to ensure the soundness of ITAÚ UNIBANCO HOLDING and the availability of capital to support business growth, ITAÚ UNIBANCO HOLDING maintains PR levels above the minimum level required to face risks, as evidenced by the Common Equity, Tier I Capital and Basel ratios.

Composition of Referential Equity (PR)	12/31/2016	09/30/2016	12/31/2015
Tier I	115,940	115,936	101,001
Common Equity Tier I	115,408	115,364	100,955
Additional Tier I Capital	532	572	46
Tier II	23,537	23,622	27,464
Referential Equity	139,477	139,557	128,465
Minimum Referential Equity Required	72,210	72,672	79,471
Surplus Capital in relation to the Minimum Referential Equity Required	67,267	66,885	48,994
Additional Common Equity Tier I Required (ACP_{Required})	4,570	4,600	
Referential equity calculated for covering the interest rate risk on operations not classified in the trading portfolio (RBAN)	2,264	2,332	1,275

The table below shows the Basel and Fixed Asset Ratios:

	12/31/2016	09/30/2016	12/31/2015
Basel Ratio	19.1%	19.0%	17.8%
Tier I	15.9%	15.8%	14.0%
Common Equity Tier I	15.8%	15.7%	14.0%
Additional Tier I Capital	0.1%	0.1%	0.0%
Tier II	3.2%	3.2%	3.8%
Fixed Asset Ratio	25.4%	23.6%	27.7%
Surplus Capital in Relation to Fixed Assets	34,298	36,837	28,616

Considering our current capital base at December 31, 2016, should the Basel III rules established by BACEN be immediately and fully applied, the principal capital ratio would be 14.0% (13.6% at 12/31/2015 considering the use of tax credit), taking into consideration the payment of additional interest on capital expected for March 2017, the merger of Citibank and the use of tax credit.

h) Stress testing

Stress testing is performed by Itaú Unibanco to evaluate the institution's solvency in hypothetical, however, plausible, situations of systemic crisis and identify areas most susceptible to the impact of the stress that may require risk mitigation.

Since 2010, Itaú Unibanco has performed a process that simulates the impact of extreme economic and market conditions on the results and capital of the institution.

To perform the test, macroeconomic variables for each stress scenario are estimated by the economic research department. The scenarios are defined based on their relevance for the bank's results and likelihood to occur and are submitted to the Board of Directors for approval.

Projections of macroeconomic variables (GDP, benchmark interest rate and inflation) and of the credit market (fundraising, loans, default rate, spread and fees) for these scenarios are generated based on exogenous shocks or by using models validated by an independent area.

The projections calculated sensitize the budgeted results and balance sheet and, consequently, affect the risk weighted assets and the capital and liquidity ratios.

This information allows to identify potential factors of risks on businesses, supporting the Board of Directors' strategic decisions, the budgetary process and discussions on credit granting policies, in addition to being used as input for risk appetite metrics.

Note 34 – Segment Information

ITAÚ UNIBANCO HOLDING is a banking institution that offers its customers a wide range of financial products and services.

The current operational and reporting segments of ITAÚ UNIBANCO HOLDING are described below:

- **Retail Banking**

The result of the Retail Banking segment arises from the offer of banking products and services to a diversified client base of account holders and non-account holders, individuals and companies. The segment includes retail clients, high net worth clients (Itaú Uniclass and Personalité), and the corporate segment (very small and small companies). This segment comprises financing and lending activities carried out in units other than the branch network, and offering of credit cards, in addition to operations with Itaú Consignado.

- **Wholesale Banking**

The result of the Wholesale Banking segment arises from the products and services offered to middle-market companies, private banking clients, from the activities of Latin America units, and the activities of Itaú BBA, the unit in charge of commercial operations with large companies and performing as an investment banking unit.

- **Activities with the Market + Corporation**

This segment records the result arising from capital surplus, subordinated debt surplus and the net balance of tax credits and debits. It also shows the financial margin with the market, the Treasury operating cost, the equity in earnings of companies not associated to each segment and the interest in Porto Seguro.

Basis of presentation of segment information

Segment information is prepared based on the reports used by top management (Executive Committee) to assess the performance and to make decisions regarding the allocation of funds for investment and other purposes.

The top management (Executive Committee) of ITAÚ UNIBANCO HOLDING uses a variety of information for such purposes including financial and non-financial information that is measured on different bases as well as information prepared based on accounting practices adopted in Brazil. The main index used to monitor the business performance is the Recurring Net Income and the Economic Capital allocated to each segment.

The segment information has been prepared following accounting practices adopted in Brazil modified for the adjustments described below:

- **Allocated capital and income tax rate**

Based on the managerial income statement, the segment information considers the application of the following criteria:

Allocated capital: The impacts associated to capital allocation are included in the financial information. Accordingly, adjustments were made to the financial statements, based on a proprietary model. The Allocated Economic Capital (AEC) model was adopted for the financial statements by segments, and as from 2015, we changed the calculation methodology. The AEC considers, in addition to Tier I allocated capital, the effects of the calculation of expected loan losses, supplementary to the requirements of the Central Bank of Brazil, pursuant to CMN Circular No. 2.682/99. Accordingly, the Allocated Capital comprises the following components: Credit risk (including expected loss), operational risk, market risk and insurance underwriting risk. Based on the portion of allocated capital tier I, we calculated the Return on Allocated Economic Capital, which corresponds to an operational performance indicator consistently adjusted to the capital required to support the risk associated to asset and liability positions assumed, in conformity with our risk appetite.

Income tax rate: We consider the total income tax rate, net of the tax effect from the payment of interest on capital, for the Retail Banking, Wholesale Bank and Activities with the Market segments. The difference between the income tax amount calculated by segment and the effective income tax amount, as stated in the consolidated financial statements, is allocated to the Activities with the Market + Corporation column.

- **Reclassification and application of managerial criteria**



The managerial statement of income was used to prepare information per segment. These statements were obtained based on the statement of income adjusted by the impact of non-recurring events and the managerial reclassifications in income.

We describe below the main reclassifications between the accounting and managerial results:

Banking product: The banking product considers the opportunity cost for each operation. The financial statements were adjusted so that the stockholders' equity was replaced by funding at market price. Subsequently, the financial statements were adjusted to include revenues related to capital allocated to each segment. The cost of subordinated debt and the respective remuneration at market price were proportionally allocated to the segments, based on the economic allocated capital.

Hedge tax effects: The tax effects of the hedge of investments abroad were adjusted – these were originally recorded in the tax expenses (PIS and COFINS) and Income Tax and Social Contribution on net income lines – and are now reclassified to the margin. The strategy to manage the foreign exchange risk associated to the capital invested abroad aims at preventing the effects of the exchange rates variation on income. In order to achieve this objective, we used derivative instruments to hedge against such foreign currency risk, with investments remunerated in Brazilian Reais. The hedge strategy for foreign investments also considers the impact of all tax effects levied.

Insurance: Insurance business revenues and expenses were concentrated in Income related to Insurance, pension plan and capitalization operations. The main reclassifications of revenues refer to the financial margins obtained with the technical provisions of insurance, pension plan and capitalization, in addition to revenue from management of pension plan funds.

Other reclassifications: Other Income, Share of Income of Associates, Non-Operating Income, Profit Sharing of Management Members and Expenses for Credit Card Reward Program were reclassified to those lines representing the way the institution manages its business, enabling greater understanding for performance analysis. Accordingly, equity in earnings of investment in Banco CSF S.A. ("Banco Carrefour") was reclassified to the financial margin line.

The adjustments and reclassifications column shows the effects of the differences between the accounting principles followed for the presentation of segment information, which are substantially in line with the accounting practices adopted for financial institutions in Brazil, except as described above, and the policies used in the preparation of these consolidated financial statements according to IFRS. Main adjustments are as follows:

- Allowance for Loan Losses, which, under IFRS (IAS 39), should be recognized upon objective evidence that loan operations are impaired (incurred loss), and the Expected Loss concept is adopted according to Brazilian accounting standards;
- Shares and units classified as permanent investments were stated at fair value under IFRS (IAS 39 and 32), and their gains and losses were directly recorded to Stockholders' Equity, not passing through income for the period;
- Effective interest rates, financial assets and liabilities stated at amortized cost, are recognized by the effective interest rate method, allocating revenues and costs directly attributable to acquisition, issue or disposal for the transaction period of the operation; according to Brazilian standards, fee expenses and income are recognized as these transactions are engaged.
- Business combinations are accounted for under the acquisition method in IFRS (IFRS 3), in which the purchase price is allocated among assets and liabilities of the acquired company, and the amount not subject to allocation, if any, is recognized as goodwill. Such amount is not amortized, but is subject to an impairment test.



ITAÚ UNIBANCO HOLDING S.A.
From January 1 to December 31, 2016
(In millions of Reais, except for share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	69,577	28,324	9,412	107,313	11,348	118,661
Interest margin ⁽¹⁾	39,154	19,755	9,264	68,173	11,308	79,481
Banking service fees	22,659	8,072	59	30,790	1,128	31,918
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	7,764	497	89	8,350	(2,470)	5,880
Other income	-	-	-	-	1,382	1,382
Losses on loans and claims	(14,901)	(8,471)	71	(23,301)	1,179	(22,122)
Expenses for allowance for loan and lease losses	(16,717)	(8,914)	71	(25,560)	1,181	(24,379)
Recovery of loans written off as loss	3,242	502	-	3,744	(2)	3,742
Expenses for claims / recovery of claims under reinsurance	(1,426)	(59)	-	(1,485)	-	(1,485)
Operating margin	54,676	19,853	9,483	84,012	12,527	96,539
Other operating income (expenses)	(37,202)	(13,410)	(2,387)	(52,999)	(5,348)	(58,347)
Non-interest expenses ⁽²⁾	(32,883)	(12,034)	(1,616)	(46,533)	(4,371)	(50,904)
Tax expenses for ISS, PIS and COFINS and Other	(4,319)	(1,376)	(771)	(6,466)	(1,505)	(7,971)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	528	528
Net income before income tax and social contribution	17,474	6,443	7,096	31,013	7,179	38,192
Income tax and social contribution	(6,328)	(1,081)	(1,237)	(8,646)	(5,964)	(14,610)
Non-controlling interest in subsidiaries	(223)	79	(1)	(145)	(174)	(319)
Net income	10,923	5,441	5,858	22,222	1,041	23,263

⁽¹⁾ Includes net interest and similar income and expenses of R\$ 66,369 dividend income of R\$ 288, net gain (loss) on investment securities and derivatives of R\$ 7,311 and results from foreign exchange results and exchange variation of transactions abroad of R\$ 5,513.

⁽²⁾ Refers to general and administrative expenses including depreciation expenses of R\$ 1,702, amortization expenses of R\$ 1,292 and insurance acquisition expenses of R\$ 721.

Total assets (1) - 12/31/2016	909,779	585,088	114,956	1,425,639	(72,398)	1,353,241
Total liabilities - 12/31/2016	877,792	525,390	79,365	1,298,423	(79,996)	1,218,427

⁽¹⁾ Includes:

Investments in associates and joint ventures	1,325	-	3,106	4,431	642	5,073
Goodwill	1,398	6,171	-	7,569	2,106	9,675
Fixed assets, net	5,635	1,177	-	6,812	1,230	8,042
Intangible assets, net	6,559	1,105	-	7,664	(283)	7,381

The consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.
From January 1 to December 31, 2015
(In millions of Reals except per share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	70,495	25,774	7,641	103,910	(11,899)	92,011
Interest margin ⁽¹⁾	40,997	18,047	7,513	66,557	(11,949)	54,608
Banking service fees	21,159	7,282	59	28,500	952	29,452
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	8,339	445	69	8,853	(2,181)	6,672
Other income	-	-	-	-	1,279	1,279
Losses on loans and claims	(13,893)	(5,931)	98	(19,726)	(1,609)	(21,335)
Expenses for allowance for loan and lease losses	(16,232)	(6,764)	98	(22,898)	(1,619)	(24,517)
Recovery of loans written off as loss	3,886	883	-	4,769	10	4,779
Expenses for claims / recovery of claims under reinsurance	(1,547)	(50)	-	(1,597)	-	(1,597)
Operating margin	56,602	19,843	7,739	84,184	(13,508)	70,676
Other operating income (expenses)	(35,924)	(11,130)	(1,948)	(49,002)	(3,409)	(52,411)
Non-interest expenses ⁽²⁾	(31,547)	(9,877)	(1,522)	(42,946)	(4,680)	(47,626)
Tax expenses for ISS, PIS and COFINS and Other	(4,377)	(1,253)	(426)	(6,056)	651	(5,405)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	620	620
Net income before income tax and social contribution	20,678	8,713	5,791	35,182	(16,917)	18,265
Income tax and social contribution	(7,263)	(2,691)	(1,040)	(10,994)	18,885	7,891
Non-controlling interest in subsidiaries	(342)	-	(14)	(356)	(60)	(416)
Net income	13,073	6,022	4,737	23,832	1,908	25,740

⁽¹⁾ Includes net interest and similar income and expenses of R\$ 72,725, dividend income of R\$ 98, net gain (loss) on investment securities and derivatives of R\$ (11,862) and foreign exchange results and exchange variation on transactions of abroad R\$ (6,353).

⁽²⁾ Refers to general and administrative expenses including depreciation expenses of R\$ 1,688, amortization expenses of R\$ 910 and insurance acquisition expenses of R\$ 1,138.

Total assets ⁽¹⁾ - 12/31/2015	873,202	547,236	127,716	1,359,172	(82,757)	1,276,415
Total liabilities - 12/31/2015	840,033	502,887	97,017	1,250,955	(88,599)	1,162,356

⁽¹⁾ Includes:

Investments in associates and joint ventures	1,064	-	2,436	3,500	899	4,399
Goodwill	232	-	-	232	1,825	2,057
Fixed assets, net	5,781	1,274	-	7,055	1,486	8,541
Intangible assets, net	6,606	857	-	7,463	(1,168)	6,295

The Consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.
From January 1 to December 31, 2014
(In millions of Reals except per share information)

Consolidated Statement of Income	Retail Banking	Wholesale Banking	Activities with the Market + Corporation	ITAÚ UNIBANCO	Adjustments	IFRS consolidated
Banking product	65,516	20,408	3,916	89,840	1,817	91,657
Interest margin ⁽¹⁾	37,880	13,685	3,590	55,155	1,118	56,273
Banking service fees	19,234	6,321	222	25,777	565	26,342
Income related to insurance, private pension, and capitalization operations before claim and selling expenses	8,402	402	104	8,908	(2,020)	6,888
Other income	-	-	-	-	2,154	2,154
Losses on loans and claims	(11,840)	(3,202)	(3)	(15,045)	(756)	(15,801)
Expenses for allowance for loan and lease losses	(14,503)	(3,565)	(3)	(18,071)	(761)	(18,832)
Recovery of loans written off as loss	4,642	407	-	5,049	5	5,054
Expenses for claims / recovery of claims under reinsurance	(1,979)	(44)	-	(2,023)	-	(2,023)
Operating margin	53,676	17,206	3,913	74,795	1,061	75,856
Other operating income (expenses)	(34,200)	(9,150)	(1,089)	(44,439)	(2,609)	(47,048)
Non-interest expenses ⁽²⁾	(30,243)	(8,158)	(1,182)	(39,583)	(2,967)	(42,550)
Tax expenses for ISS, PIS and COFINS and Other	(3,957)	(992)	93	(4,856)	(207)	(5,063)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	565	565
Net income before income tax and social contribution	19,476	8,056	2,824	30,356	(1,548)	28,808
Income tax and social contribution	(6,761)	(2,591)	(74)	(9,426)	2,479	(6,947)
Non-controlling interest in subsidiaries	(305)	-	(6)	(311)	5	(306)
Net income	12,410	5,465	2,744	20,619	936	21,555

⁽¹⁾ Includes net interest and similar income and expenses of R\$ 47,138, dividend income of R\$ 215, net gain (loss) on investment securities and derivatives of R\$ (724) and foreign exchange results and exchange variation on transactions of abroad R\$ 9,644.

⁽²⁾ Refers to general and administrative expenses including depreciation expenses of R\$ 1,641, amortization expenses of R\$ 827 and insurance acquisition expenses of R\$ 1,214.

Total assets ⁽¹⁾ - 12/31/2014	811,185	436,872	107,174	1,208,702	(81,499)	1,127,203
Total liabilities - 12/31/2014	770,528	399,544	86,897	1,110,439	(83,853)	1,026,586

⁽¹⁾ Includes:

Investments in associates and joint ventures	982	-	2,117	3,099	991	4,090
Goodwill	204	-	-	204	1,757	1,961
Fixed assets, net	6,693	868	-	7,561	1,150	8,711
Intangible assets, net	7,841	791	-	8,632	(2,498)	6,134

The Consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

Information on the result of main services and products and noncurrent assets by geographic area are as follows:

	01/01 to 12/31/2016			01/01 to 12/31/2015			01/01 to 12/31/2014		
	Brazil	Abroad	Total	Brazil	Abroad	Total	Brazil	Abroad	Total
Income related to financial operations ^{(1) (2)}	154,653	19,954	174,607	117,140	12,532	129,672	118,946	10,304	129,250
Income related to insurance, private pension and capitalization operations before claim and selling expenses	5,748	132	5,880	6,570	102	6,672	6,834	54	6,888
Banking service fees	29,061	2,857	31,918	27,072	2,380	29,452	24,550	1,792	26,342
Non-current assets	13,299	2,124	15,423	13,841	995	14,836	14,038	807	14,845

(1) Includes interest and similar income, dividend income, net gain (loss) on investment securities and derivatives, foreign exchange results, and exchange variation on transactions.

(2) ITAÚ UNIBANCO HOLDING does not have clients representing 10% or higher of its revenues.



Note 35 – Related parties

- a) Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation (Note 2.4a) were eliminated from the consolidated financial statements and the absence of risk is taken into consideration.

The unconsolidated related parties are as follows:

- Itaú Unibanco Participações S.A. (IUPAR), Companhia E. Johnston de Participações S.A. (shareholder of IUPAR) and ITAÚSA, direct and indirect shareholders of ITAÚ UNIBANCO HOLDING;
- The non-financial subsidiaries of ITAÚSA, especially: Itautec S.A., Duratex S.A., Elekeiroz S.A., ITH Zux Cayman Company Ltd and Itaúsa Empreendimentos S.A.;
- Fundação Itaú Unibanco - Previdência Complementar and FUNBEP – Fundo de Pensão Multipatrocinado, closed-end supplementary pension entities, that administer retirement plans sponsored by ITAÚ UNIBANCO HOLDING and / or its subsidiaries;
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema, Associação Itaú Viver Mais and Associação Cubo Coworking Itaú, entities sponsored by ITAÚ UNIBANCO HOLDING and subsidiaries to act in their respective areas of interest; and
- Investments in Porto Seguro Itaú Unibanco Participações S.A. and BSF Holding S.A.

The transactions with these related parties are mainly as follows:



ITAÚ UNIBANCO HOLDING CONSOLIDATED						
	Annual rate	Assets / (liabilities)		Revenue / (expenses)		01/01 a 31/12/2014
		12/31/2016	12/31/2015	01/01 to 12/31/2016	01/01 to 12/31/2015	
Securities sold under repurchase agreements		(77)	(249)	(19)	(20)	(13)
Duratex S.A.	97.5% to 100% CDI	(18)	(41)	(4)	(9)	(10)
Elekeiroz S.A.	97.5% to 100% CDI	(3)	(8)	(1)	(1)	(2)
Itautec S.A.	96.5% to 100.1% CDI	(1)	(110)	(3)	-	-
Itaúsa Empreendimentos S.A.		-	(64)	(7)	(7)	-
Olimpia Promoção e Serviços S.A.		(14)	(11)	(2)	(1)	-
Conectcar Soluções de Mobilidade Eletrônica S.A.		(24)	-	-	-	-
Other		(17)	(15)	(2)	(2)	(1)
Amounts receivable from (payable to) related companies / Banking service fees (expenses)		(129)	(116)	28	20	8
Olimpia Promoção e Serviços S.A.		(2)	(2)	(25)	(28)	-
Fundação Itaú Unibanco - Previdência Complementar		(127)	(114)	44	39	35
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	6	5	5
Other		-	-	-	2	(32)
Rental revenues (expenses)		-	-	(59)	(56)	(51)
Itaúsa Investimentos Itaú S.A.		-	-	(2)	(2)	-
Fundação Itaú Unibanco - Previdência Complementar		-	-	(44)	(42)	(38)
FUNBEP - Fundo de Pensão Multipatrocinado		-	-	(13)	(12)	(13)
Donation expenses		-	-	(88)	(84)	(78)
Instituto Itaú Cultural		-	-	(87)	(83)	(77)
Associação Itaú Viver Mais		-	-	(1)	(1)	(1)

Pursuant to the current rules, financial institutions cannot grant loans or advances to the following:

- any individuals or companies that control the Institution or any entity under common control with the institution, or any executive officer, director, member of the fiscal council, or the immediate family members of these individuals;
- any entity controlled by the institution; or
- any entity in which the bank directly or indirectly holds more than 10% of the capital stock.

Therefore, no loans or advances were granted to any subsidiary, executive officer, director or family members.

b) Compensation of the key management personnel

Compensation for the period paid to key management members of ITAÚ UNIBANCO HOLDING consisted of:

	01/01 to 12/31/2016	01/01 to 12/31/2015	01/01 to 12/31/2014
Compensation	360	459	343
Board of directors	32	27	14
Executives	328	432	329
Profit sharing	251	239	261
Board of directors	2	1	12
Executives	249	238	249
Contributions to pension plans - executives	12	9	7
Stock option plan – executives	263	200	234
Total	885	907	845

Note 36 – Management of financial risks

Credit risk

1. Credit risk measurement

ITAÚ UNIBANCO HOLDING understands credit risk is the possibility of losses arising from the breach by the borrower, issuer or counterparty of the respective agreed-upon financial obligations, the devaluation of loan agreement due to downgrading of the borrower's, the issuer's, the counterparty's risk rating, the reduction in gains or compensation, the advantages given upon posterior renegotiation and the recovery costs.

The credit risk management of ITAÚ UNIBANCO HOLDING's is the primary responsibility of all business units and aims to keep the quality of loan portfolios in levels consistent with the institution's risk appetite for each market segment in which it operates.

ITAÚ UNIBANCO HOLDING establishes its credit policy based on internal factors, such as the client rating criteria, performance of and changes in portfolio, default levels, return rates, and the allocated economic capital; among others, and external factors, such as interest rates, market default indicators, inflation, changes in consumption, among others. The assessment process of policies and products enables ITAÚ UNIBANCO HOLDING to identify potential risks, so as to make sure that credit decisions make sense from an economic and risk perspective.

ITAÚ UNIBANCO HOLDING has a structured process to keep a diversified portfolio deemed as adequate by the institution. The ongoing monitoring on the concentration level of portfolios, by assessing the economic activity sectors and major debtors, enables it to take preventive measures, to prevent that defined limits are breached.

The table below shows the correspondence between risk levels attributed by all segments of ITAÚ UNIBANCO HOLDING internal models (lower risk, satisfactory, higher risk and impaired) and the probability of default associated with each of these levels, and the risk levels assigned by the respective market models.

Internal rating	PD	External rating		
		Moody's	S&P	Fitch
Lower risk	Lower or equal than 4.44%	Aaa to B2	AAA to B	AAA to B-
Satisfactory	From 4.44% up to 25.95%	B3 to Caa3	B- to CCC-	CCC+ to CCC-
Higher risk	Higher than 25.95%	Ca1 to D	CC+ to D	CC+ to D
Impairment	Corporate operations with a PD higher than 31.84% Operations past due for over 90 days Renegotiated operations past due for over 60 days	Ca1 to D	CC+ to D	CC+ to D

For individual, small and middle-market companies, credit rating is attributed based on application statistical models (in the early phases of ITAÚ UNIBANCO HOLDING's relationship with the client) and behavior score (used for clients with which ITAÚ UNIBANCO HOLDING already has a relationship). Decisions are made based on these models, which are continuously monitored by an independent framework. Exceptionally, there can be an individual analysis of specific cases, in which credit approval is submitted to proper levels.

For large companies, the rating is based on information such as economic and financial condition of the counterparty, their cash-generating capability, the economic group to which they belong, and the current and prospective situation of the economic sector in which they operate. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism.

Government securities and other debt instruments are classified by ITAÚ UNIBANCO HOLDING according to their credit quality aiming at managing their exposures.

In line with the principles of CMN Resolution N° 3,721, of April 30, 2009, ITAÚ UNIBANCO HOLDING has structure and corporate guidelines on credit risk management, approved by its Board of Directors, applicable to companies and subsidiaries in Brazil and abroad.

2. Credit risk management

ITAÚ UNIBANCO HOLDING strictly controls the credit exposure of clients and counterparties, taking action to address situations in which the actual exposure exceeds the desired one. For this purpose, contractually provided actions can be taken, such as early settlement or requirement of additional collateral.

3. Collateral and policies for mitigating credit risk

ITAÚ UNIBANCO HOLDING uses guarantees to increase its recovery capacity in transactions involving credit risk. The guarantees used may be personal guarantees, collateral, legal structures with mitigation power and offset agreements.

For management purposes, for collaterals to be considered instruments that mitigate credit risk, they must comply with the requirements and standards of the rules that regulate them domestic or not, and be legally valid (effective), enforceable and assessed on a regular basis.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, such as single name CDS, to mitigate credit risk of its portfolios of loans and securities. These instruments are priced based on models that use the fair value of market inputs, such as credit spreads, recovery rates, correlations and interest rates.

4. Policy on the provision

The policies on the provision adopted by ITAÚ UNIBANCO HOLDING are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized when there are indications of the impairment of the portfolio and takes into account a horizon of loss appropriate for each type of transaction. We consider as *impaired* loans overdue for more than 90 days, renegotiated loans overdue by more than 60 days and Corporate loans below a specific internal rating. Loans are written-down 360 days after such loans become past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	12/31/2016			12/31/2015		
	Brazil	Abroad	Total	Brazil	Abroad	Total
Interbank deposits	6,044	16,648	22,692	7,502	23,023	30,525
Securities purchased under agreements to resell	264,080	971	265,051	252,295	2,109	254,404
Financial assets held for trading	193,903	10,745	204,648	157,206	7,105	164,311
Financial assets designated at fair value through profit or loss	-	1,191	1,191	-	642	642
Derivatives	13,593	10,638	24,231	15,858	10,897	26,755
Available-for-sale financial assets	53,529	34,748	88,277	52,221	33,824	86,045
Held-to-maturity financial assets	27,436	13,059	40,495	27,378	14,807	42,185
Loan operations and lease operations	305,394	158,000	463,394	326,241	121,163	447,404
Other financial assets	47,914	6,003	53,917	47,665	5,841	53,506
Off balance sheet	259,854	39,973	299,827	272,274	30,246	302,520
Endorsements and sureties	62,172	8,621	70,793	68,897	5,347	74,244
Letters of credit to be released	6,660	-	6,660	6,936	-	6,936
Commitments to be released	191,022	31,352	222,374	196,441	24,899	221,340
Mortgage loans	4,389	-	4,389	6,812	-	6,812
Overdraft accounts	87,239	-	87,239	81,151	-	81,151
Credit cards	96,497	1,273	97,770	102,721	1,211	103,932
Other pre-approved limits	2,897	30,079	32,976	5,757	23,688	29,445
Total	1,171,747	291,976	1,463,723	1,158,640	249,657	1,408,297

The table above presents the maximum exposure at December 31, 2016 and December 31, 2015, without considering any collateral received or other additional credit improvements.

For assets recognized in the balance sheet, the exposures presented are based on net carrying amounts. This analysis includes only financial assets subject to credit risk and excludes non-financial assets.

The contractual amounts of endorsements and sureties and letters of credit represent the maximum potential of credit risk in the event the counterparty does not meet the terms of the agreement. The vast majority of commitments (real estate loans, overdraft accounts and other pre-approved limits) mature without being drawn, since they are renewed monthly and we have the power to cancel them at any time. As a result, the total contractual amount does not represent our effective future exposure to credit risk or the liquidity needs arising from such commitments.

As shown in the table, the most significant exposures correspond to loan operations, financial assets held for trading, and securities purchased under agreements to resell, in addition to sureties, endorsements and other commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 88.8% of loan operations and other financial assets exposure (Table 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;
- only 4.0% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired;
- 6.2% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

5.1 Maximum exposure of financial assets segregated by business sector

a) Loan operations and lease operations portfolio

	12/31/2016	%	12/31/2015	%
Public sector	3,051	0.6	3,182	0.7
Industry and commerce	112,067	22.8	125,386	26.5
Services	118,102	24.1	104,226	22.0
Natural resources	24,362	5.0	25,306	5.3
Other sectors	2,839	0.6	2,526	0.5
Individuals	229,945	46.9	213,622	45.0
Total	490,366	100.0	474,248	100.0

b) Other financial assets (*)

	12/31/2016	%	12/31/2015	%
Natural resources	2,466	0.4	4,313	0.7
Public sector	249,745	38.7	197,871	32.7
Industry and commerce	10,435	1.6	11,856	2.0
Services	2,741	0.4	89,932	14.9
Other sectors	93,165	14.4	15,420	2.5
Individuals	290	0.0	546	0.1
Financial	287,743	44.5	284,929	47.1
Total	646,585	100.0	604,867	100.0

(*) Includes financial assets held for trading, derivatives, assets designated at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, interbank deposits and securities purchased under agreements to resell.

- c) The credit risks of off balance sheet items (endorsements and sureties, letters of credit and commitments to be released) are not categorized or managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans operations and lease operations portfolio considering: loans not overdue and loans overdue either impaired or not impaired:

Internal rating	12/31/2016				12/31/2015			
	Loans not overdue and not impaired	Loans overdue not impaired	Loans overdue and impaired	Total loans	Loans not overdue and not impaired	Loans overdue and not impaired	Loans overdue and impaired	Total loans
Lower risk	363,954	5,543	-	369,497	340,368	3,838	-	344,206
Satisfactory	62,883	6,904	-	69,787	76,940	6,489	-	83,429
Higher risk	13,767	6,998	-	20,765	12,609	6,847	-	19,456
Impairment	-	-	30,317	30,317	-	-	27,157	27,157
Total	440,604	19,445	30,317	490,366	429,917	17,174	27,157	474,248
%	89.8%	4.0%	6.2%	100.0%	90.7%	3.6%	5.7%	100.0%

The following table shows the breakdown of loans operations and lease operations by portfolios of areas and classes, based on indicators of credit quality:

	12/31/2016					12/31/2015				
	Lower risk	Satisfactory	Higher risk	Impaired	Total	Lower risk	Satisfactory	Higher risk	Impaired	Total
Individuals	122,112	38,910	11,362	10,763	183,147	102,479	60,132	13,030	11,579	187,220
Credit cards	42,432	11,212	1,866	3,512	59,022	40,297	11,887	2,286	4,072	58,542
Personal	6,414	6,298	8,264	4,837	25,813	6,234	8,014	9,099	5,049	28,396
Payroll loans	26,624	15,972	609	1,431	44,636	9,582	33,766	844	1,242	45,434
Vehicles	11,378	2,911	554	591	15,434	14,149	4,292	737	880	20,058
Mortgage loans	35,264	2,517	69	392	38,242	32,217	2,173	64	336	34,790
Corporate	102,162	5,447	7	14,138	121,754	133,779	6,915	206	11,627	152,527
Small and medium businesses	40,534	10,084	4,671	3,646	58,935	45,202	12,567	4,993	3,276	66,038
Foreign loans - Latin America	104,689	15,346	4,725	1,770	126,530	62,746	3,815	1,227	675	68,463
Total	369,497	69,787	20,765	30,317	490,366	344,206	83,429	19,456	27,157	474,248
%	75.4%	14.2%	4.2%	6.2%	100.0%	72.6%	17.6%	4.1%	5.7%	100.0%

The table below shows the breakdown of loans operations and lease operations portfolio not overdue and not impaired, by portfolio of segments and classes, based on indicators of credit quality.

	12/31/2016				12/31/2015			
	Lower risk	Satisfactory	Higher risk	Total	Lower risk	Satisfactory	Higher risk	Total
I – Individually evaluated								
Corporate								
Large companies	101,612	5,076	7	106,695	133,251	6,721	114	140,086
II- Collectively-evaluated								
Individuals	120,221	34,851	7,155	162,227	100,819	55,625	8,269	164,713
Credit card	42,158	10,445	1,083	53,686	39,945	11,086	1,492	52,523
Personal	6,317	5,864	5,538	17,719	6,166	7,527	6,030	19,723
Payroll loans	26,383	15,606	447	42,436	9,501	33,116	642	43,259
Vehicles	10,821	1,947	68	12,836	13,584	2,918	84	16,586
Mortgage loans	34,542	989	19	35,550	31,623	978	21	32,622
Small and medium businesses	39,983	9,011	3,235	52,229	44,582	11,181	3,456	59,219
Foreign loans and Latin America	102,138	13,945	3,370	119,453	61,716	3,413	770	65,899
Total	363,954	62,883	13,767	440,604	340,368	76,940	12,609	429,917

6.1.1 Loan operations and lease operations by portfolios of areas and classes, are classified by maturity as follows (loans overdue not impaired):

	12/31/2016				12/31/2015			
	Overdue by up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total	Overdue by up to 30 days	Overdue from 31 to 60 days	Overdue from 61 to 90 days	Total
Individuals	5,976	2,772	1,410	10,158	6,306	2,973	1,650	10,929
Credit card	937	442	446	1,825	978	417	551	1,946
Personal	1,850	993	414	3,257	1,992	1,127	505	3,624
Payroll loans	439	168	161	768	532	248	153	933
Vehicles	1,382	448	177	2,007	1,706	642	245	2,593
Mortgage loans	1,368	721	212	2,301	1,098	539	196	1,833
Corporate	790	72	58	920	571	168	73	812
Small and medium businesses	1,928	816	316	3,060	2,128	987	429	3,544
Foreign loans - Latin America	3,965	899	443	5,307	1,506	274	109	1,889
Total	12,659	4,559	2,227	19,445	10,511	4,402	2,261	17,174

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

12/31/2016							
Internal rating	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivatives assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Lower risk	287,743	204,621	1,191	23,943	83,974	39,008	640,480
Satisfactory	-	19	-	87	980	294	1,380
Higher risk	-	8	-	201	1,227	-	1,436
Impairment	-	-	-	-	2,096	1,193	3,289
Total	287,743	204,648	1,191	24,231	88,277	40,495	646,585
%	44.4	31.7	0.2	3.7	13.7	6.3	100.0

12/31/2015							
Internal rating	Interbank deposits and securities purchased under agreements to resell	Held-for-trading financial assets	Financial assets designated at fair value through profit or loss	Derivatives assets	Available-for-sale financial assets	Held-to-maturity financial assets	Total
Lower risk	284,929	164,283	642	26,251	84,284	41,843	602,232
Satisfactory	-	26	-	130	889	342	1,387
Higher Risk	-	2	-	374	308	-	684
Impairment	-	-	-	-	564	-	564
Total	284,929	164,311	642	26,755	86,045	42,185	604,867
%	47.1	27.2	0.1	4.4	14.2	7.0	100.0



6.1.3 Collateral held for loan and lease operations portfolio

Financial effect of collateral	12/31/2016				12/31/2015			
	(I) Over-collateralized assets		(II) Under-collateralized assets		(I) Over-collateralized assets		(II) Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Individuals	51,587	128,555	790	743	54,640	135,202	639	572
Personal	443	1,297	682	652	495	1,204	448	419
Vehicles	13,039	35,995	107	90	19,390	50,662	189	152
Mortgage loans	38,105	91,263	1	1	34,755	83,336	2	1
Small, medium businesses and corporate	122,353	368,937	12,324	6,729	169,560	481,916	7,968	2,932
Foreign loans - Latin America	97,374	155,923	9,420	4,803	57,680	89,531	7,715	6,042
Total	271,314	653,415	22,534	12,275	281,880	706,649	16,322	9,546

The difference between the total loan portfolio and collateralized loan portfolio is generated by non-collateralized loans amounting to R\$ 196,518 (R\$ 176,046 at 12/31/2015).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk and manages and regularly reviews its collateral with the objective that collateral held is sufficient, legally exercisable (effective) and feasible. Thus, collateral is used to maximize the recoverability potential of impaired loans and not to reduce the exposure value of customers and counterparties.

Individuals

Personal – This category of credit products usually requires collateral, focusing on endorsements and sureties.

Vehicles – For this type of operation, clients' assets serve as collateral, which are also the leased assets in leasing operations.

Mortgage loans – Regards buildings themselves given in guarantee.

Small, Medium Businesses and Corporate – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety / joint debtor, Mortgage and others).

Foreign loans – Latin America – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, Mortgage and others).



7. Repossessed assets

Repossessed assets are recognized as assets when possession is effectively obtained.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, or (ii) the carrying amount of the loan.

Further impairment of assets is recorded as a provision, with a corresponding charge to income. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets (assets not for use) includes periodic auctions that are announced in advance and considers that the assets cannot be held for more than one year as stipulated by the BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets repossessed in the period:

	01/01 to 12/31/2016	01/01 to 12/31/2015
Real estate not for own use	13	133
Residential properties - mortgage loans	411	256
Vehicles - linked to loan operations	14	18
Other (vehicles / furniture / equipments) - dation	172	37
Total	610	444



Market risk

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

Market risk management is the process through which the ITAÚ UNIBANCO HOLDING monitors and controls the risks of variations in financial instruments market values due market changes, aimed at optimizing the risk-return ratio, by using an appropriate structure of limits, alerts, models and adequate management tools.

The policy of risk management the ITAÚ UNIBANCO HOLDING is in line with the principles of CMN Resolution No. 3,464 of June 26, 2007, and posterior amendments, comprising a set of principles that drive the institution's strategy of control and management of market risks in all business units and legal entities of ITAÚ UNIBANCO HOLDING.

The document set forth by the corporate guidelines on market risk management, that is not part of the financial statements, may be viewed on the website www.itaubr.com.br/relacoes-com-investidores, in the section Corporate Governance / Rules and Policies / Public Access Report - Market Risk.

The risk management strategy of ITAÚ UNIBANCO HOLDING tries to achieve a balance between business objectives, considering among others:

- Political, economic and market context;
- Portfolio profile of ITAÚ UNIBANCO HOLDING;
- Capacity to operate in specific markets.

The process for managing the market risk of ITAÚ UNIBANCO HOLDING is conducted within the governance and hierarchy of committees and a framework of limits and warnings approved specifically for this purpose, covering different levels and classes of market risk (such as interest rate, and exchange variation risk, among others). This framework of limits and warnings covers from the monitoring of risk aggregate indicators (portfolio level) to granular limits (individual desk level). The framework of market risk ranges from the risk factor level, with specific limits aiming at improving the risk monitoring and understanding process, and at avoiding risk concentration. These limits are quantified by assessing the forecasted results of the balance sheet, size of stockholders' equity, liquidity, markets complexity and volatility and the institution's appetite for risk. Limits are monitored daily and excesses and potential violations are reported and discussed for each established limit:

- Within one business day, for management of business units in charge and executives of the risk control area and business areas; and
- Within one month, for proper committees.

Daily risk reports, used by the business and control departments, are issued for senior management. Additionally, the risk control and management process is submitted to periodic reviews for the purpose of keeping it in line with the best market practices and adherent to the ongoing improvement processes at ITAÚ UNIBANCO HOLDING.

The structure of limits and alerts follows the Board of Directors' guidelines and is approved by panels. The process to definite limit levels and violation reports follow the governance to approve the internal policies of ITAÚ UNIBANCO HOLDING. The information flow established aims at disseminating information to the several levels of executives of the institution, including the members of the Executive Board, by means of the Committees in charge of risk management. This limit and warning framework increases effectiveness and the control coverage is reviewed at least on an annual basis.

The purpose of market risk of ITAÚ UNIBANCO HOLDING structure is:

- Providing visibility and assurance to all executive levels that the assumption of market risks is in line with ITAÚ UNIBANCO HOLDING and the risk-return objective;
- Promoting disciplined and educated discussion on the global risk profile and its evolution over time;
- Increasing transparency on the way the business seeks to optimize results;
- Providing early warning mechanisms in order to make the effective risk management easier, without jeopardizing the business purposes; and

- Monitoring and avoiding risk concentration.



The market risk is controlled by an area independent from the business areas, which is responsible for the daily activities of: (i) risk measurement and assessment, (ii) monitoring of stress scenarios, limits and warnings, (iii) application, analysis and tests of stress scenarios, (iv) risk reporting for individuals responsible within the business areas, in compliance with governance of ITAÚ UNIBANCO HOLDING, (v) monitoring of actions required for adjustment of positions and/or risk levels to make them feasible, and (vi) support to the launch of new financial products with security. For that purpose, ITAÚ UNIBANCO HOLDING has a structured reporting and information process and an information flow that provides input for the follow-up by committees and complies with the requirements of Brazilian and foreign regulatory agencies.

ITAÚ UNIBANCO HOLDING hedges transactions with clients and proprietary positions, including foreign investments, aiming at mitigating risks arising from fluctuations in market factors and maintaining the classification the transactions into the current exposure limits. Derivatives are the most frequently used instruments for these hedges. When these transactions are designed for as hedge accounting, specific supporting documentation is prepared, including continuous review of the hedge effectiveness (retrospective and prospective) and other changes in the accounting process. Accounting and managerial hedge are governed by corporate guidelines of ITAÚ UNIBANCO HOLDING.

For a detailed vision of the accounting hedge topic, see Note 9 – Hedge accounting.

The market risk structure categorizes transactions as part of either the banking portfolio or the trading portfolio, in accordance with general criteria established by the National Monetary Council Resolution No. 3,464 and BACEN Circular No. 3,354 of July 27, 2007.

The trading portfolio consists of all transactions involving financial instruments and goods, including derivatives, which are carried out with the intention of trading.

The banking portfolio is basically characterized by transactions from the banking business and transactions related to the management of the balance sheet of the institution. It has the no-intention of resale and medium and long term time horizons as general guidelines.

Exposures to market risks inherent in the many different financial instruments, including derivatives, are broken down into a number of risk factors, primary market components for pricing. The main risk factors measured by ITAÚ UNIBANCO HOLDING are:

- Interest rates: the risk of losses from transactions subject to interest rate variations, foreign-currency coupons and price-index coupons;
- Currencies: the risk of losses from transactions subject to foreign exchange rate variation;
- Shares: the risk of losses from transactions subject to share price variations;
- Commodities: the risk of losses from transactions subject to commodity price variations.

The CMN has regulations that establish the segregation of exposure to market risk at least in the following categories: interest rate, exchange rate, shares and commodities. Inflation rates are addressed as a group of risk factors and received the same treatment as the other risk factors, such as interest rates, exchange rates, etc., and follow the structure of risk and limits governance adopted by ITAÚ UNIBANCO HOLDING to manage market risk.

Market risk is analyzed based on the following metrics:

- Value at risk (VaR): statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a certain time horizon and confidence level;
- Losses in stress scenarios (Stress test): simulation technique to assess the behavior of assets, liabilities and derivatives of a portfolio when several risk factors are taken to extreme market situations (based on prospective and historical scenarios) in the portfolio;
- Stop loss: metrics which purpose is to review positions, should losses accumulated in a certain period reach a certain amount;
- Concentration: cumulative exposure of a certain financial instruments or risk factor calculated at market value (“MtM – Mark to Market”); and
- Stressed VaR: statistical metric resulting from the VaR calculation, with the purpose of capturing the highest risk in simulations for the current portfolio, considering the returns that can be observed in historic scenarios of extreme volatility.

In addition to the risk measures, sensitivity and loss control measures are also analyzed. They comprise:

- Gap analysis: accumulated exposure, by risk factor, of cash flows expressed at market value, allocated at the maturity dates;
- Sensitivity (DV01 – Delta Variation): the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates or index rate;
- Sensitivity to the Several Risk Factors (Greeks): partial derivatives of an options portfolio in relation to the underlying assets price, implicit volatility, interest rate and timing.

ITAÚ UNIBANCO HOLDING uses proprietary systems to measure the consolidated market risk. The processing of these systems occur, in an access-controlled environment, being highly available, which has data safekeeping and recovery processes, and counts on such an infrastructure to ensure the continuity of business in contingency (disaster recovery) situations.

VaR - Consolidated ITAÚ UNIBANCO HOLDING

Consolidated VaR of ITAÚ UNIBANCO HOLDING is calculated through the Historical Simulation methodology, which fully reflects all its positions based on the historical series of asset prices. In the first quarter of 2016, ITAÚ UNIBANCO HOLDING opted for including the exposures of each foreign unit in the calculation of ITAÚ UNIBANCO HOLDING's Consolidated VaR, so as to take into account the risk factors of these units, thus improving the methodology used.

The Consolidated Total VaR table provides an analysis of the exposure to market risk of ITAÚ UNIBANCO HOLDING portfolios.

ITAÚ UNIBANCO HOLDING maintaining its conservative management and portfolio diversification, continued with its policy of operating within low limits in relation to its capital in the period. In this quarter, the Total Average VaR remained lower than 1% of ITAÚ UNIBANCO HOLDING's stockholders' equity, in line with that recorded in the previous quarter.

From January 1st to December 31, 2016, the average total VaR in Historical Simulation was R\$ 236.6, or 0.18% of total stockholders' equity (throughout 2015 it was R\$ 207.0 or 0.18% of total stockholders' equity).

(in R\$ million)

Risk factor group	VaR Total - Historical Simulation							
	12/31/2016 ⁽¹⁾				12/31/2015 ⁽²⁾			
	Average	Minimum	Maximum	Var Total	Average	Minimum	Maximum	Var Total
Interest rates	482.5	323.7	607.4	607.4	363.5	314.2	606.4	347.1
Currencies	18.4	6.8	33.2	17.0	47.1	11.3	118.6	12.3
Shares	45.2	34.0	63.3	44.3	16.9	6.9	57.2	46.9
Commodities	1.7	0.7	4.0	0.8	1.8	0.8	8.5	2.1
Effect of diversification				(339.7)				(204.4)
Total risk	236.6	155.1	341.5	329.8	207.0	152.3	340.7	204.0

(1) VaR by Risk factor group includes information from foreign units.

(2) VaR by Risk factor group does not include information from foreign units.

Interest rate

The table on the position of accounts subject to interest rate risk group them by products, book value of accounts distributed by maturity. This table is not used directly to manage interest rate risks; it is mostly used to enable the assessment of mismatching between accounts and products associated thereto and to identify possible risk concentration.

The following table sets forth our interest-earning assets and interest-bearing liabilities and therefore does not reflect interest rate gap positions that may exist as of any given date. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period.

Position of accounts subject to interest rate risk ⁽¹⁾

	12/31/2016						12/31/2015					
	0-30 days	31-180 days	181-365 days	1-5 years	Over 5 years	Total	0-30 days	31-180 days	181-365 days	1-5 years	Over 5 years	Total
Interest-bearing assets	389,843	219,332	95,331	347,743	167,400	1,219,649	376,617	203,639	97,021	277,995	186,609	1,141,881
Interbank deposits	13,286	4,676	3,541	1,189	-	22,692	23,454	3,436	2,879	753	3	30,525
Securities purchased under agreements to resell	201,525	63,180	35	281	30	265,051	196,402	57,997	5	-	-	254,404
Central Bank compulsory deposits	82,698	-	-	-	-	82,698	62,766	-	-	-	-	62,766
Held-for-trading financial assets	6,971	14,194	13,041	118,050	52,392	204,648	12,872	9,413	13,649	57,700	70,677	164,311
Financial assets held for trading and designated at fair value through profit or loss	-	-	1,191	-	-	1,191	-	-	-	642	-	642
Available-for-sale financial assets	5,994	10,539	7,103	38,969	25,672	88,277	3,903	7,106	11,914	35,098	28,024	86,045
Held-to-maturity financial assets	1,370	528	600	19,376	18,621	40,495	342	-	319	14,500	27,024	42,185
Derivatives	5,815	5,470	2,826	6,940	3,180	24,231	6,040	7,152	2,653	8,116	2,794	26,755
Loan and lease operations portfolio	72,184	120,745	66,994	162,938	67,505	490,366	70,838	118,535	65,602	161,186	58,087	474,248
Interest-bearing liabilities	325,241	90,652	111,907	287,433	62,298	877,531	290,908	98,129	74,635	316,852	72,968	853,492
Savings deposits	108,250	-	-	-	-	108,250	111,319	-	-	-	-	111,319
Time deposits	30,555	28,248	17,110	78,032	2,329	156,274	13,465	19,252	13,277	57,694	1,562	105,250
Interbank deposits	1,176	1,918	625	36	2	3,757	4,475	8,727	1,012	735	-	14,949
Deposits received under repurchase agreements	172,411	6,844	55,314	97,056	17,539	349,164	144,750	15,186	21,262	134,708	20,737	336,643
Interbank market	6,535	38,590	30,227	50,590	9,541	135,483	8,056	42,525	29,966	62,654	13,685	156,886
Institutional market	951	11,490	6,612	46,883	30,303	96,239	4,988	5,123	5,748	42,938	35,121	93,918
Derivatives	5,294	3,555	1,961	11,394	2,494	24,698	3,850	7,309	3,348	14,715	1,849	31,071
Financial liabilities held for trading	69	7	58	295	90	519	5	7	22	364	14	412
Liabilities for capitalization plans	-	-	-	3,147	-	3,147	-	-	-	3,044	-	3,044
Difference asset / liability ⁽²⁾	64,602	128,680	(16,576)	60,310	105,102	342,118	85,709	105,510	22,386	(38,857)	113,641	288,389
Cumulative difference	64,602	193,282	176,706	237,016	342,118		85,709	191,219	213,605	174,748	288,389	
Ratio of cumulative difference to total interest-bearing assets	5.3%	15.8%	14.5%	19.4%	28.1%		7.5%	16.7%	18.7%	15.3%	25.3%	

(1) Remaining contractual terms.

(2) The difference arises from the mismatch between the maturities of all remunerated assets and liabilities, at the respective period-end date, considering the contractually agreed terms.

Position of accounts subject to currency risk

Assets	12/31/2016			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	6,719	1,581	3,164	11,464
Central Bank compulsory deposits	81	-	5,288	5,369
Interbank deposits	8,860	1,007	6,781	16,648
Securities purchased under agreements to resell	199	112	660	971
Financial assets held for trading	6,833	305	3,607	10,745
Financial assets designated at fair value through profit or loss	1,191	-	-	1,191
Derivatives	5,313	4,873	452	10,638
Available-for-sale financial assets	22,513	8,337	3,898	34,748
Held-to-maturity financial assets	12,519	-	540	13,059
Loan operations and lease operations portfolio, net	43,641	73,325	41,034	158,000
Total assets	107,869	89,540	65,424	262,833

Liabilities	12/31/2016			
	Dollar	Chilean Peso	Other	Total
Deposits	37,824	51,330	47,331	136,485
Securities sold under repurchase agreements	18,353	27	2,558	20,938
Financial liabilities held for trading	519	-	-	519
Derivatives	4,783	4,105	282	9,170
Interbank market debt	34,659	5,932	2,451	43,042
Institutional market debt	37,077	23,643	3,284	64,004
Total liabilities	133,215	85,037	55,906	274,158

Net position	(25,346)	4,503	9,518	(11,325)
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Assets	12/31/2015			
	Dollar	Chilean Peso	Other	Total
Cash and deposits on demand	6,060	779	4,611	11,450
Central Bank compulsory deposits	234	503	6,435	7,172
Interbank deposits	16,281	2,093	4,649	23,023
Securities purchased under agreements to resell	1,966	56	87	2,109
Financial assets held for trading	6,125	73	907	7,105
Financial assets designated at fair value through profit or loss	642	-	-	642
Derivatives	9,581	1,279	37	10,897
Available-for-sale financial assets	28,833	3,063	1,928	33,824
Held-to-maturity financial assets	14,807	-	-	14,807
Loan operations and lease operations portfolio, net	63,456	36,776	20,931	121,163
Total assets	147,985	44,622	39,585	232,192

Liabilities	12/31/2015			
	Dollar	Chilean Peso	Other	Total
Deposits	55,539	25,811	30,657	112,007
Securities sold under securities repurchase agreements	23,405	240	142	23,787
Financial liabilities held for trading	412	-	-	412
Derivatives	9,179	1,396	429	11,004
Interbank market debt	59,203	3,796	821	63,820
Institutional market debt	44,901	8,112	334	53,347
Total liabilities	192,639	39,355	32,383	264,377

Net position	(44,654)	5,267	7,202	(32,185)
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The exposure to share price risk is disclosed in Note 7 related to financial assets held for trading and Note 10, related to available-for-sale financial assets.

Liquidity risk

Liquidity risk is defined as the existence of imbalances between marketable assets and liabilities due – mismatching between payments and receipts - which may affect payment capacity of ITAÚ UNIBANCO HOLDING, taking into consideration the different currencies and payment terms and their respective rights and obligations.

Policies and procedures

The management of liquidity risks seeks to guarantee liquidity sufficient to support possible outflows in market stress situations, as well as the compatibility between funding and the terms and liquidity of assets.

ITAÚ UNIBANCO HOLDING has a structure dedicated to improve the monitoring, control and analysis, through models of projections of the variables that affect cash flows and the level of reserves in local and foreign currencies.

The document that details the guidelines established by the internal policy on liquidity risk management, that is not part of the financial statements, may be viewed on the website www.itaubank.com.br/relacoes-com-investidores, in the section Corporate Governance/Rules and Policies / Public Access Report – Liquidity Risk.

The liquidity risk measurement process makes use of corporate and own in-house developed application systems. ITAÚ UNIBANCO HOLDING manages proprietary IT systems to support the liquidity risk measurement process.

Additionally, ITAÚ UNIBANCO HOLDING establishes guidelines and limits. Compliance with these guidelines and limits is periodically analyzed in technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs. The liquidity management policies and the respective limits are established based on prospective scenarios periodically reviewed and on the definitions of the top management.

These scenarios may be reviewed in view of cash requirements resulting from atypical market situations or arising from strategic decisions of ITAÚ UNIBANCO HOLDING.

In compliance with the requirements of CMN Resolution No. 4,090 of May 24, 2012 and BACEN Circular N° 3,749 of March 5, 2015, the Statement of Liquidity Risk (DRL) is sent to BACEN on a monthly basis, and the following items for monitoring and supporting decisions are periodically prepared and submitted to top management:

- Different scenarios projected for changes in liquidity;
- Contingency plans for crisis situations;
- Reports and charts that describe the risk positions;
- Assessment of funding costs and alternative sources of funding;
- Monitoring of changes in funding through a constant control over sources of funding, considering the type of investor and maturities, among other factors;

In compliance with Circular n° 3.724 of BACEN, banks holding total assets over R\$ 100 billion are required, since October 2015, to report a standardized Liquidity Coverage Ratio (LCR) ratio to the Central Bank of Brazil. This ratio is calculated based on a methodology defined by the Central Bank of Brazil itself, and is in line with international of Basileia.

The summarized calculation of the indicator is as follows. In 2016, the minimum indicator requirement is 70%. For more detail on the short-term liquidity indicator, that is not part of the financial statements, visit [investor-relations](#), section Corporate Governance / Risk and Capital Management – Pillar 3.



Information on the Liquidity Coverage Ratio (LCR)	4 th quarter 2016
	Total Adjusted Amount ⁽¹⁾
Total high-quality liquid assets ⁽²⁾	180,957
Total potential cash outflows ⁽³⁾	85,018
Liquidity Coverage Ratio (%)	212.8%

(1) Corresponds to the amount calculated after the application of weighting factors and limits established by BACEN Circular No. 3.749.

(2) HQLA - High quality liquid assets: balance in the stock, which in certain cases weighted by a discount factor, of assets that remain liquid in the markets during a stress period, which can be easily converted into cash and that pose low risk.

(3) Potential cash outflows calculated in standardized stress, determined by Circular No. 3.749 (outflows), subtracted from (i) potential cash inflows calculated under standardized stress, set forth by Circular No. 3.749 and (ii) 75% x Outflows, whichever is lower.

Primary sources of funding

ITAÚ UNIBANCO HOLDING has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R\$ 612.7 billion (R\$ 586.2 billion at 12/31/2015), particularly funding from time deposits. A considerable portion of these funds – 34.0% of total, or R\$ 207.4 billion – is available on demand to the client. However, the historical behavior of the accumulated balance of the two largest items in this group – demand and savings deposits - is relatively consistent with the balances increasing over time and inflows exceeding outflows for monthly average amounts.

Funding from clients	12/31/2016			12/31/2015		
	0-30 days	Total	%	0-30 days	Total	%
Deposits	201,113	329,414		190,352	292,610	
Demand deposits	61,133	61,133	10.0	61,092	61,092	10.4
Savings deposits	108,250	108,250	17.7	111,319	111,319	19.0
Time deposits	30,554	156,274	25.5	13,465	105,250	18.0
Other	1,176	3,757	0.6	4,476	14,949	2.6
Funds from acceptances and issuance of securities ⁽¹⁾	3,091	93,711	15.3	4,128	75,590	12.9
Funds from own issue ⁽²⁾	2,561	132,149	21.6	2,863	152,215	25.9
Subordinated debt	628	57,420	9.4	4,722	65,785	11.2
Total	207,393	612,694	100.0	202,065	586,200	100

(1) Includes mortgage notes, real estate credit bills, agribusiness, financial and structured operations certificates recorded in interbank market and debts and liabilities for issuance of debentures and foreign borrowing and securities recorded in funds from institutional markets.

(2) Refer to deposits received under securities repurchase agreements with securities from own issue.

Control over liquidity

ITAÚ UNIBANCO HOLDING manages its liquidity reserves based on estimates of funds that will be available for investment, considering the continuity of business in normal conditions.

During the period of 2016, ITAÚ UNIBANCO HOLDING maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets (cash and deposits on demand, securities purchased under agreements to resell - funded position and government securities – available, detailed in the table Undiscounted future flows – Financial assets) totaled R\$ 177.5 billion and accounted for 84.2% of the short term redeemable obligations, 28.5% of total funding, and 19.0% of total assets.

The table below shows the indicators used by ITAÚ UNIBANCO HOLDING in the management of liquidity risk:

Liquidity indicators	12/31/2016	12/31/2015
	%	%
Net assets ⁽¹⁾ / funds within 30 days ⁽²⁾	84.2	77.5
Net assets ⁽¹⁾ / total funds ⁽³⁾	28.5	26.7
Net assets ⁽¹⁾ / total assets ⁽⁴⁾	19.0	18.1

(1) Net assets: Cash and deposits on demand, Securities purchased under agreements to resell – Funded position and Government securities - available. Detailed in the table Undiscounted future flows – Financial assets.

(2) Table Funding from clients (Total Funding from clients 0-30 days).

(3) Table funding from clients (Total funding from clients).

(4) Detailed in the table Undiscounted future flows – Financial assets, total present value regards R\$ 918,080 (R\$ 863,180 at 12/31/2015).

The following table presents assets and liabilities according to their remaining contractual maturities, considering their undiscounted flows.

Undiscounted future flows except for derivatives	12/31/2016					12/31/2015				
	0 - 30 days	31 - 365 days	366 - 720 days	Over 720 days	Total	0 - 30 days	31 - 365 days	366 - 720 days	Over 720 days	Total
Financial assets ⁽¹⁾										
Cash and deposits on demand	18,542	-	-	-	18,542	18,544	-	-	-	18,544
Interbank investments	219,066	58,275	1,171	292	278,804	229,295	40,016	696	239	270,246
Securities purchased under agreements to resell – Funded position ⁽²⁾	77,452	-	-	-	77,452	72,091	-	-	-	72,091
Securities purchased under agreements to resell – Financed position	128,303	49,749	-	-	178,052	133,315	33,742	-	-	167,057
Interbank deposits	13,311	8,526	1,171	292	23,300	23,889	6,274	696	239	31,098
Securities	82,163	16,757	12,415	74,479	185,814	71,124	15,485	11,017	78,774	176,400
Government securities - available	75,310	20	40	6,088	81,458	65,965	-	-	-	65,965
Government securities – subject to repurchase commitments	556	4,732	5,990	14,808	26,086	68	2,675	712	6,866	10,321
Private securities - available	6,297	11,728	5,424	47,866	71,315	5,091	12,681	10,305	71,908	99,985
Private securities – subject to repurchase commitments	-	277	961	5,717	6,955	-	129	-	-	129
Derivative financial instruments	5,815	8,296	3,159	6,961	24,231	5,955	7,685	3,430	6,289	23,359
Gross position	-	-	-	-	-	-	1	-	20	21
Cross Currency Swap Deliverable - Asset position	-	-	-	-	-	-	852	-	975	1,827
Cross Currency Swap Deliverable - Liability position	-	-	-	-	-	-	(851)	-	(955)	(1,806)
Net position	5,815	8,296	3,159	6,961	24,231	5,955	7,684	3,430	6,269	23,338
Swaps	828	1,967	1,497	6,250	10,542	666	2,140	1,935	4,406	9,147
Option	354	2,881	1,397	160	4,792	2,413	2,000	692	478	5,583
Forward (onshore)	3,947	1,024	-	-	4,971	1,204	1,961	1	-	3,166
Other derivative financial instruments	686	2,424	265	551	3,926	1,672	1,583	802	1,385	5,442
Loan and lease operations portfolio ⁽³⁾	61,602	176,002	81,224	211,908	530,736	63,263	171,813	86,118	187,619	508,813
Total financial assets	387,188	259,330	97,969	293,640	1,038,127	388,181	234,999	101,261	272,921	997,362

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in Central Bank, amounting to R\$ 85,700 (R\$ 66,556 at 12/31/2015), which release of funds is linked to the maturity of the liability portfolios. The amounts of PGBL and VGBL are not considered in the assets portfolio because they are covered in Note 30.

(2) Net of R\$ 4,329 (R\$ 9,461 at 12/31/2015) which securities are restricted to guarantee transactions at BM&FBOVESPA S.A. and the Central Bank of Brazil.

(3) Net of payment to merchants of R\$ 43,837 (R\$ 38,978 at 12/31/2015) and the amount of liabilities from transactions related to credit assignments R\$ 5,711 (R\$ 5,495 at 12/31/2015).



Undiscounted future flows except for derivatives	12/31/2016					12/31/2015				
	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total
Financial liabilities										
Deposits	201,167	44,545	13,106	107,055	365,873	190,890	45,133	8,331	64,843	309,197
Demand deposits	61,133	-	-	-	61,133	61,092	-	-	-	61,092
Savings deposits	108,250	-	-	-	108,250	111,319	-	-	-	111,319
Time deposit	30,295	41,971	13,088	107,033	192,387	13,873	34,660	8,326	64,819	121,678
Interbank deposits	1,489	2,574	18	22	4,103	4,606	10,473	5	24	15,108
Compulsory deposits	(42,314)	(13,885)	(3,985)	(25,516)	(85,700)	(40,807)	(9,021)	(2,043)	(14,685)	(66,556)
Demand deposits	(8,092)	-	-	-	(8,092)	(10,224)	-	-	-	(10,224)
Savings deposits	(24,791)	-	-	-	(24,791)	(26,838)	-	-	-	(26,838)
Time deposit	(9,431)	(13,885)	(3,985)	(25,516)	(52,817)	(3,745)	(9,021)	(2,043)	(14,685)	(29,494)
Securities sold under repurchase agreements ⁽¹⁾	209,521	59,771	42,410	87,069	398,771	167,363	39,464	63,773	111,189	381,789
Government securities	168,301	5,600	5,764	33,812	213,477	139,530	5,315	2,588	29,937	177,370
Private securities	13,753	54,171	36,646	53,257	157,827	8,043	30,146	61,185	81,252	180,626
Foreign	27,467	-	-	-	27,467	19,790	4,003	-	-	23,793
Funds from acceptances and issuance of securities ⁽²⁾	3,003	35,659	28,974	36,858	104,494	4,188	24,186	19,178	40,612	88,164
Borrowing and onlending ⁽³⁾	5,077	46,527	11,000	20,943	83,547	5,902	58,159	24,116	25,672	113,849
Subordinated debt ⁽⁴⁾	271	13,501	16,621	41,043	71,436	4,775	10,115	13,764	56,006	84,660
Derivative financial instruments	5,294	5,516	3,726	10,162	24,698	3,765	8,537	4,104	11,269	27,675
Gross position	-	-	-	-	-	1	11	-	4	16
Cross Currency Swap Deliverable - Asset position	-	-	-	-	-	(85)	(1,269)	-	(236)	(1,590)
Cross Currency Swap Deliverable - Liability position	-	-	-	-	-	86	1,280	-	240	1,606
Net position	5,294	5,516	3,726	10,162	24,698	3,764	8,526	4,104	11,265	27,659
Swaps	461	1,702	2,352	8,706	13,221	783	3,368	2,618	9,562	16,331
Option	837	1,888	1,116	711	4,552	1,460	3,025	805	493	5,783
Forward (onshore)	3,530	-	-	-	3,530	828	5	-	-	833
Other derivative financial instruments	466	1,926	258	745	3,395	693	2,128	681	1,210	4,712
Total financial liabilities	382,019	191,634	111,852	277,614	963,119	336,076	176,573	131,223	294,906	938,778

(1) Includes own and third parties' portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness, financial bills and structured operations certificates recorded in interbank market funds and liabilities for issuance of debentures and foreign securities recorded in funds from institutional markets.

(3) Recorded in funds from interbank markets.

(4) Recorded in funds from institutional markets.



Off balance sheet	12/31/2016					12/31/2015				
	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total	0 – 30 days	31 – 365 days	366 – 720 days	Over 720 days	Total
Endorsements and sureties	1,645	16,203	5,603	47,342	70,793	2,018	13,819	5,477	52,930	74,244
Commitments to be released	90,279	42,522	11,657	77,916	222,374	84,641	28,808	28,404	79,487	221,340
Letters of credit to be released	6,660	-	-	-	6,660	6,936	-	-	-	6,936
Contractual commitments - Fixed assets and Intangible (Notes 15 and 16)	-	310	-	-	310	-	340	-	-	340
Total	98,584	59,035	17,260	125,258	300,137	93,595	42,967	33,881	132,417	302,860



Note 37 – Supplementary information

Citibank's retail operations

On October 8, 2016, ITAÚ UNIBANCO HOLDING S.A. entered, by means of its subsidiaries, into a share purchase and sale agreement with Banco Citibank S.A. and with other companies of its conglomerate (Citibank) for the acquisition of the retail activities carried out by Citibank in Brazil, including loans, deposits, credit cards, branches, assets under management and insurance brokerage, as well as the equity investments held by Citibank in TECBAN – Tecnologia Bancária S.A. (representing 5.64% of its capital) and in Cibrasec – Companhia Brasileira de Securitização (representing 3.60% of its capital), for R\$ 710 million.

This operation will involve the corporate restructuring of some companies of the Citibank conglomerate so that the retail business in Brazil is spun off and transferred to the companies that will be the subject matter of the acquisition.

The effective acquisitions and financial settlements will take place after compliance with some contractual conditions and the obtainments of the necessary regulatory authorizations.

This acquisition will not have accounting impacts on ITAÚ UNIBANCO HOLDING's results.



6_Sustainability

We believe that sustainable performance is generating shared value in the long term. Read about our operational strategy and 2016 highlights



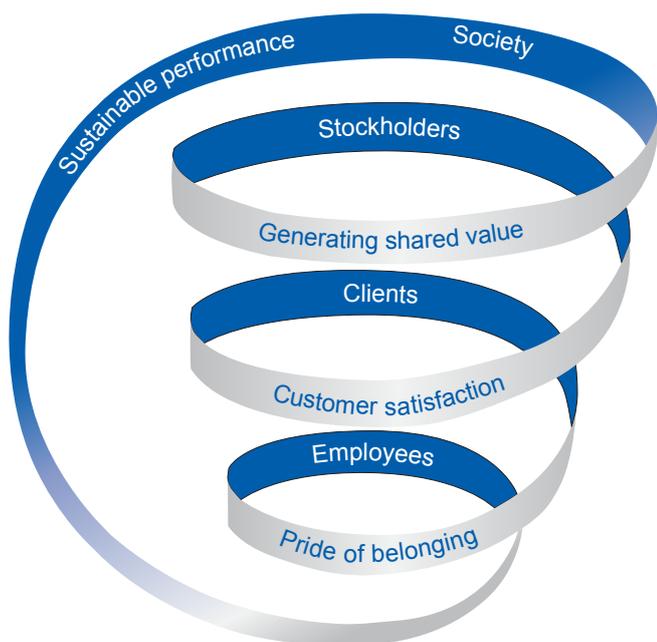
Sustainability

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 career plans for our employees, based on merit, help to boost pride in belonging to our organization. Moreover, engaged employees deliver better services to their clients. The more clients are satisfied, the more they will remain loyal to the bank, developing lasting relationships that add value 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 the people, society and countries where we operate, as part of a virtuous cycle of sustainable performance.

Sustainable Performance Spiral



Materiality [GRI 102-46](#)

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

In 2014, we conducted a comprehensive process of defining material themes, which comprised environmental, social, economic and governance aspects. This study was developed by a diversified working group, comprising the areas of Corporate Communication, Finance, Investor Relations and Sustainability. The methodology used to determine our material themes consists of four distinct stages:

- (1) Identification

- (2) Prioritization

- (3) Validation

- (4) Evaluation


In the first stage (1), the main goal was to identify the key issues in our communication channels and the most suitable stakeholders to start the process of determining materiality. We defined approximately 500 relevant issues for Itaú from our main communication channels and our reporting, listed below:

[GRI 102-42](#) | [GRI 102-44](#)

- **Management and People**
Organizational climate survey and union demands
- \$ **Financial and Operational Performance**
Presentations of results aimed at investors: conference calls, Apimec meetings and reports
- ♻️ **Business Sustainability**
Sector studies by GRI (GRI-G4 – Financial Services Sector Disclosures) and Sustainability Accounting Standards Board (SASB) and Questionnaires from the Dow Jones Sustainability Index and BM&FBOVESPA Business Sustainability Index
- 🔄 **Analysis of Market Scenarios**
Reports from the Ombudsman and our social media channels; Meetings with investors; and Materiality analysis from domestic and international financial institutions that are considered a benchmark in sustainability

This methodology of indirectly consulting our stakeholders to construct our materiality is only responsible for identifying the key issues for our stakeholders, not for incorporating them into the management. All the issues raised are addressed directly by the area responsible and the channel of origin. For this reason, we shall not present these details here. [GRI 102-44](#)

We determined the main stakeholders in accordance with our Sustainable Performance Spiral and we identified what they considered the most relevant issues through indirect consultations on our preestablished, impartial and legitimate communication channels. [GRI 102-42](#)



Employees



Clients



Stockholders



Society

In the next stage (2), the issues were consolidated into more comprehensive themes, applying a preliminary analysis of materiality for management and stakeholders. The consolidated themes were then plotted in a prioritization matrix divided into two sections: (I) evaluation of the influence of the themes for the stakeholders and (II) analysis of the materiality for management.

In the stakeholder section, we analyzed the interest and the power of influence of each stakeholder in the theme. We assigned the same weight in the assessment to each of the four stakeholders. In the management section, meanwhile, we defined the questions or “drivers” that were used to assess each theme, all of which had the same weight in the assessment, in accordance with the bank’s management approach, as shown below:

- What is the impact of this theme on our vision of the future?
- What is the financial economic impact of this theme for the sustainable continuity of the business?
- What is the impact of this theme on our image and reputation?
- What is the impact of this theme on our business strategies?
- What is the legal and regulatory impact of this theme?

Finally, in stage (3), the prioritized themes were debated and validated internally by the Reporting Committee, a sustainability governance forum dedicated to implementing the best practices of reporting and transparency. Afterwards, the materiality study was submitted to the Audit Committee, the Disclosure Committee and the Sustainability Committee. The process of defining materiality was externally assured by PwC based on the guidelines of the AA1000 standard. [GRI 102-56](#)

Over the course of 2015, the Reporting Committee performed an assessment of the matrix (4). The theme “Environmental and Social Risk” was integrated into the theme “Risk and Capital Management”, reflecting more properly the management of the bank related to these themes and observing the guidelines of Central Bank Standard: CVM Resolution No. 4,327. The reformulation of the materiality matrix will be carried out after the reviewing process of the sustainability strategy, which will begin in 2017.

In 2016, we decided to do our report following the GRI Standard, so all changes in the previous indicators are due to these changes. However, as the sector disclosures for financial services have not changed yet, we continue to report them as GRI-G4. [GRI 102-48](#) | [102-49](#)

We present below the materiality matrix containing the 22 relevant themes. It is also possible to check the prioritized indicators for the management of the theme, together with the type of impact on our stakeholders. [GRI 102-47](#)



Material themes_



Efficiency



GRI 103-1 Efficiency

Efficiency is to reduce costs, increase revenue, speed up processes and increase quality of the service to our clients. We believe that less is more and that the attitude of an owner contributes to the sustainability of the business.

Related matters

- Relationship between cost and income
- Operational efficiency index
- Control of personnel, administrative, operating and tax expenses

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Change in Operating Expenses per category	-	-
-	Efficiency Ratio	-	-
-	Risk Adjusted Efficiency Ratio	-	-
Economic performance	GRI 201-1: Direct economic value generated and distributed	SDG 9: Infrastructure Investments – 9.1 and 9.4 SDG 9: Resource Development – 9.5	-

GRI 103-1 Efficiency

Most affected stakeholders



Credit and insolvency



GRI 103-1 Credit and insolvency

Credit is a financial operation in which banks lend financial resources or finance operations or the acquisition of properties for their clients. In our opinion, it is the use of money in a smart way. It is to support social and economic development. We believe that credit, combined with financial education, promotes the conscious use of money, minimizes losses and improves credit quality.

Related matters

- Profile of the loan portfolio
- Risk appetite
- Financial margin and insolvency

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	ADA ⁽¹⁾ Balance/ Credit Portfolio	-	-
-	Non-Accrual Loans/ Credit Portfolio Balance	-	-
-	ADA ⁽¹⁾ Balance/ Renegotiated Portfolio	-	-
-	Insolvency	-	-
-	Net Financial Margin	-	-

(1) ADA = Allowance for Doubtful Accounts.

GRI 103-1 Credit and insolvency

Most affected stakeholders



Diversification of revenue

GRI 103-1 Diversification of revenue

In our opinion, to diversify is to ensure the continuation of the business by means of non-interest revenue. It is to make our results less dependent on the variations in rates and more aligned with the needs of our clients.

Related matters

- Diversification and focus on the offer of services
- Income from fees and insurance

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Composition of the Service Revenue	-	-

GRI 103-1 Diversification of revenue

Most affected stakeholders



* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

Client satisfaction



GRI 103-1 Client satisfaction

We want to be a leading bank in sustainable performance and client satisfaction. And, for us, client satisfaction and financial results are two inseparable objectives. To perform the expected banking services and meet the expectations of our clients are challenges that drive our teams.

Related matters

- Client satisfaction
- Handling of grievances and complaints
- Resolution of critical cases

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Client satisfaction index	-	-
-	Complaints registered with regulatory agencies	-	-
-	Number of cases registered with the Ombudsman's Office and % resolved in the preliminary phase	-	-
-	GRI 102-43: Approach to stakeholder engagement	-	-

GRI 103-1 Client satisfaction

Most affected stakeholders



Ethics and transparency



GRI 103-1 Ethics and transparency

Ethics is present in our business and is reflected in the transparency, respect and honesty in the relationship with our stakeholders, in the quality of our services and products and in the concern with financial performance and environmental and social responsibility. It is also present in the internal relationships in which we cultivate environments that provide for the performance of quality and relevant work for those who perform it, for the institution and for society.

Related matters

- Culture, values and conduct policies
- Ethics in business and transparency in communication
- Reporting to the market

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Number of complaints related to the code of ethics	-	-
-	Total number of incidents of discrimination	-	-
-	Number of legal cases of anti-competitive behavior	-	-
-	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	-	-
-	GRI 102-16: Describe the organization's values, principles, standards and norms of behavior	-	10
-	GRI 102-17: Mechanisms for advice and concerns about ethics	-	10
Anti-competitive Behavior	GRI 206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	SDG 16: Compliance with laws and regulations – 16.6	-
-	GRI 103-2 Ethics and transparency: Management approach and its components	SDG 16: Grievance mechanisms – 16.6 and 16.10	1
-	Partnerships (e.g. Ethos Institute)	SDG 17: Partnerships for the goals (17.16)	-

GRI 103-1 Ethics and transparency

Most affected stakeholders



* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

Corporate governance



GRI 103-1 Corporate governance

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity. Therefore, we adopt corporate governance practices that are in line with the best practices adopted in the Brazilian and international markets. We seek the constant evolution of our management policies and mechanisms so as to ensure excellence in our practices and the sustainable growth of our company.

Related matters

- Composition and term of office of the Board of Directors
- Responsibilities of the Board of Directors and standing committees
- Control of the company and right to vote of shareholders

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Participation in Corporate Governance Indexes	-	-

GRI 103-1 Corporate governance

Most affected stakeholders



Attraction, retention and development



GRI 103-1 Attraction, retention and development

We are made of people and, to ensure the longevity of our business, we need leaders who are ready for future challenges. The attraction, training and development of talents have become one of our major successes.

Related matters

- Attraction and retention of talent
- Employee turnover
- Training and development
- Leadership training

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Number of reallocated employees	-	-
-	Amount invested in training	-	-
-	Retention rate of talent programs	-	-
Employment	GRI 401-1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	SDG 5: Gender Equality – 5.1 SDG 8: Employment SDG 8: Youth Employment – 8.5 and 8.6	6
Training and Education	GRI 404-1: Average hours of training per year per employee by gender, and by employee category	SDG 4: Employee Training and Education – 4.3, 4.4 and 4.5 SDG 5: Gender equality – 5.1 SDG 8: Employee Training and Education – 8.5	6
	GRI 404-2: Programs for upgrading employee skills and transition assistance programs	SDG 8: Employee Training and Education – 8.5	-

GRI 103-1 Attraction, retention and development

Most affected stakeholders



Forecast of scenarios



GRI 103-1 Forecast of scenarios

In a world in which conditions and risks have been unusual, particularly after the global financial crisis in 2008, the ability to forecast and anticipate scenarios is essential for us to achieve our goals.

Related matters

- Ability to interpret the economy
- Strategy of positioning before the main indicators (inflation, interest rates, foreign exchange, unemployment)

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	-	-	-

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI 103-1 Forecast of scenarios

Most affected stakeholders



Information security



GRI 103-1 Information security

Information is what supports the entire banking operation. Accordingly, we have the commitment to protect corporate information and ensure the privacy of clients in any operation. We are guided by our Corporate Information Security Policy, the purpose of which is to ensure the application of the information and intellectual property principles and guidelines of the organization, clients and the general public.

Related matters

- Information security policy
- Privacy of client data

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Total number of substantiated complaints regarding breaches of client privacy and losses of client data – confidential	-	-
Customer Privacy	GRI 418-1: Substantiated complaints concerning breaches of client privacy and losses of client data	SDG 16: Compliance with laws and regulations / Protection of privacy – 16.10 and 16.6	1

GRI 103-1 Information security

Most affected stakeholders



Risk and capital management



GRI 103-1 Risk and capital management

We consider risk management an essential instrument to optimize the use of resources and select the best business opportunities, aimed at maximizing the creation of value for stockholders.

Related matters

- Management and governance of risks
- Administration of capital (including borrowings)
- Adequacy and Basel III
- Risk management and assessment according to environmental and social criteria
- Environmental and social impacts associated with credit, investment and insurance
- Environmental and social policy and human rights policies

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Value at Risk (VaR)/ Shareholders' Equity	-	-
-	Basel Ratio	-	-
-	Basel III Ratio	-	-
-	Corporate Finance Projects contracted under the criteria of the Environmental and Social Responsibility Policy (PRSA)	-	-
-	Equator Principles Projects (EP) contracted under the criteria of the Environmental and Social Responsibility Policy (PRSA)	-	-
Economic performance	GRI 201-2: Financial implications and other risks and opportunities for the organization's activities due to climate change	SDG 13: Risks and Opportunities due to Climate Change – 13.1	7
-	GRI 201-4: Financial assistance received from government	-	-
Product portfolio	GRI G4 DMA Product portfolio (former FS1): Policies with specific environmental and social components applied to business lines	SDG 10: Responsible finance – 10.5	1 6 7 ⁽¹⁾
-	GRI G4 DMA Product portfolio (former FS2): Procedures for assessing and screening environmental and social risks in business lines	SDG 10: Responsible finance – 10.5	2 4 5 10 ⁽¹⁾

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI topics	Related initiatives and indicators	SDG*	Global Compact
Product portfolio	GRI G4 DMA Product portfolio (former FS3): Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SDG 10: Responsible finance – 10.5	1 2 4 5 7 8 ⁽¹⁾
	GRI G4 DMA Product portfolio (former FS4): Process(es) for improving staff ability to implement the environmental and social policies and procedures as applied to business lines	SDG 10: Responsible finance – 10.5	1 4 5 7 8 9 ⁽¹⁾
	GRI G4 DMA Product portfolio (former FS5): Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	SDG 10: Responsible finance – 10.5	8 ⁽¹⁾
	GRI G4 Product portfolio (former FS6): Percentage of the portfolio for business lines by specific region, size (e.g. very small/SME/large) and by sector	SDG 1: Access to financial services – 1.4 SDG 8: Access to financial services – 8.3 and 8.10 SDG 9: Access to financial services – 9.3	-
Audit	GRI G4 DMA Audit (former FS9): Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	SDG 10: Responsible finance – 10.5	2 4 5 7 8 ⁽¹⁾
Active ownership	GRI G4 Active ownership (former FS10): Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	SDG 10: Responsible finance – 10.5	2 4 5 8 9 ⁽¹⁾
	GRI G4 Active ownership (former FS11): Percentage of assets subject to positive and negative environmental or social screening	SDG 10: Responsible finance – 10.5	1 2 7 8 9 ⁽¹⁾
	GRI G4 DMA Active ownership (former FS12): Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote or advises on voting	-	1 7 8 9 10 ⁽¹⁾
-	EP	SDG 15: Life on Land (15.1)	

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

GRI 103-1 Risk and capital management

Most affected stakeholders



International operations



GRI 103-1 International operations

We have a wide range of operations abroad and have expanded our international presence based on strategically located units in the Americas, Europe and Asia. Latin America is our priority in the international expansion due to the geographical and cultural proximity of its countries with Brazil. Our goal is to be recognized as "the Latin American bank", a benchmark in the region for all financial services provided to individuals and legal entities.

Related matters

- Opportunities in new markets
- Internationalization strategy
- Evolution of the portfolio abroad

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Volume of Loans Abroad	-	-
-	Credit Portfolio and Market Share in Latin America	-	-

GRI 103-1 International operations

Most affected stakeholders



* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

Brand and reputation



GRI 103-1 Brand and reputation

The purpose of our brand is to promote positive changes in the lives of people and society. Our brand is associated with quality and reliability and helps us maintain a low client turnover rate.

Related matters

- Brand positioning
- Reputation and exposure in the media
- Reputation index and brand value

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Brand Value	-	-
-	Positive exposure in the media	-	-
Marketing and Labeling	GRI 417-3: Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	SDG 16: Compliance with laws and regulations – 16.6	-

GRI 103-1 Brand and reputation

Most affected stakeholders



Information technology



GRI 103-1 Information technology

In line with our strategy to increase the efficiency in our business, we have invested in innovations that offer increased convenience and mobility to our clients.

Related matters

- Investment in technology
- Use of electronic channels
- Accessibility and digital inclusion

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Percentage of digital transactions vs. traditional channels	-	-

GRI 103-1 Information technology

Most affected stakeholders



Compensation and incentives



GRI 103-1 Compensation and incentives

The purpose of the compensation is to recognize the skills and seniority of a professional. Our compensation policies are in line with market practices and with our compensation strategies. We have also made available benefits and incentives through which our employees and management members can have the option to become partners.

Related matters

- Performance assessment programs
- Variable compensation
- Long-term incentives

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Percentage of employees receiving performance reviews	-	-
-	Total amount spent on fixed compensation, payroll charges and salaries	-	-
-	Total amount of contributions made to employee pension plans	-	-
Training and Education	GRI 404-3: Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	SDG 5: Gender equality – 5.1 SDG 8: Employee Training and Education – 8.5	- 6

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI 103-1 Compensation and incentives

Most affected stakeholders



Combat of corruption and illegal activities



GRI 103-1 Combat of corruption and illegal activities

The purpose of our Corporate Policy for the Prevention of Corruption is to reinforce our commitment to cooperate with initiatives to prevent and combat corruption and also to establish guidelines for the conception, implementation and continuous improvement of training and development programs, complaint channels and awareness-raising campaigns.

Related matters

- Policy to prevent corruption and money laundering
- Combating corruption
- Monitoring of criminal activities
- Training of employees on the topic

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Percentage of employees trained on anti-corruption - policies and procedures	-	-
Anti-corruption	GRI 205-2: Communication and training on anti-corruption policies and procedures	SDG 16: Anti-corruption - 16.5	10
-	Partnerships (e.g. Business Pact for Integrity and Against Corruption)	SDG 17: Partnerships for the goals (17.16)	-

GRI 103-1 Combat of corruption and illegal activities

Most affected stakeholders



Management of suppliers and supply chain



GRI 103-1 Management of suppliers and supply chain

Our relationship with our suppliers is based on transparency, longevity and construction of shared value. These partnerships are established by means of a formal hiring process, the purpose of which is to minimize the possible financial, reputational, operational and legal impacts during the provision of the service or after the termination of the contract.

Related matters

- Management of suppliers
- Support for local suppliers
- Promotion of sustainable practices along the supply chain

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Percentage of local suppliers contracted	-	-
Procurement Practices	GRI 204-1: Proportion of spending on local suppliers	SDG 1: Economic inclusion - 1.4 SDG 5: Economic inclusion - 5.1 SDG 8: Economic Inclusion - 8.3 SDG 12: Procurement Practice - 12.7	-
Supplier Environmental Assessment	GRI 308-1: Percentage of new suppliers that were screened using environmental criteria GRI 308-2: Significant actual and potential negative environmental impacts in the supply chain and actions taken	-	8 8
Supplier Social Assessment	GRI 414-1: New suppliers that were screened using social criteria GRI 414-2: Negative social impacts in the supply chain and actions taken	SDG 5: Workplace violence and harassment - 5.2 SDG 8: Labor practices in the supply chain - 8.8 SDG 16: Workplace violence and harassment - 16.1	2 2
-	Contracting local suppliers, envisaging the development of the regions in which we operate	SDG 9: Industry, innovation and infrastructure (9.3)	-
-	Partnerships (e.g. Intergare)	SDG 17: Partnerships for the goals (17.16)	-

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI 103-1 Management of suppliers and supply chain

Most affected stakeholders



Financial education and inclusion



GRI 103-1 Financial education and inclusion

A way for us to contribute to the development of society is to understand the needs of people in order to offer proper financial knowledge and solutions so that they can have a healthier relationship with money.

Related matters

- Financial education programs
- Provision of products and services to the population with little access to financial services

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Number of employees trained in financial education	-	-
-	Impact of financial education programs on employees	-	-
-	Number of clients impacted by financial education training programs	-	-
-	Impact of financial education programs on clients	-	-
-	Total amount financed in Microcredit operations	-	-
Local communities	<p>GRI G4 FS13: Access points in low-populated or economically disadvantaged areas by type</p> <p>GRI G4 FS14: Initiatives to improve access to financial services for disadvantaged people</p>	<p>SDG 1: Access to financial services – 1.4</p> <p>SDG 8: Access to financial services – 8.10</p> <p>SDG 10: Access to financial services – 10.2</p> <p>SDG 1: Access to financial services – 1.4</p> <p>SDG 8: Access to financial services – 8.10</p> <p>SDG 10: Access to financial services – 10.2</p>	1

GRI topics	Related initiatives and indicators	SDG*	Global Compact
Product and service labeling	<p>GRI G4 FS15: Policies for the fair design and sale of financial products and services</p> <p>GRI G4 FS16: Initiatives to enhance financial literacy by type of beneficiary</p>	<p>SDG 10: Responsible finance – 10.5</p> <p>SDG 1: Access to financial services – 1.4</p> <p>SDG 8: Access to financial services – 8.10</p> <p>SDG 10: Access to financial services – 10.2</p>	-
-	Itaú Women Entrepreneurs Program; Itaú Microcredit	SDG 9: Industry, innovation and infrastructure – 9.3	-
-	Conscious Use of Money – volunteering program, campaigns and website; Evaluation of the bank's processes, products and services focused on risk management; Environmental and social criteria for credit analysis; Transparency in communication with clients	SDG 12: Procurement Practice – 12.8	-
-	Partnerships (e.g. Akatu)	SDG 17: Partnerships for the goals – 17.4	-

GRI 103-1 Financial education and inclusion

Most affected stakeholders



Innovation



GRI 103-1 Innovation

We innovate so as to have a positive and direct impact on people's lives. In our opinion, to innovate is to seek new solutions to old problems, make experiments to solve new problems and review concepts.

Related matters

- Incorporation of trends
- New environmental and social business opportunities

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Monetary value of products and services with environmental and social benefits	-	-
-	Financial amount allocated to environmental and social funds	-	-

GRI 103-1 Innovation

Most affected stakeholders

+ ■ ○ ○ ○ ○ ➔ ■

Clients **Employees** **Stockholders** **Society**

Direct **Direct** **Direct** **Indirect**

GRI topics	Related initiatives and indicators	SDG*	Global Compact
Product portfolio	GRI G4 FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SDG 1: Access to financial services – 1.4 SDG 8: Access to financial services – 8.3 and 8.10 SDG 9: Access to financial services – 9.3 SDG 10: Access to financial services – 10.2 SDG 11: Access to affordable housing – 11.1	-
	GRI G4 FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	-	7 8 9 ⁽¹⁾
-	Itaú Social Foundation; Unibanco Institute and Itaú BBA Education Initiatives	SDG 4: Employee Training and Education – 4.1	-
-	Partnerships (e.g. government)	SDG 17: Partnership for the goals – 17.17	-

(1) We conducted our own assessment to define the principles of the Global Compact that are related to sector indicators.

Corporate citizenship

GRI 103-1 Corporate citizenship

Our goal is to use the same quality and efficiency that we apply in our business to develop projects, technologies and tools that stimulate people to obtain more knowledge and a discerning sense so that we can make better choices.

Related matters

- Generation of a cultural and social legacy
- Incentive for education
- Investments in the community
- Donation and contributions to public policies

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Total amount allocated to subsidized and non-subsidized projects	-	-
-	Total amount of contributions to political parties' politicians	-	-
Public Policy	GRI 415-1: Total value of political contributions by country and recipient/beneficiary	SDG 16: Anti-corruption – 16.5	10

GRI 103-1 Corporate citizenship

Most affected stakeholders

+ ■ ○ ○ ○ ○ ➔ ■

Society **Clients** **Employees** **Stockholders**

Direct **Direct** **Indirect** **Indirect**

Eco-efficiency and environmental management

GRI 103-1 Eco-efficiency and environmental management

We are constantly focused on the management and the rational use of natural resources, a strategy that enables us to reduce the environmental impact of our operations and to increase our operational efficiency. All the initiatives we have developed with respect to eco-efficiency are based on four pillars: implementation cost, availability in the market, technical performance of the system and efficiency gains.

Related matters

- Environmental management
- Water, energy, emissions and consumption of materials
- Public commitments on climate change

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Total investments and expenditures on environmental protection	-	-
-	Consumption of paper	-	-
-	Energy consumption within the organization	-	-
-	Total water withdrawal by source	-	-
-	Total direct and indirect greenhouse gas emissions	-	-
-	Total waste, by type and disposal method	-	-
Materials	GRI 301-1: Materials used by weight or volume	SDG 8: Materials Efficiency – 8.4 SDG 12: Materials Efficiency/Recycling – 12.2	7 8
Energy	GRI 302-1: Energy consumption within the organization	SDG 7: Energy Efficiency – 7.3 SDG 8: Energy Efficiency – 8.4 SDG 12: Energy Efficiency – 12.2 SDG 13: Energy Efficiency – 13.1	7 8
	GRI 302-4: Reduction of energy consumption	SDG 7: Energy Efficiency – 7.3 SDG 8: Energy Efficiency – 8.4 SDG 12: Energy Efficiency – 12.2 SDG 13: Energy Efficiency – 13.1	8 9
water	GRI 303-1: Total water withdrawal by source	SDG 6: Sustainable Water Withdrawals – 6.4	7 8
	GRI 303-3: Percentage and total volume of water recycled and reused	SDG 6: Water Efficiency – 6.3 SDG 6: Water Recycling and reuse – 6.4 SDG 8: Water Efficiency – 8.4 SDG 12: Water Efficiency – 12.2	8
Emissions	GRI 305-1: Direct greenhouse gas (GHG) emissions (Scope 1)	SDG 3: Air quality – 3.9 SDG 12: Air quality – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Forest Degradation – 15.2	7 8
	GRI 305-2: Energy indirect GHG emissions (Scope 2)	SDG 3: Air quality – 3.9 SDG 12: Air quality – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Forest Degradation – 15.2	7 8
	GRI 305-3: Other indirect GHG emissions (Scope 3)	SDG 3: Air quality – 3.9 SDG 12: Air quality – 12.4 SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Forest Degradation – 15.2	7 8
	GRI 305-5: Reduction of GHG emissions	SDG 13: GHG Emissions – 13.1 SDG 14: Ocean acidification – 14.3 SDG 15: Forest Degradation – 15.2	8 9

GRI topics	Related initiatives and indicators	SDG*	Global Compact
Effluents and waste	GRI 306-2: Total weight of waste by type and disposal method	SDG 3: Air quality – 3.9 SDG 6: Waste – 6.3 SDG 12: Air quality – 12.4 SDG 12: Air quality – 12.5	8
-	LEED NC certification achieved for the Mogi Mirim Technological Center	SDG 9: Industry, Innovation and Infrastructure – 9.4	
-	Ecomudança Program; Bike-Sharing System; Eco-efficiency measures	SDG 11: Sustainable cities and communities – 11.6	

GRI 103-1 Eco-efficiency and environmental management

Most affected stakeholders



Diversity, equity and inclusion



GRI 103-1 Diversity, equity and inclusion

The diversity topic is recognized and appreciated in our culture. Management is carried out by the Personnel Department and guided by the Internal Diversity Appreciation Policy. Our management of the topic is guided by three basic principles: fair competition in view of the differences; heterogeneity within the organization; and implementation of policies and projects that value and promote diversity.

Related matters

- Gender and race equality
- Respect for diversity
- Combating discrimination and harassment

GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Percentage of black people, women, disabled people and trainees	-	-
-	Ratio of salary of women to men	-	-
-	Total number of incidents of discrimination	-	-
-	GRI 102-8: Information on employees and other workers	-	6

*The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

GRI topics	Related initiatives and indicators	SDG*	Global Compact
Employment	GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	SDG 8: Earnings, wages and benefits – 8.5	-
Diversity and Equal Opportunity	GRI 405-1: Diversity of governance bodies and employees	SDG 5: Gender Equality – 5.1 SDG 5: Woman in Leadership – 5.5 SDG 8: Diversity and equal opportunity – 8.5	6
	GRI 405-2: Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	SDG 5: Equal Remuneration for Women and Men – 5.1 SDG 8: Equal Remuneration for Women and Men – 8.5 SDG 10: Equal Remuneration for Women and Men – 10.2	6
Non-discrimination	GRI 406-1: Total number of incidents of discrimination and corrective actions taken	SDG 5: Non-discrimination – 5.1 SDG 8: Equal Remuneration for Women and Men – 8.8 SDG 16: Non-discrimination – 16.6	6
-	Partnerships (e.g. Global Banking Alliance for Women)	SDG 17: Partnerships for goals – 17.16	-

GRI 103-1 Diversity, equity and inclusion

Most affected stakeholders



GRI topics	Related initiatives and indicators	SDG*	Global Compact
-	Employee satisfaction index	-	-
-	Injury rate	-	-
-	Lost day rate	-	-
-	Occupational diseases rate	-	-
-	Absentee rate	-	-
-	GRI 102-41: Report the percentage of total employees covered by collective bargaining agreements	-	3
Occupational Health and Safety	GRI 403-1: Percentage of total workforce represented in formal joint management – worker health and safety committees	SDG 8: Occupational health and safety – 8.8	-
	GRI 403-2: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	SDG 3: Occupational health and safety – 3.4 SDG 8: Occupational health and safety – 8.8	-
-	GRI 103-2 Health, safety and well-being: The management approach and its components	SDG 16: Grievance mechanisms – 16.6 and 16.10	-

GRI 103-1 Health, safety and well-being

Most affected stakeholders



Health, safety and well-being



GRI 103-1 Health, safety and well-being

We manage our many programs related to occupational health and safety by means of indexes and internal rules. Meanwhile, our actions and programs focused on education for health are aimed at preventing diseases and advising on the adoption of a healthy and balanced lifestyle.

Related matters

- Satisfaction of employees
- Health and safety practices
- Labor rights, strikes and stoppages

* The analysis of the Sustainable Development Goals (SDGs) was based on the study published by SDG Compass, which cross-referenced the information from the GRI documents (GRI G4 Sustainability Reporting Guidelines and GRI G4 Financial Service Sector Disclosure) with the SDGs. However, an internal assessment was also conducted, which included and removed some topics depending on our interpretation of their importance to our business.

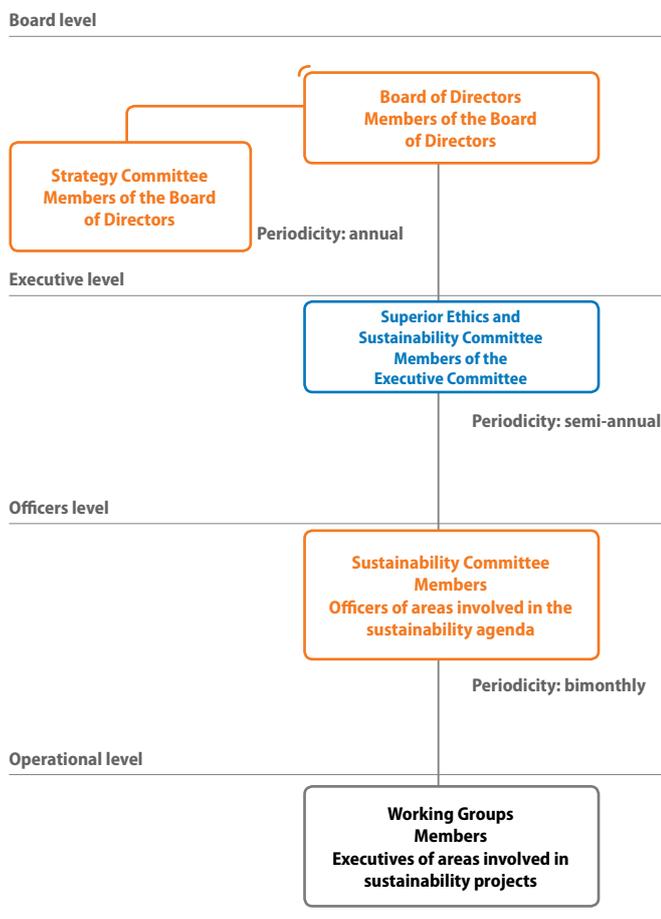
Sustainability management and governance GRI 102-20

We incorporate sustainability into corporate strategy through a consolidated governance structure that is integrated with our business, thus making environmental and social issues part of our daily activities and processes, identifying areas capable of addressing them and periodically tracking performance and indicators for these issues.

In 2016, Sustainability Governance was revised and enhanced. To achieve this, we conducted market studies and aligned a number of aspects with executives. These discussions resulted in business areas having complementary topics and challenges, such as the integration between the Sustainability Committee, Ethics and Integrity Committee and the Foundations and Institutions Committee.

The goal of this change is to ensure synergy between the different areas responsible for social and environmental challenges of the bank. Below we present the structure of the governance of sustainability.

Our sustainability governance structure GRI 102-18



- **Board of Directors:** Guides, monitors and approves the sustainability strategy and policy aligned with our long-term vision. In 2016, the topic Sustainability and our progress on the priority themes was discussed at one meeting, which also addressed other issues, the agenda for 2017-2020 and the changes that impact the financial system, governance of institutes and foundations, integrity and ethics programs and, finally, the challenges for 2017 and trends.

- **Strategy Committee:** Working in conjunction with the Board of Directors, the Strategy Committee is responsible for leading discussions on the main sustainability challenges and trends that may pose a reputation risk and social and environmental impact to the bank. In one of the meetings of 2016, the Strategy Committee discussed the following main topics: climate change, the 2030 Agenda of the United Nations (UN) and the global risks 2015 report of the World Economic Forum.

- **Superior Ethics and Sustainability Committee:** Consisting of members of the Executive Committee, this committee is responsible for integrating ethics and sustainability practices to promote the dissemination of topics to the business management, organizational culture and strategy. In 2016, this committee held two meetings, which discussed topics such as climate change, revision of corporate governance of sustainability, and also the performance and action plans related to the Dow Jones Index (DJSI) and Enterprise Sustainability index (ISE), among others.

- **Sustainability Committee:** Based on a corporate agenda, this committee addresses the main sustainability issues by the bank's governance and respective working groups. In 2016, this committee held two (2) meetings. One of the proposals discussed was to revise Sustainability Governance to strengthen and combine our sustainability strategy with the activities developed by the group. Topics such as diversity strategy and sustainability trends were also discussed. This Committee is composed of representatives from different areas, including: Legal, Personnel Management Department, External Ombudsman Office, Internal Controls, Compliance, Governmental and Institutional Relations, Corporate Communication, Investors Relations, Credit Risk and Modeling and Sustainability.

- **Working Groups:** set up to enhance the execution of our sustainability strategy and integrate sustainable initiatives into business areas, working groups are responsible for managing projects and other initiatives relating to the topic. Since 2015, these committees have been divided into: Internal Management, Investment, Reporting and Financial Education. After the revision of the sustainability governance, we have had the opportunity to operate directly with specialized audiences on the following themes: diversity, microcredit, institutions and foundations, insurance, presence in Latin America, and ethics and integrity.

We have a project management panel to track, monitor and assess all our initiatives in this field. This panel provides support for analysis and decision-making at all levels of our governance structure. This helps ensure that the sustainability strategy is aligned with the organization's guidelines, verify compliance with our policies and ensure that new products and services incorporate environmental and social aspects. Since 1999, we also incorporate parameters from the DJSI and the BM&FBOVESPA Business Sustainability Index (local acronym ISE) as market references to guide improvements, mitigate risks and detect sustainability trends.

Sustainability in LATAM countries

In an effort to align strategy and initiatives in the LATAM countries (Argentina, Chile, Paraguay and Uruguay) where Itaú operates, in 2015, we developed a model to enable a structured execution of the topic, which was dubbed "Franquia Sustentabilidade LATAM". This methodology consists of a set of practices and step-by-step implementation procedures designed to support countries in addressing and prioritizing topics on a local basis. The material was disseminated to all countries and, in 2016, we conducted a diagnosis to assess adherence to this model. Based on this diagnosis, we identified the level of maturity related to the topic in each country and prepared local action plans. LATAM's actions are monitored by a governance process that requires reporting to countries' Chief Executive Officers (CEOs) twice a year, holding bimonthly meetings with all countries by means of teleconference and monthly meetings with each country separately, in addition to an annual live meeting. On a bimonthly basis, we also share reports on the main topics and deliverables produced in the period, enhancing communication and encouraging knowledge-sharing among the countries.

Sustainability and Governance

Sustainability is also part of the bank's overall governance agenda, adding value and integrating the topic into the conglomerate's business agenda. Our activities include discussions, meetings and committees to ensure the topic is brought into decision-making and effectively integrated into our business.

Environmental and Social Risk Committee

GRI G4-DMA Product portfolio (former FS2)

Consisting of heads of the Risk, Legal, Credit and Collection business areas, as well as Sustainability, this Committee meets on a quarterly basis or as needed. Its responsibilities include the following:

- Suggesting institutional positions on environmental and social risk exposure related matters for the bank's activities and operations;
- Recommending roles and responsibilities on issues related to environmental and social risk management;
- Monitoring compliance with environmental and social risk-management policies and procedures and monitoring their ongoing controls and action plans; and
- Referring cases of non-compliance with environmental and social risk-management policies to the proper forums.

Strategic Committee of Foundations and Institutes

Composed of vice presidents, officers and superintendents in charge of all the foundations and institutes of Itaú Unibanco Holding, this committee meets every six months and is responsible for:

- Strategic decisions on Itaú Unibanco's private social investments as well as risk management in the Group's foundations and institutes.



Integrity and Ethics Committee

Composed of officers from the Compliance, Legal, Corporate Security, Marketing, Ombudsman and Sustainability departments, among others. This Committee meets every two months and is responsible for:

- Assessing and deciding on corporate topics that involve ethics in business and the work environment;
- Discussing legal understandings of corruption prevention;
- Indicating and approving improvements in processes as a result of regulations, identified risks and complaints, among others;
- Monitoring compliance with policies and procedures related to topics such as ethics and corruption;
- Approving adjustments to processes as a result of complaints, events and market case studies;
- Presenting the status of the various actions related to the Integrity and Ethics Program;
- Presenting the information on the Ombudsman channel that shows the cases of complaints that have been addressed, mediation, advice and doubts on a consolidated basis and in relation to the executive departments; and
- Resolving situations of conflicts of interest (when necessary).

Evaluating and developing products and services

GRI G4-DMA Product and service labeling (former FS15)

Based on the Corporate Product Evaluation policy, any project that modifies or creates products and services is subjected to a rigorous analysis focused on risk management. This requires integration across product areas and the units evaluating them, including Legal, Tax, Corporate Security, Accounting, Internal Controls and Sustainability, among others. Our Retail and Wholesale Products Committees are composed of their respective officers, who meet on a periodic basis to discuss projects.

This process handled over 327 projects in 2016. As one of the departments involved, our sustainability team evaluates them and suggests adjustments to ensure that

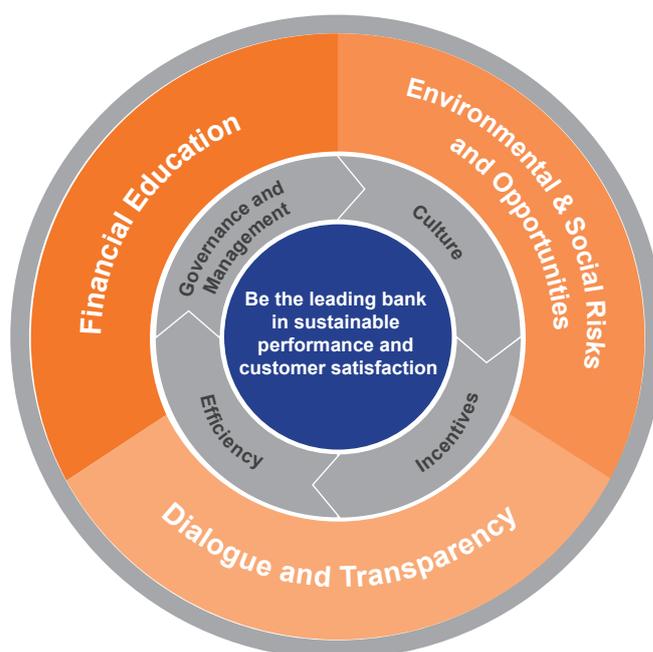
products and projects are aligned with these three pillars: financial education, transparency and environmental and social risks. Also, in 2016, we conducted studies, which are still in progress, to understand how we could revise the criteria used to evaluate projects by sustainability for the coming years.

Sustainability strategy **GRI 102-44**

Our sustainability strategy is based on in-depth analysis of our vision, Our Way, corporate policies, voluntary commitments and agreements, surveys and meetings with stakeholders in order to understand the material issues.

In 2011, we held workshops, interviews and internal and external panels based on the bank's new position after the merger of Itaú and Unibanco. The main outputs of these dialogues include: (1) the need to define a sustainability strategy, (2) the decision to include long-term challenges in that strategy, (3) the need to prioritize only three or four focus points, and (4) the decision to have focus points that necessarily cover both people and businesses.

Also in 2011, this study led us to design our Sustainability Map, which establishes three strategic focus points for our activities: Dialogue and Transparency, Financial Education, and Environmental and Social Risks and Opportunities. These are supported by four fronts: Governance and Management, Efficiency, Incentives and Culture. Thus, well-structured supporting fronts will enable us to deliver the three strategic focus areas. On this basis, the Map guides our businesses as they incorporate sustainability values into their processes for making decisions and monitoring trends, listening to a number of experts and executives, the Executive Committee approved our sustainability strategy.



We have a [Sustainability & Environmental and Social Responsibility Policy](#), which formalizes our sustainability strategy and commitment to pursuing sustainable development. This Policy is revised annually. First, it is approved by the Audit Committee and then by the Board of Directors.

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 relationships 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 compensation paid to our employees and the compensation 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.



GDP

(in billions of reais, or R\$)

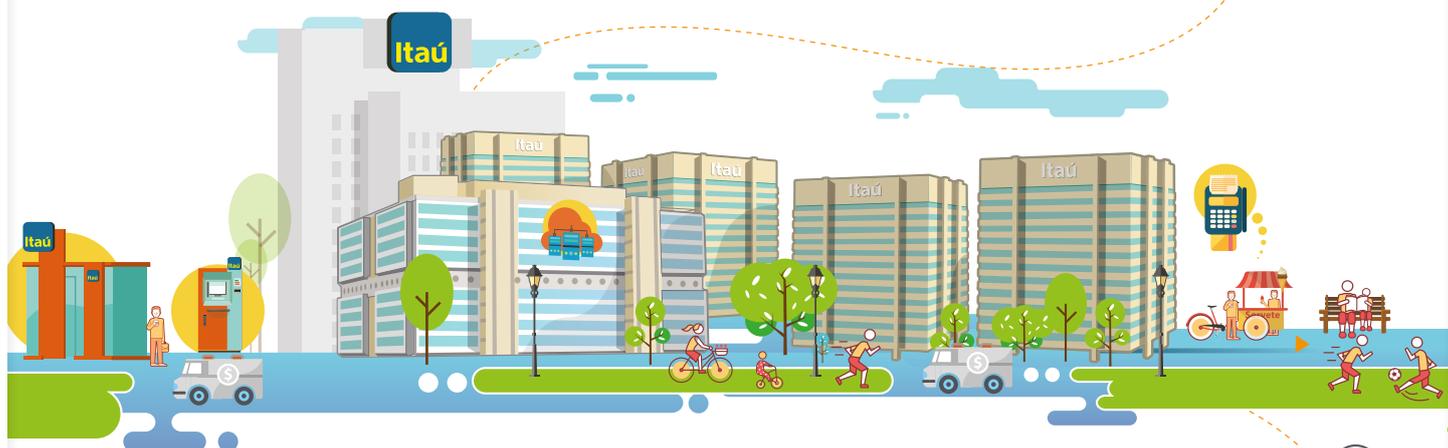
	Itaú Operations	Products	Total
Direct impacts (Interest margin)	71 billion	-	71 billion
Indirect impacts (Supply chain)	10 billion	90 billion	100 billion
Induced impacts (household consumption of families and public spending)	38 billion	85 billion	123 billion
Total impact	119 billion	175 billion	294 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)

	Itaú Operations	Products	Total
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

Strategic focus

Environmental and social risks and opportunities

GRI G4-DMA Product portfolio (former FS1 | former FS5)



Banks play an important role in the economy as they interact with all economic sectors and therefore have significant power to influence positive changes in society. We integrate environmental and social

issues into our businesses, taking into account the needs of clients, employees, society and regulatory bodies.

Over the past 16 years, we have developed and participated in various initiatives to reduce risks and seize environmental and social opportunities. We have created strategies, routines, processes and products, adopted specific policies and adhered to voluntary commitments such as Principles for Responsible Investment (PRI), EP, CDP (Carbon Disclosure Project) and the Global Compact that guide our business and institutional practices.

This journey started in 2000, when Itaú BBA, now our Corporate Banking segment (large companies), became the first bank in emerging markets to develop a formal system to manage environmental and social risks. Later, we expanded these assessments to other types and volumes of credit, with an innovative scope. This experience allowed us to extend the identification of environmental and social risks to other business segments, such as Credit, Insurance and Investments.

We know that the increasing awareness of society of environmental and social challenges makes these issues more relevant to our operations, products and services. By integrating environmental and social risks and opportunities into our strategy, governance, processes, policies, products and services, we are creating a virtuous circle that can help society to prosper.

For more information about Environmental and Social Risks and Opportunities and our practices, [click here](#).

Environmental and social risks GRI G4-DMA Product portfolio (former FS1 | former FS2 | former FS5)

Our management of environmental and social risks has the purpose of identifying, measuring, mitigating and monitoring direct and indirect risks relating to environmental and social topics. To achieve this, we incorporate the environmental and social variables into various processes, such as credit granting, investments, insurance activities, contracting of suppliers, and wealth management.

Environmental and social

In order to better integrate environmental and social risk management and increase efficiency, in 2016, Environmental and Social Risk Management teams which have been separately serving the Wholesale, Middle Market and Retail segments under each of the respective Credit Departments were all integrated under the Risk Department.

We also have specific functions, such as Environmental and Social Risks Management, which carries out technical assessments of operations, clients, products and real estate properties to anticipate and mitigate the bank's exposure to those risks.

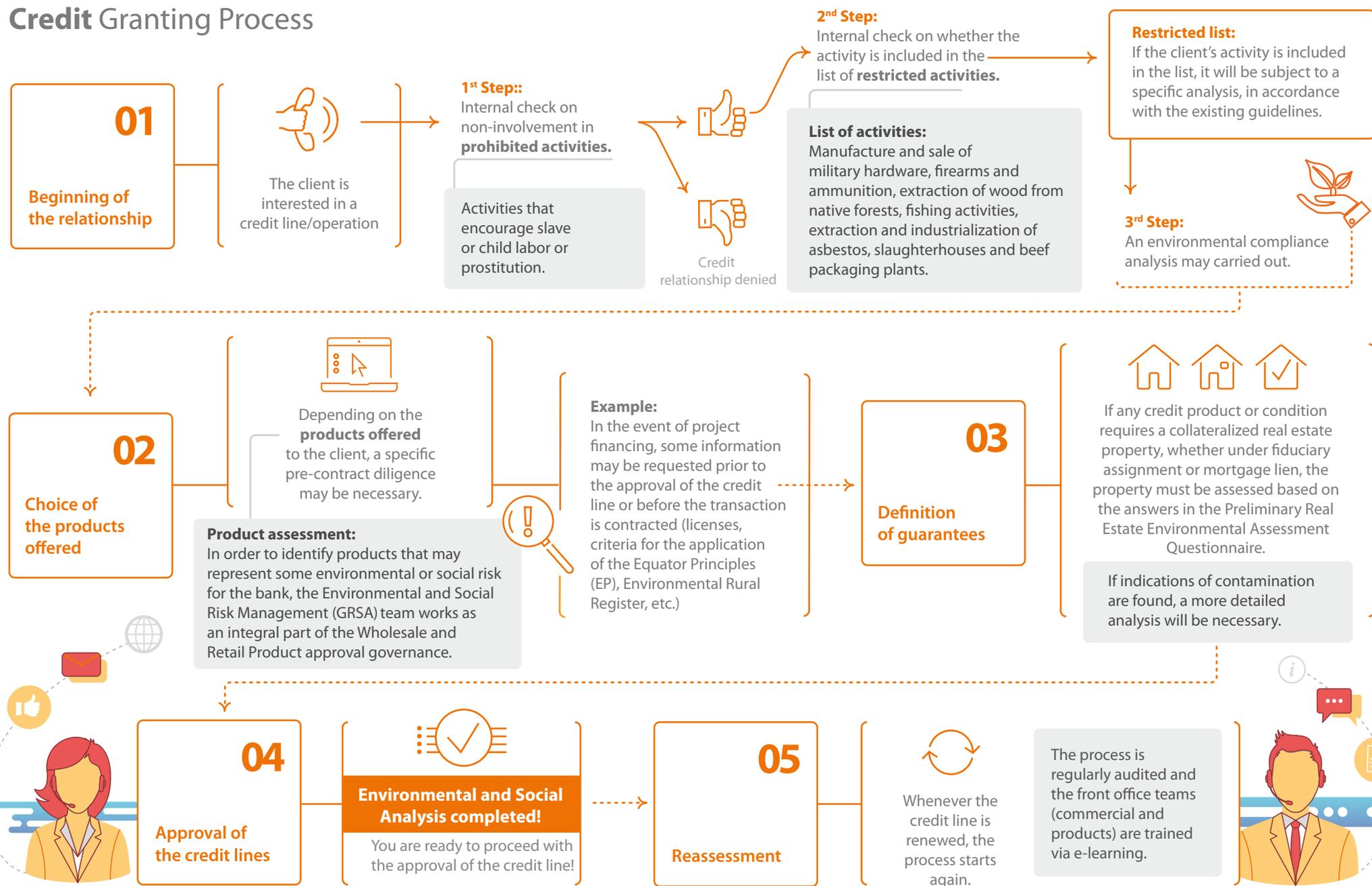
To comply with CVM Resolution No. 4,327/2014, which provided for guidelines for the establishment and implementation of a Sustainability & Environmental and Social Responsibility Policy by all financial institutions, we organized working groups engaged representatives from different functions and external partners. During this process, we included the environmental and social responsibility issues in our Sustainability Policy, which turned out to be our current Sustainability & Environmental and Social Responsibility Policy.

The following commitments assumed in 2015 for the next few years are under way.

1. Expand the scope of our Sustainability & Environmental and Social Responsibility Policy;	In progress
2. Increase our list of restricted activities and integrate different types of environmental and social risks into our processes;	In progress
3. Provide ongoing training courses to our employees; and	In progress
4. Pursue and increase environmental and social opportunities through our businesses.	In progress

To measure the quality of the processes and monitor exposure to risk, the functions are subjected to compliance processes, which are performed by internal control or audit teams. These processes include the assessment of the Sustainability & Environmental and Social Responsibility Policy for adequacy, and the findings of this work are reported periodically to the relevant forums, such as the Environmental and Social Risk Committee. GRI G4-DMA Audit (former FS9)

Credit Granting Process



Our environmental and social management system is aimed at mitigating the risk we assume in financing activities that may not be in compliance with our policies, which are based not only on environmental and social laws, but also on international good practices. To formalize the methodology to identify, assess, mitigate and monitor risks, we launched in 2007 our Corporate Environmental and Social Risk Policy which contains the grounds of our environmental and social risk management strategy.

The analysis criteria are guided by restricted and prohibited activities lists, real estate guarantees requirements, inclusion of environmental and social contract clauses, local environmental and social legislation compliance assessment and best practices for managing environmental and social risks in projects.

Fundamental criteria

In the process of granting and formalizing credit for corporations, we consider as condition precedent checking the activity developed by the client to make sure that it is not included in the list of prohibited or restricted activities.

The activities included in the List of **Prohibited Activities** are contrary to our principles and values. Accordingly, the Institution does not grant credit to corporations that develop activities that:

- Promote and/or exploit prostitution, including child prostitution;
- Use child labor in a manner that is not in accordance with legislation; and
- Use labor conditions analogous to slavery.

Clients involved in the activities listed above are identified by tracking media reports. If a client has been proven to be involved in such activities, it is blocked in our systems and becomes unable to contract new credit transactions. In 2016, 126 clients had their credit transactions blocked due to indications of engagement in activities considered prohibited, and five were successful in proving that they had changed their practices and, as a result, their relationship with the bank was resumed.

In this regard and inspired by good international practices, we adopted specific procedures for granting credit to corporations whose activities are included in the List of Restricted Activities, with the following industries being considered restricted:

- Manufacture and sale of military hardware, firearms and ammunition;
- Extraction of wood from native forests;

- Fishing;
- Extraction and industrialization of asbestos; and
- Slaughterhouses and beef packaging plants.

For the **Restricted Activities**, there are specific sector guidelines in place to help us identify the major impacts, risks and documentation necessary for our clients to prove compliance with environmental and social requirements. This assessment is the minimum condition for a client to have its credit limit approved or renewed and should be applied to all clients for which risk was taken on credit transactions above 500,000 Brazilian *reals*. If any non-compliant circumstances are identified, a note is inserted into the system and new transactions are subjected to preliminary analysis.

In 2016, 274 analyses of clients that developed restricted activities were made, as shown in the following table:

Analysis of clients that developed restricted activities

Activity	Large companies	Medium companies	Small companies	Total
Weapons and Ammunition	1	-	2	3
Deforestation	-	37	146	183
Fishing	-	6	5	11
Asbestos	-	1	1	2
Slaughterhouses	1	40	34	75
Total	2	84	188	274

Credit approval criteria

The social-environmental analysis is one of the main matters that compose the credit process. Our analysis is performed based on the requirements of each product and on the guarantee structure proposed of each credit line.

In order to identify products that may represent some environmental or social risk, we developed a pioneering and integrated product assessment process for the Wholesale segment (large and medium-sized companies). This process is composed of an assessment by means of a questionnaire and establishes the necessary environmental and social governance. Through this process, once the questionnaires are received, we conduct a joint technical analysis along with the legal department and, when a relevant risk is identified, specific requirements are defined as conditions precedent to be met before the credit is offered to the client. For products or transactions identified as exposed to environmental and social risks, in addition to specific procedures, the need to include clauses in loan or financing agreements, in accordance with the principles of relevance and proportionality, is considered. **GRI G4-DMA Product and service labeling (former FS15)**



In 2016, 90 tailor-made products were analyzed in the Wholesale segment. Since October, the process has been extended to the Retail segment (small companies) and 63 products have been assessed.

For credit-granting transactions **collateralized by properties**, the environmental and social analysis is started upon receipt of a preliminary environmental assessment questionnaire containing information on the past and current usage as well as data on the neighborhood of the properties being pledged as collateral in order to assist in diagnosing sources of contamination. In addition, to evaluating indications of contamination, for transactions collateralized by mortgage liens, the bank does not accept as a guarantee rural properties without proof of registration of legal reserve in its enrollment document or registration with the Environmental Rural Register (CAR), which is a tool that helps farmers to be in compliance with environmental legislation. Transactions collateralized by mortgage, rural properties without registration of legal reserve or registry with the CAR may be accepted as a guarantee only if the client provides an instrument of commitment to regularize the legal reserve, which should be signed by the proper environmental agency. The preliminary analysis process is required for 100% of the properties received as a guarantee.

For a better evaluation of the risks involved, our process was divided into two methods of analysis. The Client Analysis, for small and medium companies; and

the Specific Transactions Analysis, for products with environmental and social risk exposure.

Client analysis

The analysis of environmental and social risk for small (retail) and medium companies (middle market), besides the new corporate segment, is done using specific tools and starts from the client's environmental and social categorization, which is based on criteria such as water and energy consumption, emission and generation of liquid effluents, atmospheric emissions, and occupational health and safety risk. Companies are categorized into A, B and C, for high, medium and low potential environmental and social risk, respectively.

The environmental and social analysis is done using social and environmental self-statement questionnaires (only for companies categorized as A), research on environmental agency websites and courts of justice, lists of contaminated areas and consultations in the media, among others. The questionnaires address environmental issues, such as waste treatment, supplier management, pollution control and social issues, including relations with society, interaction with indigenous areas, *Quilombolas* communities and preservation of historical and cultural heritage.

In 2016, 3,206 analyses of clients were carried out, as shown in the table below.

Environmental and Social Reports for Small and Medium Companies – 2016⁽¹⁾

Category	Favorable environmental and social report			Unfavorable environmental and social report			Compliance requirements and adjustments ⁽²⁾			Total ⁽³⁾		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Ano	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
A	378	486	443	284	486	342	149	288	105	811	1,260	890
B	1,383	1,746	1,998	582	982	435	185	308	70	2,150	3,036	2,503
C	185	454	144	43	241	70	17	103	7	245	798	221
Total	1,946	2,686	2,585	909	1,709	847	351	699	182	3,206	5,094	3,614

(1) Sectors of the list of prohibited activities, as shown above, are not considered.

(2) Favorable report after measures taken to comply with environmental and social policies and regulations in force.

(3) The client analysis was reviewed, resulting in a new method and its criteria. The new process is being tested for its final adjustments.

Itaú restructured the portfolio of clients engaged in rural activities and created a new segment called Rural Clients, which is composed of large rural producers (Individuals) who may use the whole array of products offered by the bank. In order to mitigate any environmental and social risks of the segment, we designed an environmental and social analysis process specific to these clients, which is currently in the pilot project phase. As part of the initial actions, we provided two training courses, one of which including a field visit to empower and raise the awareness of the commercial department to identify environmental and social risks while visiting clients. The objective is that, in 2017, all clients in this new segment are subjected to the environmental and social analysis as part of the credit approval and renewal process.

Specific transactions

Where the bank is financing a **project** or where, without regard to the financial product transaction type, there is a relevant environmental or social risk embedded, the transaction is subject to a deeper assessment and to more comprehensive governance in order to guarantee responsible risk decision-making.

For financing transactions in which we act as a financial institution for onlending deals, named Earmarked Funds, the procedures applicable to each program/line are required in addition to our internal analysis criteria. As an onlending bank, in 2016, we analyzed financial transactions that corresponded to an amount of R\$538 million.



In financing projects or acquisition of heavy vehicles, whenever we are involved we establish specific conditions to mitigate the risk of financing activities that are not in compliance with current legislation.

For financing transactions related to acquisitions of heavy vehicles, we require the presentation of the environmental license or, depending on the activity performed, a release of this license issued by the proper environmental agency. If any irregularity is identified, we indicate that the financing should not be granted or we work with the client so that it makes efforts to clear the irregularity.

To finance projects considered green or brown field, the criteria and guidelines are described below.

Project analysis

For the Wholesale segment (medium and large companies) in charge of transactions involving financing to large corporations and projects, we apply in the environmental and social risk assessment the criteria established in our Wholesale Corporate Environmental and Social Risk Policy (E&S Risk Policy) or the criteria required by the EP. The procedures of the E&S Risk Policy are applied to the financing of projects that are not included in the scope of the EP, such as letters of credit and asset finance. The EP, meanwhile, are applied to Project Finance or Corporate Project Related Loans, respecting specific triggers established by the Principles. As a process for assessing and managing environmental and social risks and impacts, we perform steps such as risk assessment, mitigation and monitoring, covering various aspects, including impacts on traditional communities, cultural heritage, biodiversity, and compliance with local legislation.

The environmental and social analysis of projects begins with a preliminary categorization of the project, considering its impact on the environment and on social aspects. The categorization is based on an analysis of environmental and social topics, using as reference the Performance Standards of the International Finance Corporation (IFC) and the Environmental, Health and Safety Guidelines established by the World Bank. During the categorization process, additional information may be requested, and conferences and meetings with clients to confirm the categorization may be held. Projects may be categorized as A, B or C, for high, medium and low, respectively, and arrangements related to the analysis are made based on the categorization.

In order to manage the assessed risks, we define monitoring plans, which are agreed upon with the client, to address the main gaps identified during the assessment process or to preventively monitor the issues that are relevant for the project, such as compliance with environmental and social legislation and, where applicable, with the IFC Performance Standards. The plans agreed upon are incorporated into the loan agreement and monitored – at least annually – over the term of the agreement. The commitments are formally assumed contractually, as a condition precedent for the release of the funds and for the maintenance of the agreement. Failure to comply with them may be considered an event of default.

To ensure careful diligence in the financing of projects that are under the scope of the EP or falling within the ambit of the E&S Risk Policy, each monitoring cycle involves, based on the E&S risk category, site visits, analysis of documents, meetings with clients, and support from external experts in different environmental and social topics. As of December 2016 a total of 153 projects, contracted in prior years were in the monitoring phase.

EP

Since 2004, we have been applying the EP, which are a benchmark set of guidelines and criteria to identify, assess and manage environmental and social risks in projects financed by means of Project Finance, where the total amount of the capital invested is equal to or higher than United States Dollars (US\$)10 million, or by means of Corporate Project Related 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 total aggregated loan amount is equal to or higher than US\$100 million; (3) our individual commitment is equal to or higher than US\$50 million; and (4) the term of the financing is of at least two years. Further, where we act as Project Finance advisors or where we provide bridge loans that will be refinanced under Project Finance or Corporate Project Related Loans, we also apply the guidelines established by the EP.



In our business model, we have a team exclusively dedicated to structuring Project Finance transactions to which the EP criteria apply. The Project Finance team is organized by sectors, which integrate the macroeconomic and regulatory aspects into the portfolio of products.

In addition to the assessment undertaken by our E&S technical team that supports the project finance department, the projects that are under the scope of the EP may require the retention of an external consultant to carry out an independent environmental and social review. Engaging an independent consultant is mandatory for the financial closing and over the life of the loan for all high-impact projects and for those with medium risk, as selected by our technical team. For medium and low risk projects, the review can be undertaken by our own technical team. [GRI G4-DMA Audit \(former FS9\)](#)

The analysis according to the criteria of the EP occurs throughout the term of the financing. The extent of this diligence in the environmental and social risk management was disclosed in the article “The Equator Principles and the IFC Performance Standards – Itaú Case Study on Financing Projects in the Energy Sector”. Using the energy sector as a backdrop, we presented in this material some of the most common challenges and difficulties faced by our teams and the lessons learned over ten years applying the EP. See the article “The Equator Principles and the IFC Performance Standards – Itaú Case Study on Financing Projects in the Energy Sector”, launched in 2015, by [click here](#).

Finally, data on the projects contracted in accordance with the criteria of the Equator Principles III and our Sustainability & Environmental and Social Responsibility Policy can be found on [page A-271](#) of this report.

Professional development and initiatives

In addition to the assessment process, as pioneers in the adoption of the environmental and social criteria for credit analysis purposes, we carry out initiatives not only to disseminate best practices, but also to improve them internally through training initiatives for employees.

In 2016, our Environmental and Social Risk Management team, composed of 18 professionals, took more than 880 hours of training. These training events were carried out

both in Brazil and abroad and included courses, lectures, forums, workshops, symposia and discussion groups on environmental and social challenges. In addition to the technical training programs, the professionals of the environmental and social team also developed other key skills through institutional development programs focused on banking and risk and interpersonal management aspects, such as communication and negotiation skills.

Additionally, our team was also involved in internal training efforts. In 2015, we developed an environmental and social e-learning process, that in 2016 reached 79% of capillarity of our employees including professionals in the areas of commercial, credit and products.. Moreover, we enhanced the qualification of the back office areas through the strategy of internal knowledge multipliers focused on environmental and social compliance. The team was also dedicated to stakeholders’ engagement coordinating a number of knowledge-building meetings and events.

Workshop on the IFC performance standards

Focusing on our activity management strategy, we sponsored and coordinated, in partnership with the IFC, a training event on the IFC Performance Standards. This event took place in São Paulo and was live broadcasted to other four countries in Latin America. Participants shared unparalleled experiences in the application of the IFC’s Performance Standards on project financing. Among other key issues, special focus was put on critical challenges in Brazil, such as biodiversity and indigenous peoples. The event was attended not only by EP signatories, representing an important engagement of non-signatories as well, including the Bank for Economic and Social Development (BNDES).

Based on the World Café methodology and counting on an advanced quiz technology, the event promoted high-level technical discussions inspired by real cases and their impasses. The result was an approval rating of more than 90% among the participants, in addition to reinforcing the importance of building strong partnerships.

Mortgage Loans

[GRI G4-DMA Product portfolio \(former FS1 | former FS2\)](#)

The guidelines in our Environmental and Social Risk Policy apply to all loans for commercial and residential construction projects in all regions of Brazil.



In 2016, our Corporate Plan, designed to generate construction financing, was offered mainly to companies posting over R\$30 million in annual earnings, and the portfolio totaled R\$10 billion. [GRI G4-FS6](#)

Mortgage Loans – Reports issued in 2016⁽¹⁾

Favorable Reports	Unfavorable Reports
101	35

(1) There are projects that have been presented more than once; the numbers above consider each of the analyses. In addition, there are cases that were turned down on a first review and then approved. The Unfavorable Reports also consider projects that have been removed from the list because they require complementary information, such as regional studies.

Our evaluation process begins with a field visit conducted by partner engineering firms, which, by means of visual analysis of the region and the area surrounding the site where the construction will be made, verifies if there are indications of contamination, such as gas stations, repair shops and hospitals, among others.

The information collected during the visit is recorded on a questionnaire (Building Site Environmental and Social Form), which covers general aspects of the building site and surrounding area. The client applying for the financing is requested to answer a questionnaire (Client Environmental and Social Form), which covers aspects of the history of the building site and surrounding area. Both questionnaires include information on environmental aspects that may be indications of contamination, such as:

- Consultation of the Contaminated Areas Register of São Paulo, Rio de Janeiro and Minas Gerais (the only states that have the register) in relation to address of the enterprise; and
- Project Analysis, Incorporation Register, Environmental License and Construction Permit, which may contain information about contamination of the land where the project will be built.

All information gathered during the field visits by engineering firms and by the client are analyzed internally by our professionals, who complement the analyses with consultations on the websites and portals of municipalities or other entities when necessary. This analysis uses maps available on the internet, which allows us to determine the location of the building sites and if they are near gas stations, old factories or cemeteries, since these could be indications of contamination.

The work of partner engineering firms is not limited to visiting building sites for possible contamination but also includes developing Technical Feasibility Studies and measuring the physical progress of the construction until it is completed.

If environmental and social, credit or image/reputational risks are identified, the operation is analyzed by our Environmental and Social Unit, which will issue a report.

The transaction is approved by internal authorities, which decide whether the bank will go ahead with the transaction. If necessary, our Legal department is also engaged and prepares contractual clauses containing conditions that protect the transaction, such as accelerated payment in the event some obligation is not fulfilled or non-release of the financing in case a given document is not provided, among others.

Insurance [GRI G4-DMA Product portfolio \(former FS1 | former FS2\)](#)

In 2016, the Insurance committee continued to advance the actions plans designed in 2015 with a view to increasingly improving processes and governance management. The activities planned and performed in 2016 include, for example:

- Work in conjunction with regulatory bodies;
- Reassess the environmental and social risks in calculating insurance premiums; and
- Training material for and employees' qualification.

The Insurance committee comprises an officer, superintendents and managers. Its role is to integrate the sustainability initiatives into the insurer's businesses, identify risks and opportunities and provide guidance to businesses. The insurance products and sustainability functions play a part in this committee.

Our assessment of environmental and social risks in the insurance activity takes into consideration the guidance from the Principles for Sustainable Insurance (PSI), of which we have been signatories since 2012, and which provides guidelines to minimize exposure to environmental and social risks and to boost proper management by insurance companies. In addition to the PSI, we also take into consideration the guidance from our E&S Risk Policy applicable to insurance operations for products intended for corporations. This document defines rules, regardless of the product or service marketed, and provides general and specific guidelines for the analyses of environmental and social risks, claims, product development, and environmental and social clauses.

In 2016, to implement the PSI, we created an internal website that comprises all the topics related to sustainability and we have also developed a tool to assess the E&S risks of new products. In pricing our insurance products, we currently take into consideration climate issues for each region. The analysis of these aspects in the insurance price is based on the geographical location, frequency and potential for generating social, environmental and economic tragedies.



In 2015, with the intention of disseminating the policy and the importance of environmental and social issues, we conducted training sessions for Insurance Products, Back Office and Claim Departments, which were attended by 88% of the employees. In 2016, we created e-learning, which will be applied to all employees who interact with products intended for corporations throughout 2017. Our commitment is to train 80% of these employees. **GRI G4-DMA Product portfolio (former FS4)**

In 2011, environmental services were placed into operation. Itaú Homeowners Insurance pioneered in launching environmental services as part of its assistance package, providing its clients with sustainable solutions such as:

- **Smart Disposal:** The client requests the collection of waste, such as electric and electronic equipment, household appliances, furniture, etc., and Itaú arranges for their proper disposal, ensuring an ecologically responsible destination.
- **Environmental Guidance:** A specialized advisory team provides guidance on the conscious use of water and electric power as well as tips on waste recycling.
- **Eco-efficient projects:** These services enable the execution of eco-efficient projects tailored to the needs of each client, including: projects designed for water reuse and rainwater harvesting, 'green' roof and sustainable construction/renovation for different types of houses.

In five years, Itaú Homeowners Insurance has reached approximately 140,000 items and 1,587 tons of waste disposed of in an ecologically correct manner.

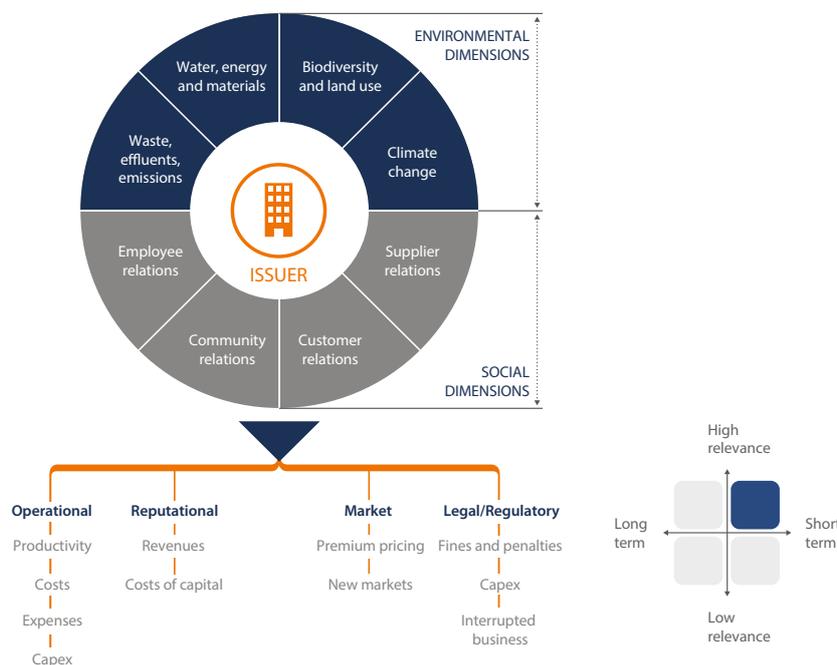
In addition to environmental aspects, we have also made efforts to integrate social questions into insurance products. A platform known as *Proteja* (Protect) (www.itau.com.br/proteja) provides tips and guidance on protection and insurance and video tutorials delivering explanations on the main insurance questions. The objective of this platform is to make the public in general aware of the importance of this "protection" and to help people better understand the insurance sector in a simple and uncomplicated manner. **GRI G4-DMA Product and service labeling (former FS16)**

www.itau.com.br/proteja) provides tips and guidance on protection and insurance and video tutorials delivering explanations on the main insurance questions. The objective of this platform is to make the public in general aware of the importance of this "protection" and to help people better understand the insurance sector in a simple and uncomplicated manner. **GRI G4-DMA Product and service labeling (former FS16)**

Investments GRI G4-DMA Product portfolio (former FS1 | former FS2 | former FS5) | G4-FS10 | G4-FS11

Responsible for managing clients' assets, Itaú Asset Management has been a signatory to the Principles for Responsible Investment (PRI) since 2008. It is also a signatory to the CDP and has asked for companies' information about Risks and Opportunities related to Climate Change. Adhesion to such voluntary commitments guides us in the adoption of an approach that integrates environmental, social and corporate governance issues into investment practices with a view to mitigating risks and identifying opportunities for our clients.

The business valuation methodology developed by Itaú Asset Management consists of including environmental and social variables in traditional valuation approaches by analyzing their impact on the cash flow and capital cost. The objective of this methodology is to adjust the target price of papers traded on stock exchanges and identify early events that may create or decrease value. For the valuation of fixed income securities, the model is adjusted to estimate the absolute impact of the environmental and social variables on the issuers' cash flow. This approach provides flexibility for managers, who use the analyses based on their specific strategies and mandates. Our methodology considers variables such as materiality, sector relevance, temporality, risks and opportunities, metrics and management, as shown in the following diagram:



In the valuation process of the “climate change” variable, we use carbon pricing tools. Putting a price on carbon is considered an innovation in the international market and the practice has been discussed by governments and companies as a tool to drive a cleaner economy. Under our methodology, carbon is priced using a taxation model based on the international market (USA/Australia). Our analysts simulate the levy of a tax on CO₂ emissions in carbon-intensive sectors and products. Under our model, the estimated rate is used as an input variable to estimate the cost of GHG emissions by companies listed on the Brazilian stock exchange. Based on this, we calculated the amount of the financial impact of these emissions on the companies’ market value and, consequently, on the price of their shares. We believe that this approach, in addition to encouraging investee companies to adopt best practices, allows investors to analyze more accurately the risks involved in the companies.

Currently, 100% of the companies listed on IBovespa and Bovespa Business Sustainability Index (local acronym ISE), as well as 72% of the companies listed on IPSA, Chile’s main index, and 25% of the companies listed on the Argentina stock exchange (Merval), were valued using the Environmental, Social and Guidance (ESG) integration methodology. The same practice has already been applied to 85% of the corporate fixed income.

We have a structure dedicated to evaluating these criteria which comprises a portfolio manager and a Socially Responsible Investments (SRI) analyst who model the ESG impact and become involved with the investee companies. Additionally, we have a partnership with independent consultants specializing in the matter – one of them engaged in the academic sector.

We have adopted a transparent approach to sharing our practices and learnings based on the belief that we can inspire other organizations to adopt practices aligned with sustainability. Accordingly, we made [our methodology](#) publicly available and participated in several industry events to present our method and discuss the integration of environmental, social and corporate governance aspects into the valuation process of investee companies. Among the most relevant events we attended in 2016, we can mention the annual meeting of signatories to the PRI supported by the UN. Held in September in Singapore, the event brought together institutional investors, asset managers and service providers. The agenda included discussion on the integration of ESG into responsible property and how these topics impact investment decisions.

In addition to applying the methodology in building portfolios, we considered ESG aspects when exercising our voting rights at stockholders’ meetings for the assets held by the fund. Our Policy for Voting at the Investee

Companies’ Annual General Meetings ([Proxy Voting Policy](#)) is based on the code of Regulation and Best Practices for Investment Funds, developed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). **GRI G4-DMA Active ownership (former FS12)**

The Policy establishes that voting rights will be exercised when funds have more than 3% of the company’s capital, or when a company has an interest of more than 10% in a single fund. Calls to stockholders’ meetings are analyzed in advance by the SRI analyst and portfolio managers. The exercise of voting rights is public to the extent that the companies publish the minutes of their meetings. **GRI G4-DMA Active ownership (former FS12)**

Aiming to deepen its commitment to invest our clients’ resources in an ethical and responsible manner, Itaú Asset Management signed the Green Bonds Declaration in October of 2016, intending to demonstrate to the market and regulators that the signing investors are aware of climate change and believe that green bonds can be an adequate investment option to fulfill their fiduciary duty.

In our vision, the ESG issues affect the value of the assets in which we invest. Being so, these issues must be taken into account in our investment process. We have incorporated the theme “responsible investing” in our process aiming to generate value for our clients through the identification of opportunities and reduction of risks in equity and corporate debt portfolios under our management.

Environmental and Social Funds **GRI 201-1**

In addition to the risk mitigation processes, we offer our clients funds with an environmental and social addition:

- **Fundos Itaú Excelência Social (FIES):** since their launch in 2004, these equity funds have invested in socially responsible companies. The process for selecting companies that are part of FIES consists of excluding or including certain sectors/companies and applying the ESG integration method for the other assets eligible for investment. Additionally, 50% of the management fees from this family of funds is donated to educational projects developed in Brazil by non-governmental organizations (NGOs). From 2004 to the end of 2016, more than R\$30 million was transferred to 165 NGOs, benefiting over 36,500 children and youths, besides 3,400 educators.
- **Fundos Itaú Ecomudança:** Ecomudança funds donate and lend 30% of their management fees to support 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 a total of 46 projects. The program benefited around 980 families, of which 473 had an increase in income of more than 10%. It also carried out more than 2,000 hours in training on sustainable practices. The cumulative reduction of GHG generated by the benefited projects reached the amount of 22,000 tCO₂e. For more information on the participating projects, [click here](#).

- **Fundo Itaú Futura:** from 2010 and 2016, Fundo Social Itaú Futura donated more than R\$1.64 million to educational projects developed by the Roberto Marinho Foundation's Futura TV channel, which accounts for 30% of its management fee.

In 2016, in line with the objective of developing environmental and social business opportunities, we endeavored to understand the "impact investing" business model. Our objective on this new front is to help develop the ecosystem of businesses of impact in Brazil.

Environmental and Social Opportunities **GRI**

G4-FS7 | G4-FS8

We know that our work does not end with the identification and mitigation of environmental and social risks. As a financial institution, we seek opportunities in the different lines of business in which we operate that promote positive environmental and social impacts.

For the corporate banking segment, before any credit decision, the bank takes environmental and social aspects into consideration in its analysis. This analysis directly impacts the client credit rating, cost of transactions, sector allocations, types of guarantee and mix of products to be offered.

All the sectors in which we operate were studied by our environmental and social technical team, considering international environmental standards and geographic region issues. We believe that, by adding environmental and social variables to our credit rating model, the relationship with our clients is reanalyzed, thus providing incentives or limiting access to credit.

We are aware of the complexities associated with climate change. For that reason, in the last few years, the dedication of our teams has enabled US\$100 million onlending from the Inter-American Development Bank (IDB) for renewable energy, energy efficiency, clean production, biofuels, sustainable construction and green projects. Besides that, we disbursed from an IFC line the amount of US\$400 million for renewable energy generation, energy efficiency and GHG reduction projects. Finally, in 2016, we supported, independently of

multilateral lines, wind power projects in the amount of R\$550 million to mitigate climate change.

Other environmental benefits were attained using onlending facilities from the BNDES through the BNDES Finem, BNDES Automático, and financing through Rural Credit and Caixa Econômica Federal (CEF – Brazilian Federal Bank) lines. Through BNDES Finem, we allocated funds to renewable energy projects and improving the logistic sector, including the expansion of waterway capacity, totaling R\$364.9 million in contracted transactions in 2016. Additionally, we disbursed from CEF the amount of approximately R\$113 million for sanitation projects.

Still through BNDES Finem, Itaú provides credit from Prorenova line, a BNDES credit line aimed at supporting the renovation of plantations and introduction of new sugarcane plantations. In 2016, we closed the amount of approximately R\$94 million through this program. Prorenova actively collaborated to reestablish the productivity levels of the Brazilian sugarcane crop and, nowadays, after the review carried out by the BNDES, the program has the objective to encourage technological diffusion through the planting of varieties of sugarcane that are not widespread in the sector.

Furthermore, in 2016, Itaú coordinated the first green bond issuance in the Brazilian market. In this deal, Suzano Papel e Celulose raised R\$1 Billion (approximately US\$290 millions) eight-year securitization using a Brazilian structure named CRA "Agribusiness Receivables Certificates".

In addition, in order to promote social benefits, we kept in force all the multilateral funds in the amount of US\$1.7 billion. The IFC, Inter-American Investment Corporation (IIC) and Overseas Private Investment Corporation (OPIC) allocated these funds for projects and companies in Brazil's North and Northeast regions, namely small and middle-market companies and women-led companies.

It is worth saying that the value involved in operations that promote environmental and social benefits is equivalent to approximately 0.5% of the credit portfolio of the wholesale segment, a total of about R\$1 billion.

Pioneering and partnerships

In order to recognize business opportunities with positive environmental and social impact, in 2015 we created a working group within the sustainability department fully dedicated to developing and evaluating the feasibility of this new business. Since then, we have developed studies and proposals with several stakeholders aiming to engage and generate environmental and social business, seeking for the transition to a low carbon economy.



In 2016, together with the Brazilian Federation of Banks (FEBRABAN), we estimated the capital allocated to green loans in the Brazilian economy. This work front, which was jointly coordinated with FEBRABAN, aims to develop a methodology to measure financial resources allocated every year in activity fields that are more likely to cause environmental damage and to those that are considered green economy. The study will enable monitoring of the evolution of the capital invested in each one of the topics previously mentioned and the related decisions made. In 2016, 14 banks, which account for 87% of total loans to companies in the Brazilian financial system, took part in the study.

For further information, [klik here](#).

FEBRABAN and the Brazilian Business Council for Sustainable Development (CEBDS), supported by Itaú Unibanco, had developed a guide for the issue of green bonds in the Brazilian market. The guide aims to provide guidelines to participants and stakeholders in the Brazilian fixed income securities market regarding the process of issuing green bonds.

Still in 2016, we entered into a strategic partnership with the Task Force on Social Finance of the *Instituto de Cidadania Empresarial* (ICE – Corporate Citizenship Institute). The purpose of the group is to articulate a network to attract investors, entrepreneurs and partners for them to foster profitable business models, which may solve social or environmental problems, and, therefore, promote reflection on how to manage resources and the needs of society. Accordingly, this strengthens our position as supporters of the impact investment ecosystem.

Itaú Microcredit

Itaú Microcredit is for microentrepreneurs in the formal and informal sectors who have limited access to the traditional financial system, in accordance with the conditions of Brazil's Guided Productive Microcredit program. Its purpose is to contribute to the improvement of small businesses, increasing the offer of products and services in the places served and reducing the unemployment rate in the surrounding areas. Itaú Microcredit is available in economically underprivileged areas in the metropolitan regions of São Paulo and Rio de Janeiro. The lowest credit amount is R\$400.00 and the highest credit amount may reach R\$14,200.00. [GRI G4-FS13](#)

In 2016, we granted R\$16,274,860.00 to 2,968 clients, and reached a final portfolio of R\$9,268,060.00 with 2,778 clients, 16.3% of which represent entrepreneurs who had not been previously served by the program. [GRI G4-FS6](#) | [G4-FS7](#)

Microcredit Agents [GRI G4-DMA Product portfolio \(former FS2\)](#)

Our operation is independent from the branches. We have a team of microcredit agents trained and equipped with notebooks and smartphones to serve the microentrepreneurs directly where they operate, thus enabling a close relationship with clients and ensuring the proper destination of credit. [GRI G4-FS13](#)

To attract clients, the microcredit agents first examine the region and analyze the borrower by means of a form (Economic and Financial Assessment Form (FAEF)), which considers repayment ability, capital, and the conditions and effects that the grant may cause to the entrepreneur and the community.

Credit Model

Itaú Microcredit's credit granting processes are based on its Credit Policy, as well as on its Granting Process and Credit Analysis Circular. All employees have access to these documents. Every year, the internal and external processes and operations can be audited to ensure the applicability of the policies. [GRI G4-DMA Product portfolio \(former FS1\)](#)

In order to protect our clients, we provide free-of-charge insurance. In the case of death or permanent disability, this assures the payment of the balance due with respect to the credit and the microentrepreneur's family also receives a food staple and funeral assistance. We have already provided 3,458 of these insurance policies. As part of the inclusion strategy, the credit agent also provides entrepreneurs with point of sale (POS) machines, adding value to the client's business. [GRI G4-FS7](#)

Financial Education [GRI G4-DMA Product and service labeling \(former FS16 | GRI 103-2 | 103-3 Financial education and inclusion\)](#)



A way of contributing to the development of society is to understand people's needs and to offer knowledge and suitable financial solutions 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 is 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:



Financial Education Program for Employees

Since 2009, the program for employees has given advice and tools to help them make more conscious decisions with their money, in order to enable them to reach their personal goals. In 2016, our strategy was focused on expanding the coverage to priority groups.

- **Education:** we provide online and in-person courses, which promote deep thinking about the relation between consumption, personal goals and how people manage their finances. **Online Courses:** from 2015 to 2016, we trained more than 35,000 employees. In 2016, we expanded the online courses to third parties, which impacted almost 16,000 people; **In-person Courses:** from 2014 to 2016, almost 1,700 employees voluntarily attended to our in-person courses on personal finance.
- **Financial advice:** we offer personalized advice free of charge. Since 2014, this project reached more than 2,500 employees.

In 2016, we carried out a study of the program impact on the employees' behaviour. As a result we noticed a more planned usage of the credit and a rise in the investments of those employees. One example is a rise of 9.7% of the employees from Central Administration that had a retirement plan, six months after they did the online courses.

Volunteering Program: *Usa Consciente do Dinheiro* (Conscious Use of Money)

The workshop is practical, has a fun approach and aims to share financial education with young people and adults. The program has already been offered in more than 15 cities of all regions of Brazil, and in 2016, following the strategy of expanding to Latin America, we carried out actions in Paraguay. In total, the program has already impacted more than 6,000 people from NGOs and schools, involving around 1,000 active 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 the state schools at the weekends for activities guided by four pillars: culture, work, sports and health. Through the end of 2016, we trained the vice-principals of 751 schools in Greater São Paulo, who trained volunteers and impacted more than 12,000 people.

Financial Education Program for Corporate Clients

The Financial Education Program offers content, videos and talks given by branch managers free of charge to employees of more than 700 corporate clients that have customer site branches (CSBs). In 2016, we set up pilot lectures about the Conscious Use of Money in digital format. Since 2014, the

program has impacted more than 23,000 clients and 504 lectures were given throughout the country.

Financial Education Integrated with Preventive Action

This initiative focuses on credit customers, who we analyze in order to identify those who might need financial guidance. Through a renegotiation center that uses financial guidance as an approach, we contact clients to understand their needs, so we can provide instruction and offer the correct products to reorganize their credit according to their income. In addition, we send communications using electronic channels.

Financial Education Program for People in Debt

In 2016, we developed financial education courses to people in debt on a partner digital platform. The purpose is to help people to become free from debt through an inspiration and guidance process that has the power to enable changes in behavior.

Campaigns and websites

The financial education content is available on four websites, each one focusing on different topics: the webpage *Usa Consciente do Dinheiro* (Conscious Use of Money) offers free content for different financial situations, while *Proteja* (Protect), *Invista* (Invest) and *Crédito Consciente* (Conscious Credit) provide guidance connected to financial products, such as insurance, investment and credit. Since 2014, these websites received more than 21 million views.

In 2016, our campaign "Vida Real" (Real Life) was broadcasted, with real stories about people in different moments of life. The idea was to show, through real-life dilemmas, how financial guidance can help people achieve their goals. The series have received more than 42 million views.

[Watch it!](#) The "Caldeirão do Huck" TV program brings a section called "Mito ou Verdade Itaú" ("Myth or Truth – Itaú"), where we clarify myths about money. During 2016, it impacted more than 55 million people. The action also involved a brandchannel that received 206 thousand views and gathers the contents showed on TV with the answers to the users' questions.

[Learn more!](#)



Partnerships

We support the Center for Behavioral Finance at the *Getulio Vargas* Foundation in São Paulo and the Capital Market Financial Lab (LABMEC) at *Pontifícia Universidade Católica do Rio Grande do Sul* (PUCRS). Since 2014, the students of LABMEC have provided free financial advice to 1,091 people in local communities. The initiative hosted lectures and events attended by 3,853 people, and more than 3,300 printed materials were distributed. News and media action reached around 1.9 million people.

Certifications

Itaú's financial education initiatives received the certification from the National Strategy of Financial Education (ENEF) program as a result of their alignment with the strategy's principles and guidelines.

Financial Education Strategy

Itaú Unibanco's goals for the period from 2015 to 2018 are:

	Enable real achievement	Provide assistance in the financial decision-making process	Enhance the topic across society
	Provide transparent products, services and offers that help our clients make more conscious decisions with money, to enable them to reach personal goals.	Provide content, tools and solutions that help employees and banking and non-banking clients to make better choices with their money, through multiple points of contact with the bank, and according to their needs and moments of life.	Contribute to the discussion of the topic across society, and inspire people to make better decisions with their money, promoting individual and collective prosperity.
Challenges for 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 "Vida Real" (Real Life) campaign, which impacted 42 million people. Financial guidance for purposes of merchandising at the "Caldeirão do Huck" TV program, on Globo channel. By the end of 2016, we reached 7 participations, impacting more than 55 million people. Volunteering Program "Uso Consciente do Dinheiro" (Conscious Use of Money). The new format, launched in 2015, already has around 1,000 active volunteers in Brazil and Latin America.

Itaú Women Entrepreneurs Program GRI G4-FS14

The Itaú Women Entrepreneurs Program was created in 2013 as a result of a partnership with the IFC – World Bank and the IDB to offer financial and non-financial solutions to women entrepreneurs. In 2016, women represented 39% of our corporate client base of the SME IV segment (companies with annual revenue of up to R\$1.2 million), 34% of the SME III segment (companies with annual revenue of up to R\$8 million) and 30% of the SME II segment (companies with annual revenue of up to R\$30 million).

The main objective is to empower women entrepreneurs in Brazil, who are growing in number and increasing

their share in the economy. The program also aims to test hypotheses about women's relationship with financial institutions and offer the most suitable products to meet their needs, and it adopts a differentiated approach.

This is why the bank continues to offer in-person and online solutions to train, inspire and connect women entrepreneurs. Training so that women can improve management techniques and increase the results of their companies; inspiration so that they can envisage paths of success; and connection so that they can expand contact networks, favoring partnerships and business among women.



Online platform

The [online platform](#) offers content related to aspects of business management, leadership, management tools and motivational videos. In 2016, the portal was renovated and it is now accessible to the general public and not only to the bank's clients. The new version is compatible with mobile phones and tablets and enables women entrepreneurs to access content from anywhere. Additionally, the platform has an exclusive section for them to post virtual business cards and exchange messages for attracting potential clients, suppliers or developing new partnerships. In 2016, the website had 239,000 visits, and, since the new version

launching, the monthly visits average increased by 930% when compared with the previous version.

In-person solutions

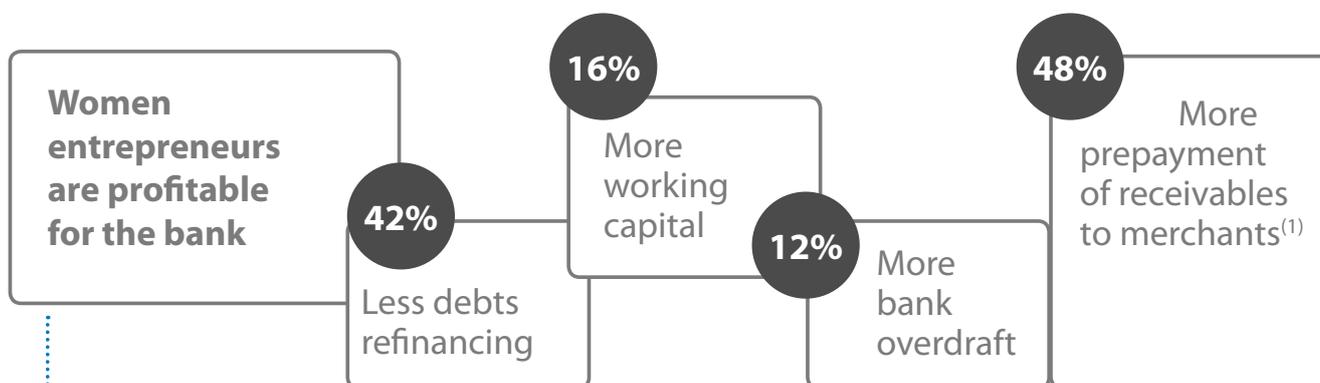
The in-person solutions, which are carried out in São Paulo, Rio de Janeiro, Belo Horizonte and Curitiba, include networking events, business rounds and workshops organized in partnership with renowned universities and strategic partners, since 2014 we hosted 69 of those. In 2016, we held Digital Marketing and Design Thinking workshops, and also increased the number of hours of the workshops on Financial Guidance for entrepreneurs.

Since the beginning of the program almost 6,000 women entrepreneurs have registered in the platform and 43,000 people were involved through our [Facebook](#) page. By using the impact assessment model, which analyzes controlled groups, we identified that women who participated in the program were more involved in networking with other entrepreneurs and within their supply chain. Networking helped them to solve problems and search for business opportunities. These women entrepreneurs are investing more in mentorship, including compensating professionals for adopting more professionalized management. Additionally, their relationship with the bank has improved, increasing their

satisfaction with Itaú when compared to other women clients who are not part of the program.

We also identified that the participants in the Itaú Women Entrepreneurs Program are contracting 48% more prepaid receivables, 12% more overdraft accounts, 16% more working capital and 42% less debt financing, when compared to the bank's average portfolio. Therefore, having a program that seeks to empower women, especially in the finance field, tends to allow women to feel more comfortable to use financial products and services as way for their company growth.

Impact assessment of Women Entrepreneurs Program



In order to strengthen the relationships with women entrepreneurs, contribute to the growth of our business, attract new clients and, consequently, increase the result for the bank, we implemented the following actions:

Increase of the number of hours of the workshop on finance from 4 to 16, in partnership with the Getulio Vargas Foundation (FGV)

Reformulation of mentorship, with 5 individual sessions

Conduction of a survey on the Female Financial Behavior

2016

(1) Resulting from sales made with credit cards.



In 2016, we also carried out an impact study of the Itaú Women Entrepreneurs Program (local acronym IME). The resulting data showed that, on average, women taking part in this program outperformed those in our client base that do not take part.

Main indicators feature a higher investment margin that indicates a healthier financial condition, since investments made by a small business are identifiers of excess cash, which shows good management capacity and concern for the future, possibly using provisions for either scheduled (payment of Christmas bonus, investments, taxes, etc.) or non-scheduled expenses (lower revenues from sales). Additionally, the participants of this program also recorded an 11% increase in annual revenues, corroborating their improved financial performance.

This improved management is also noticeable in view of the number of clients in default (participants of the program in default are 5% less than non-participants) and, among those in default, the former are in default up to nine days less than non-participants.

This improved performance of women entrepreneur participants also generates a positive financial return to the bank. When compared to women entrepreneurs not participating in the IME, the participants record a higher margin of their making use of services, such as Investments, Banking Services (up 7%), and Insurance (up 55%).

Comparison base	Investment margin	Service margin	Insurance margin	Days in default	Is (not) in default
Women entrepreneur participants					
X	+142%	+7%	+55%	-9	-5%
Women entrepreneur non-participants					

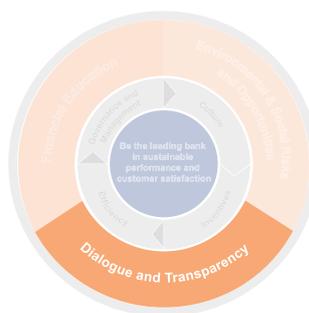
Women and Itaú

The program is engaged in discussion for the promotion of gender equality within the scope of clients and society. To this end, we extended the discussion to other areas, expanding the bank's operation agenda.

The bank takes part in discussion forums regarding gender inclusion, and is represented at the Global Banking Alliance for Women (GBA) Council. We support other initiatives, such as the *Fórum Empreendedoras* (Forum on Women Entrepreneurs) and the *Quem são elas* (Who are they) survey, promoted by the Women Entrepreneur Network.

We also foster discussion on gender equality by means of sponsored activities, such as a panel at the Ethos Conference and at the Integrated Training for Sustainability project with university students of the Getulio Vargas Foundation.

Dialogue and Transparency GRI 102-43



An important part of our strategy is the promotion of initiatives to establish a transparent and ongoing relationship with our stakeholders. This relationship helps to understand the transformations in

contemporary society, whereas it contributes to developing solutions aligned to the needs of the new society.

We believe that, by sharing practices, results, knowledge and also by promoting dialogue with different audiences, we can inspire initiatives and boost transformations in society and in our business. The priority stakeholders are the audiences of the Sustainable Performance Spiral: employees, clients, stockholders and society. For each stakeholder group we have specific initiatives that will be explored in later chapters. We also seek dialogue with the various sectors of society, anticipating trends and developing a positive agenda.

Transparency to the market

Transparency on social, environmental and governance data is a fundamental assumption for seeking sustainable performance. The most relevant information related to sustainability is published on an annual basis together with the other information in this document: the Consolidated Annual Report 2016.

Additionally, in order to make accountability more objective, we entered into a partnership with the International Integrated Reporting Council (IIRC) in 2013. Since then, our Integrated Report has been published annually. It is a concise publication focused on our ability to create value to stakeholders in the long-term. Our Integrated Report 2016 can be accessed at www.itaub.com.br/relatorio-anual, or in English at www.itaub.com.br/annual-report.

We are listed on the major sustainability market indices, such as the DJSI, the BM&FBOVESPA Corporate Sustainability Index (local acronym ISE) and the Carbon Efficient Index (local acronym ICO2). In 2016, we achieved the best score from DJSI in the Banking sector for "Anticrime Policy/Measures", "Financial Stability and Systemic Risk", "Business Risks and Opportunities" and "Financial Inclusion". From ISE, we are benchmarked for these criteria: "Commitments, Ethics and Transparency", "Legal Compliance", "Intangible Assets Management and Performance Management", "Relationship with the Community", "Relationship with the Client and Consumers", "Demands Resolution of Clients and Consumers" and "Mitigation and Systems Management".

By responding to the questionnaires used in the selection process of the indexes, we assess our progress in the implementation of the sustainability projects and identify points for improvement that may be incorporated into our management. We also believe that this practice advances the sustainability agenda among companies, and fosters transparent communication and transactions in the responsible investments market.

As one of the major fronts of this strategic focus, our stakeholder engagement strategy is detailed below.

Stakeholder engagement [GRI 102-43](#)

Our engagement processes are based on guidelines and criteria of the international standard AA1000APS and on an internal circular, developed and published in 2014, which establishes the methodology for attracting the stakeholder engagement in relation to the sustainability strategy. Our methodology begins with the prioritization of stakeholders (employees, clients, stockholders, society and suppliers) and the identification of critical issues, selected according to environmental, social and economic impacts for the organization and the stakeholders involved. [GRI 102-40](#)

Our engagement action plan for sustainability topics covers the following stages: defining scope, identifying stakeholders, determining the degree of engagement, selecting methodology, assessing the risks involved and carrying out the engagement process. [GRI 102-42](#)

Content generation

We are aware of the trends and transformations in contemporary society, and we carry out and support studies and research related to sustainability. This content influences our internal initiatives and is made public so that more people and institutions can have access to this knowledge. The main studies launched in 2016 to be supported and/or developed are, for example:

- About Longevity: *Diálogos Viver Mais* ([Live Longer Dialogues](#))⁽²⁾;
- About climate change, green economy and others: Studies in partnership with CEBDS [available here](#); and
- About Woman Entrepreneurs with *Quem são Elas* (Who are they) study in partnership with *Rede Mulher Empreendedora* ([Woman Entrepreneurs Connection](#)).

(2) In 2016 it launched the paper *Diálogos Viver Mais* (Live Longer Dialogues), in one event, which received the same name and was attended by 128 people, including experts, companies and opinion makers, at the auditorium of *Pinacoteca do Estado* (Art Gallery of the State of São Paulo), in São Paulo.

Relationship with stakeholders

We establish frequent dialogues with people and institutions that are reference of our topics of interest as a way of hearing and sharing practices and tracking trends. The relationship includes lectures and panels at events or conferences, as well as the relationship with institutions by means of representations. The main activities carried out in 2016 are described below:

Lectures held in 2016

The main purposes of the lectures were to share knowledge, inspire and hear. In 2016, 37 lectures were held in companies, organizations, universities, conferences and workshops.

Representations 2016

We actively take part in organizations, the purpose of which is to bring companies and experts together to discuss and act towards a more balanced society in social and environmental terms. The main representations in 2016 were (referenciar capítulo de representações)

In addition to engagement processes for specific topics, we have a number of tools that involve and preserve ongoing dialogue with stakeholders such as: workshops, studies, publications, talks and lectures, surveys, public meetings and social media. We have channels for specific contacts available on our website, emails and exclusive telephone lines for press and media relations, an External Ombudsman service and consumer protection agencies, among others.

Information about our business is disclosed and easily accessed through the following channels: our investor relations website, the *Ações Itaú em Foco* (Itaú Shares in Focus) publication, our [Facebook](#) and [Twitter](#) profiles, and public meetings with investment analysts, stockholders and other stakeholders.

We strive to address and provide feedback for considerations raised by our stakeholders. Through our Consolidated Annual Report, we provide accountability based on our materiality and sustainability strategy, on a transparent basis, to different groups of stakeholders without distinction. [GRI 102-44](#)

The following table shows our most significant tools for engaging with our stakeholders.



Tools of engagement GRI 102-40 | 102-43

	Method of engagement/ attracting engagement	Frequency	Description
Clients	Dialogue Forum	Annual	The Dialogue Forum is an annual meeting attended by the bank and PROCON (Consumer Protection Body), public defenders, public prosecutors and consumer protection agencies.
	Online Chat for complaints from PROCON	Ongoing	Our External Ombudsman's Office has an Online Chat function for complaints from PROCON, thus handling possible issues fast.
	Customer Service	Ongoing	Customer Service Center (SAC, Online Chat, Social Media, Call Centers and External Ombudsman's Office).
	Telephone Survey Contacts	Annual	Annual telephone contact survey studies a representative sample from each segment's portfolio, in order to measure customer satisfaction regarding banking services from specific business units and compare the results with those of our competitors.
	External Ombudsman's Office	Ongoing	Intended to provide quick and definitive solutions to complaints raised by customers who are not satisfied with the responses from regular channels – branches, customer service or call center.
	www.consumidor.gov.br	Ongoing	The bank adhered to the government initiative for online solutions to customer complaints received directly by the company through the website www.consumidor.gov.br (Consumidor.gov).
	Structured communication	Ongoing	Through the review of the client's journey, we identify opportunities for improvement in the customer experience, structuring actions of proactive, personalized and digital service.
Employees	Internal Ombudsman's Office	Ongoing	The way of assessing mechanisms for handling complaints, such as the Internal Ombudsman's Office.
	Labor unions	Ongoing	We maintain an ongoing dialogue with labor unions representing all our employees in different professional categories.
	Meetings	Semiannual	Meetings between bank union representatives and bank representatives, with a presentation of industry statistics and indicators by the National Federation of Banks (FENABAN).
	Communication channels	Ongoing	E-mail (marketing e-mails, newsletters and statements), intranet, digital panels, screen protectors, business magazine, teller machines, totems for visual communication and Corporate TV (TV Itaú Unibanco).
	Dialogue with Leadership	Annual	Since 2010, the <i>Portas Abertas</i> (Open Doors) program has resulted in meetings between employees, our CEO Roberto Setubal and the Chairman of the Board of Directors Pedro Moreira Salles to discuss important issues related to the organization. These meetings are also a means of spreading our culture and holding dialogue with employees.
	Meeting among Leaders	Annual	The opportunity during which all Itaú Unibanco leaders meet in order to become acquainted with and share the organization's present and future challenges. The Meeting among Leaders is held annually to communicate current-year results, guidelines and strategies.
	<i>Fale Francamente</i> (Speak Frankly) Survey	Annual	The <i>Fale Francamente</i> (Speak Frankly) survey is conducted annually with all employees to assess the level of satisfaction in relation to the work environment and people management.
Training programs	Ongoing	The Itaú Unibanco Business School devises learning solutions, which match the organization's culture and strategies. It offers specific training programs covering technical and behavioral topics for the needs of the various departments of Itaú Unibanco. It fosters initiatives for developing and continuously improving teams and leaders through the use of a range of methodologies and medias, since people are seen as fundamentally material to the continuation and sustainability of business, delivering results and benefits to the stockholders, employees and society alike.	
Suppliers	Dialogue	Annual	Train suppliers to strengthen their commitment to our culture, disseminate good practices related to risk mitigation and discuss opportunities to improve efficiency for our operations.
	Communication channels	Ongoing	We provide our suppliers with communication channels, such as website and e-mail. In 2016, we implemented the Reporting Channel to ensure a transparent and ethical environment between us and our suppliers by e-mail.
	Recommendations	Semiannual	We forward good environmental and social practices recommendations, through a formal statement by email, to all the suppliers of the bank.
	Monitoring/Audit	Monthly	Monitoring the approved suppliers on a monthly basis, in order to check that the original conditions are maintained.
Stockholders	Public Meetings (Apimec)	Annual	In 2016, we held 16 public meetings with Apimec (Association of Capital Markets Analysts and Investment Professionals) in Brazil with the attendance of more than 2,200 participants.
	Conference Calls	Quarterly	We held four quarterly conference calls during the year. Each of them was transmitted in real time in Portuguese and English and may be accessed by telephone or on the Internet.
	Investors Relations website	Ongoing	Our corporate information is posted on our Investor Relations website (www.itaunibanco.com.br/investor-relations). We have sections dedicated to announcements to the market and material facts, and information on corporate governance and other information regarding Itaú Unibanco.
	Ações Itaú em Foco (Itaú Shares in Focus)	Quarterly	Ações Itaú em Foco (Itaú Shares in Focus) is a quarterly stockholders newsletter, sent after dissemination results.
	Social media	Ongoing	We were the first company in Brazil to have an IR profile on Twitter (@itaunibanco_ri) and a Facebook page (facebook.com/itaunibancori).
	Reports	Periodic	Management Report, Annual Consolidated Report, Integrated Report, Reference Form, Debt Prospectus of the Medium-Term Note Program (MTN Program) and Form 20F.
	Market indices	Annual	We are listed on the major sustainability market indices, such as the DJSI, the ISE, the Carbon Efficient Index (local acronym ICO2) and the Euronext Vigeo Emerging Markets 70 Index.
Society	Integrated Report	Ongoing	In order to make our reporting simpler and more efficient, we signed up to a partnership with the IIRC in 2013. Our 2016 Integrated Report may be accessed on our site: www.itaunibanco.com.br/relatorio-anual or www.itaunibanco.com.br/annual-report .
	Social media	Ongoing	Facebook, LinkedIn, Twitter, Medium, YouTube and Instagram.
	Relationship with communities	Periodic	We participate in discussions, events and actions with communities around our Business Center and Technical Operations Center, located respectively in the Jabaquara and Mooca neighborhoods in the city of São Paulo. We follow and invest in education, sports, culture, health, diversity, urban mobility and innovation. We work to identify needs and opportunities in regions where we have large operational centers and, together with the leaders of local communities and regional public administration, we support actions of social transformation. We work with civil society and third sector entities with the purpose of generating and sharing knowledge. An example of this is the work that Itaú Unibanco develops in order to promote Bike as a means of transportation, starting from the pillar of access to the use of bicycles, fomenting the structures necessary for urban cycling and cultural change.
	Relations with government entities	Periodic	We maintain contact with governmental entities in order to collaborate in the construction of public policies convergent to the interests of the organization and society. The performance of public organizations is based on principles of ethics, transparency, morality and legality, ensuring democracy and respect for the laws of the country and the principles established by the Itaú Unibanco Code of Ethics.
	Meetings and workshops (Media)	Periodic	We hold meetings and workshops to disclose material information on topics that help people understand how the financial sector works and its implications for a globalized world.
	Ongoing dialogue (Media)	Ongoing	As part of our outbound scope, we combine our ongoing dialogue with communication strategies to receive and provide appropriate referrals to demands from the media and opinion makers.
	Reputation tracking (Media)	Monthly	The monitoring process is carried out on an ongoing basis through the RepTrak® Deep, and the IQEM (Media Exposure Quality Index). Dive study with stakeholders: media, key opinion makers and the general public.



Human Rights

Since 2004, we have formalized and published the commitment of Itaú Unibanco Holding S.A to respect human rights in relations with its most sensitive audiences, encompassing our businesses and relationships with employees, clients and suppliers. This commitment is driven by the UN Guiding Principles on Business and Human Rights, under the "Protect, Respect and Remedy" framework, the objective of which is to provide guidelines to prevent Human Rights risks we are exposed to.

In 2016 we adopted, under our new code of ethics and certain policies, a series of operating principles relating to the main human rights issues of our key stakeholders – employees, clients and suppliers – which include respecting and fostering diversity; combating child labor and work under slavery-like conditions and any kind of discrimination based on gender, culture, ethnicity, race, social status, religion, sexual orientation and political beliefs; combating moral and sexual harassment; promoting occupational health and safety; respecting privacy, and concern for sustainability in our operations.

We monitor and supervise the impacts of our activities on human rights, incorporating activities relating to this topic into our policies and procedures. In 2016, to enhance our diligence in Human Rights, in partnership with an independent third party, we 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.

See [link](#), and our policies in place, such as [Code of Ethics](#), [Corporate Ethics Policy](#), [Sustainability and Environmental & Social Policy](#), [Corruption Prevention Policy](#), [Corporate Governance Policy](#) and [Information Security Policy](#), among others.

This process consisted of four phases that happened in 2015 and during which the following initiatives were assessed:

- **Actions with employees** – hiring, ethics, internal ombudsman, diversity, compensation, career development, benefits, allowances, leaves of absence, incentives, opportunities, health and safety, and sustainability;

- **Actions with suppliers** – sourcing, registration, ratification, contracting, monitoring, sustainability and corporate security;

- **Actions with corporate clients** – environmental and social risk management, corporate security, information security, prevention and combat of illegal acts, prevention and combat of corruption, sustainability, and inspections; and

- **Institutional programs and policies with the above-mentioned audiences** – diagnosis, revision and integration.

This process enabled us to identify the need to improve specific governance for human rights to ensure alignment of guidelines across the business units, increase the agility of the strategic decision-making and promote transparency in taking actions and addressing issues.

Our objective for 2017 is, therefore, 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 the topic.

In addition, we are orientated by commitments that help the organization apply the best practices of corporate social responsibility governance, such as:

- Universal Declaration of Human Rights (UN);
- International Covenant on Civil and Political Rights (UN);
- International Covenant on Economic, Social and Cultural Rights (UN); and
- International Labor Organization (ILO).

Learn more about our work with employees on [page A-213](#), with suppliers on [page A-231](#); and with clients on [page A-225](#).

To learn more about our commitments to Human Rights, [click here](#).



Employees

Personnel Management Department

GRI 103-2 | 103-3 Attraction, retention and development

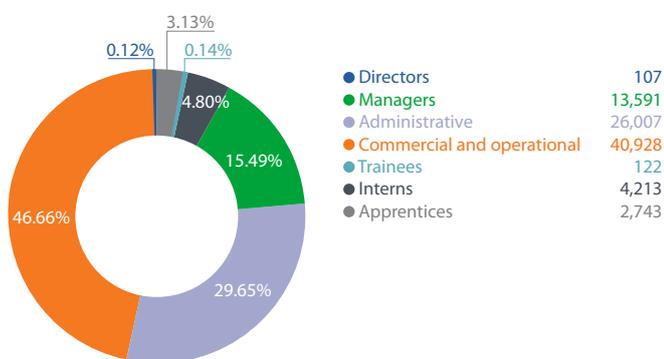


The aim of Itaú Unibanco's Personnel Management Department is to attract, retain and develop the organization's talent, disseminate the organizational culture ([Our Way, as detailed in item Our profile](#)),

Employees

and work in partnership with the business units in the quest for sustainable performance and customer satisfaction. Our actions are based on the Personnel Committee's strategic guidelines.

Hierarchical level⁽¹⁾



(1) Managers are considered employees who manage people. Administrative are considered employees of administrative areas that do not manage people. Commercial and operational are considered collaborators of the branches that do not manage people.

The department is made up of teams from the Human Resources Services and Products department and Business Partners' teams, which are responsible for meeting the needs of the bank's business or administrative units.

We seek professionals who, besides having the necessary competencies for developing their activities, are committed to increasing customer satisfaction and becoming future leaders of the organization.

Diversity

GRI 103-2 | 103-3 Diversity, equity and inclusion

As a recognized and valued theme in our culture, diversity is managed by our Personnel Management Department and guided by our Internal Policy for Diversity Enhancement based on three basic principles: fair competitiveness in relation to differences; heterogeneity within the organization (gender, persons with disabilities, sexual diversity, ethnicity/race); and implementation of policies and projects that value and promote diversity. We also have specific guidelines, such as the Inclusion Policy for Persons with Disabilities (PWDs), the Apprentices Program and the Human Rights Policy, see more [clicking here](#). We endeavor to show the importance of valuing the diversity of sexual orientation, gender, ethnicity/race, persons with disabilities, generation or beliefs through seminars, training and other activities involving internal communication, such as lectures, information posted on the intranet and videos. In this way, we seek to foster respectful dialogue and together fight against judgmental views that lead to discrimination. We also hold workshops for our suppliers (selection, training and outsourced companies), as well as for our managers and teams, with the purpose of expanding, disseminating and promoting diversity.

Goals planned for 2016	Completed/in progress/not addressed or goal revised	What are the results?
Reformulate the themes of Diversity in leadership training	Completed	Revised strategic plan for each training theme for managers on each topic involved in the inclusion and management of employees with disabilities. Workshops are held as part of the training cycle for all new bank managers.
Dialogues on Diversity	In progress	With the aim to disseminate the theme to the organization, we prepared plans for talks with the many stakeholders of the organization, of several hierarchical levels and areas. 41 meetings have been held and other events are already planned for this and the following years. As a result, it was possible to improve the area's strategies by way of a more accurate diagnosis of the realities faced by our employees.
Institutional communication	In progress	We are revisiting our current diversity policies to better adjust them to the department's new strategies. Additionally, the internal Portal is being restructured to provide all employees with easier access to information on diversity. A Diversity campaign will be concurrently launched, addressing the importance of differences for the internal work of the organization and the direct contact with clients, fostering the respect and appreciation of differences. This campaign will be made available for all employees in Brazil.

Goals planned for 2016	Completed/in progress/not addressed or goal revised	What are the results?
Prepare managers and teams for receiving a new employee with a disability	Completed	Preparation of managers and teams in receiving persons with disabilities on three key fronts: 1) Strategic reformulation of the primer on leadership of diverse teams, resulting in more assertive content including critical instructions for the leadership of teams including employees with disabilities, clearly showing challenges and benefits. 2) A four-hour workshop offered to managers who are to receive a new PWD employee to better equip the manager to evaluate the employee with disabilities in terms of their capabilities. 3) The institutional positioning of the Diversity area in relation to managers, teams and the Business Partners' Department as a focal point for clarifying doubts and managing conflicts.
Integration Program	Completed	Consolidation of a proposal for an integration program for PWD employees structured in the form of rotation through different areas and participation in a specialized training program. The two together offer and guarantee the qualification of PWD employees so that they are able to take up functions in the bank with solid prospects for retention and career progression within the institution. In this way, the aim is also the demystification of the difficulties involved with the inclusion of PWD employees and their conditions for professional development.
Inception Program – Developing People with Disabilities	In progress	A program aimed at the inclusion and career development of PWD, based on an attraction and selection process focused on aligning the applicant's profile to the area of performance. A 12-month program, it promotes development actions – such as technical, behavioral training and mentoring – to foster the professional growth in accordance with the organization's culture, also qualifying the future employee's managers. A rotation system among the departments is used to expand the range of knowledge the analyst will use in the department he/she will be assigned to work. The first group had 20 participants and is currently in rotation, and a second group started in December 2016.
Alignment with training services suppliers	Completed	To ensure the efficiency of PWD inclusion programs, which have as a core factor for success the mobilization of stakeholders, indispensable partners in the realization of projects in this area. Consequently, the aim is the practical implementation of the bank's institutional proposal for diversity.
Strategic repositioning for attracting and selecting PWD professionals	Completed	Preparation of clear criteria for identifying candidates, enhancing the relationship with and disclosure in PWD university focus groups, participation in PWD debates and benchmark events, matching of vacancy profiles with professional profiles, including the consideration of possibilities for adaptation and the necessities for allowing the employee to perform their activities.
Believe Program – Inclusion of People with Autism	In progress	The Believe Program, which centralizes the inclusion organization's People with Intellectual Disability projects, was expanded to implement a pilot project of inclusion of People with Autism. In October 2016, two consultants with autism started to provide services to the organization. Two managers were qualified to receive these two consultants and help them in their professional development, with further emphasis on their skills in performing activities.
A Support Guide for Inclusive Managers	Completed	In 2016, a web-navigable guide (PDF-format file) was developed and launched. Structured into modules, it makes it easier for managers to identify topics on which they have doubts, as follows: Institutional: (1) Purpose of the support guide for inclusive managers; (2) Itaú Unibanco and valuing diversity. Legislation: (1) Context: a picture of the disability; (2) Quota Law: ensuring access to jobs. Disabilities: (1) Learning about disabilities; (2) Physical disability; (3) Visual impairment; (4) Hearing impairment; (5) Intellectual disability. Support to management – Instructions to you: In this way, we encourage managers to read the material according to the practical need they may have, without the obligation to read the whole material at once, which may lead to a lack of motivation for the topic.
A Support Guide for Employees	In progress	Based on the guide for managers, a navigable PDF file in the same modular format is in preparation, aimed at clarifying doubts and providing instructions for employees with disabilities, and at also showing the role of each person to foster diversity within the organization.
Mapping Accessibility Resources	In progress	Aimed at having in a base the required resources of all PWD employees of the organization, for strategies of Personnel purposes (likewise the Workplace Exit Plan), we started a task force to map the accessibility resources of all PWD registered in our payroll. Additionally, the integrated personnel system is under review to comprise all this information (corroborated by specialized consultancies, involved areas and some PWD employees), so that no resource is left outside the mapping. Concurrently, from November onwards all hiring of PWD will become part of a new flow that provides for the continuity of such mapping.
Talks with women	In progress	Based on talks with women from all hierarchy levels of the organization, the intention is to capture the scenario of women's professional development in the company and, as a result, bring about new proposals to address gender issues.
Association to the Women 360 Movement	Completed	To take part in the exchange of experiences among companies, further review specific case studies, prepare materials that can be shared by the association participants and support the latter, as far as there is expertise to be shared, in the preparation of action plans for themes they want to advance according to the program principles.



Goals planned for 2016	Completed/in progress/not addressed or goal revised	What are the results?
Structure a method for monitoring the development of apprentices during the Apprentice Program	Completed	To ensure the improvement of the apprentice's performance, we have created an analysis method to monitor: <ul style="list-style-type: none"> • Assiduity of the apprentices in the theoretical training and in the complementary development platform; • Performance in practical activities and behavioral adherence in their day-to-day routine; and • Activities of the apprentice in relation to customer satisfaction at the branch level, contributing to the sustainable growth of the business. A system to monitor this process is in preparation.
Review the institutional process for enhancing the use of apprentices who reach the end of their apprenticeship contracts throughout Brazil	In progress	In weekly business meetings, we established a process for the career development of apprentices ready to be absorbed in the institution as interns in the branch network or in entry-level job positions. On the basis of a defined process, we coordinate with the Selection department a continuous flow for mapping available vacancies and for submitting young people for selection processes.
In-person monitoring with managers and apprentices throughout Brazil	In progress	Monitoring in the branches with managers and apprentices to map improvements and consolidated processes in the pillars of activity: Hiring, Development and Career Progression.
Raise awareness, involve and engage the main stakeholders of the organization in race-related issues	In progress	In partnership with a consultancy specialized in the topic of race for the promotion of equal opportunities in the workplace, we have achieved so far the following results: <ul style="list-style-type: none"> • A periodic agenda with the top leaders of HR for reporting, aligning and assessing the action plans designed for race-related issues; • A periodic forum together with the Attraction and Selection department to seek initiatives for hiring black persons; • Raising awareness of the following departments: Business Partners, Attraction, Selection, and Selection Suppliers; and • Lectures in different universities on Racial Diversity in the Workplace, with productive debates on diversity and the subsequent creation of a database of applicants from the attending students. <p>The following actions are in progress:</p> <ul style="list-style-type: none"> • Raising awareness of the bank's Legal department; • Raising awareness of the Marketing department, for external and internal communications; • New lectures in universities; and • A study of actions for 2017.
Adhering to the Program for Promotion of Gender and Race Equality	Completed	We undertook a diagnosis in the organization of practices focused on the elimination of gender and race discrimination. Action plans were subsequently designed for the qualitative improvement of current practices, with actions to be addressed in the management of people and organizational culture. With this commitment affirmed, which is corroborated every two years, we agree to follow the plan and thus endorse the organization's intents.
Create a working group including different areas of the organization to strengthen and foster all diversity pillars within the several institutional and business actions	Completed	In meetings every two weeks over the year, we are able to engage representatives from over ten different teams. In these meetings we share the actions scheduled and in progress of each area, exchange experiences, contacts and indication of new initiatives, with the ultimate goal of addressing all diversity themes in the organization.

Our Diversity Profile

	Total ⁽¹⁾	% of total employees	Important initiatives in 2016
Women	52,597	59.96	In 2016, we conducted a series of actions to incorporate the gender issues into the organization's strategy, and as a result we prepared a plan of understanding women's perception of this topic. Based on a consolidated diagnosis involving quantitative indicators and qualitative conclusions, we will design an action plan for 2017. As at December 31, 2016, the bank reported 50.7% women in managerial positions and one who sits on the organization's Executive Committee.
Black persons	18,082	20.60	All actions carried out in 2016 focused on race-related issues in the organization were significant in terms of results and lessons learned. We understand how important it is to proceed with the initial strategy of bringing this theme to open debates in formal forums, raising awareness of all stakeholders of the HR and concurrently bringing it to managers and employees, so that we are able to measure, in the medium-term, the results in our staff (a larger number of black employees).
People with Disabilities	3,998	4.50	After undertaking a detailed diagnosis based on qualitative and quantitative data of the current situation of the organization, we defined that the PWD Inclusion Plan in 2016 will focus on aligning the PWD's qualifications and profile with the activity they perform. We have concurrently centralized an action plan to raise awareness and guide managers so that they are engaged and empowered to perform their role as leaders of diverse teams, a fundamental factor for the professional development of People with Disabilities.
Apprentices	2,743	3.10	In 2016, we worked on the apprentices' career progression flow process, by developing a proposal to monitor managers/apprentices, and also the hiring process of the apprentices.

(1) Compiling only data from Itaú Unibanco companies managed by the Human Resources department. Reporting companies remaining in 2016: Itaú Unibanco S.A., Itaú Corretora de Valores, Hipercard Banco Múltiplo, Itaú Unibanco Holding, Microinvest S/A, Banco Itaú, BMG Consignado, Provar Negócios, Luizacred S.A., Credicard Promotora, Fic Promotora, Redecard S.A., Itaú Seguros S.A., Itaú BMG, Itaúseg Saúde S/A, Kinea Investimentos, Banco Itaúcard S/A, Icarros Ltda., Pro-Imóvel Promotora, Itaú Adm Prev Ltda., Marcep e Banco Itaú BBA S.A.



Employee health and safety

GRI 103-2 | 103-3 Health, safety and well-being

We have a specific department for managing, running and developing the activities that make an ongoing contribution to occupational safety, and to the facilities, equipment and tools used in our business. Through internal procedures and policies known as Regulation of Personnel (RP), we have established institutional guidelines for the issues involving Occupational Safety and Medicine, which provide support for the Occupational Health Management model, such as:

Health

Program for professional rehabilitation and readaptation and support upon return to work

This program consists of a team of doctors and psychologists trained to support and guide the employee, adjusting progressively the latter's activities to his/her health limitations so that he/she can fully resume his/her functions after the conclusion of the readaptation plan.

Professional Rehabilitation

Designed to reintegrate the employee into the labor market after a leave of absence, through reeducation or readaptation. Eligibility for the program is based on social security (INSS) criteria.

Fique OK Program

Fique Ok (Be OK) is a personal support program open to all our employees and their families. The program is operated by a multidisciplinary team and attendance is by telephone, round the clock (throughout the night and weekends in the event of emergencies), seven days a week on a rapid, confidential and free basis.

Occupational medical examinations

To provide clarification on five types of medical examinations, which meet the Ministry of Labor and Employment's NR 7 regulatory requirements, the latter establishing the introduction of the mandatory PCMSO program – Program for Medical Control of Occupational Health. The aim of this program is to promote and preserve the employee's health, as well as to prevent and secure an early diagnosis of diseases related to activities linked to the workplace or the employee's work itself.

Complementary clinical evaluation

This policy establishes procedures and responsibilities for leave of absence for health treatment against the presentation of a medical source statement. The policy's objective is to broaden the scope within which the employee's health is monitored, as well as to set out terms and rules for presenting documents, medical leave of absence registration (doctor's letter) and approving employee's absences.

Occupational health and well-being programs

Our actions and programs focused on health education are designed to prevent illnesses and provide advice on the adoption of healthy and balanced lifestyles. They are intended for both employees and their family members, involving the communities surrounding our administrative hubs whenever possible. These initiatives include:

Programs/services	Description	Number of participating employees
Nutritional Care	Offers nutritional clinical care. Offered to those centers with the largest number of employees: CE, CAT, CT, ITM and CA Brigadeiro.	A total of 1,754 persons seen
Fitness Center	We have partner fitness centers that offer employee discounts in addition to our own facilities at some of our offices.	4,072 employees
Checkup	The Conglomerate's officers, directors, senior managers, specialists at senior management level, head office managers and specialists at management level are all eligible for checkups.	About 2,864 executives eligible
Mothers and Pregnant Mothers Support Policy	The Mothers and Pregnant Mothers Support Policy provides a series of rules, procedures and benefits to be offered to employees during pregnancy and mothers returning from maternity leave to meet their physical and psychological requirements.	In 2016, about 2,568 employees signed up to the Mothers and Pregnant Mothers Support Policy.



Programs/services	Description	Number of participating employees
Women's Health Program	<p>This program is designed to foster women's preventive, behavioral and reproductive health initiatives through on-site talks, newsletters, guidance by e-mail and the corporate intranet.</p> <ul style="list-style-type: none"> • Baby on Board: a program focused on basic advice and guidelines required for the first months of pregnancy such as nutrition of the mother-to-be, care for the newborn, psychological questions, etc. • Mom's Corner: a space for pumping and storing breast milk during working hours. • Baby-at-Home: visits from a specialist nurse to the employee's home in the first week after birth to advise on breastfeeding and initial post-natal care. <p>The program is available to employees at the São Paulo and Greater São Paulo units.</p>	<p>Baby on Board: 1,329 (people) Mom's Corner: 238 (employees) Baby at Home: 836 families</p>
Additional 60 days of Maternity Leave in accordance with the Citizen Company Program	<p>We are signatories to the "Citizen Company Program", which is also open to employees according to the company to which they are posted, adherence being optional. The additional 60 days maternity leave begins on the day immediately following the end of the period of leave granted under the labor legislation.</p>	<p>Out of the total number of employees beginning maternity leave, 95% adhered to the extension under the Citizen Company Program.</p> <p>In addition, 98% of the employees returning from maternity leave in 2015 remained in their jobs for at least 12 months upon their return.</p>
Paternity leave	<p>This is a perk that allows the employee to extend the paternity leave by 15 days. Thus, in addition to the five days that were already legally foreseen, another 15 may be requested.</p>	<p>The program was launched in January 2017 and employees who had children born after December 27th, 2016 may request the additional leave period.</p>
Working Day	<p>At the branch network and subsequent to the appropriate registration in the electronic time clock, we introduced a process for disabling workstations to ensure that employees do not remain at their place of work following registration of departure at the end of the working day.</p>	<p>Number of employees eligible for electronic time clock: 66,520 in December 2016.</p>
Vacations	<p>We have altered the operational process for requesting vacation time, permitting employees to register their vacation period with the option of splitting the period and/or receiving cash in lieu of 10 days' vacation. Under this new process, once the employee has registered the information, managers must approve the request in the system in order to confirm the period.</p>	<p>100% of employees</p>
Fique OK Program	<p>A personal support program opened to all our employees and their family members. The program includes a multidisciplinary team of psychologists, social workers, lawyers, nutritionists, physiotherapists, personal trainers, veterinarians, financial advisors, among others. The service is provided rapidly by telephone, free of charge and is confidential.</p>	<p>Telephone Service: phone calls 144,449/people 15,812 On-site Service: 146 people impacted</p>
Influenza Vaccination	<p>Vaccination offered free to all employees and interns at the workplace and accredited clinics.</p>	<p>About 62,350 employees</p>
Program for professional rehabilitation and readaptation	<p>Detailed in the item above.</p>	<p>1,579 employees</p>

Safety

CIPA and Safety Representatives

To establish the responsibilities and necessary actions to ensure compliance with Ordinances 3,214/78 and SIT 14/07 of the Ministry of Labor and Employment.

These Ordinances govern the mandatory organization of an Internal Accident Prevention Committee (CIPA) and, depending on the extent of its responsibilities, require the appointment of a Workplace Safety Representative (RSLT) trained in accident prevention.

Activities	Description
SIPATs (Internal Accident Prevention Week)	<p>This is held annually at the organization's major administrative hubs with a focus on prevention and raising awareness of the topic of occupational accidents. This initiative is run jointly with CIPA, representing 40% of the total headcount⁽¹⁾ and made up of staff from different hierarchical levels, such as managers, coordinators and analysts. GRI 403-1 Branches are provided with SIPAT contents through the corporate Portal, on the Occupational Safety page.</p>
Accident Investigation with Preventive Actions	<p>Analysis of causes of accidents to further work on prevention and identification of other situations. Covering all employees.</p>
Ergonomic Analysis of Jobs	<p>Preventing employee discomfort when executing daily activities, including the verification of the state of furniture (chairs and desks), equipment, approval of ergonomic accessories, description of activities undertaken, and working hours and workplace organization. This initiative is executed in the workplaces of all company employees.</p>
Environmental Survey	<p>Visits to the units to check temperature levels, lighting, noise, speed and relative humidity of the air in order to comply with legislation. This initiative is executed in the workplaces of all company employees and sectors.</p>



Activities	Description
Occupational Health and Safety Training	Ergonomic adjustment: Provides ergonomic information for telemarketing operators, advice on the correct use of the furniture and equipment. The training is provided by occupational safety experts at the São Paulo telemarketing hubs. Recycling of this training program is periodically conducted via e-learning. Workplace Safety Representatives: At company units where a CIPA is not required, we provide e-learning training on occupational accident and disease prevention. This training is designed for branch managers and supervisors. Employee Health and Safety (NR-1): Employees receive full guidelines relating to occupational accident and disease prevention via e-learning. Ergonomics Training for Tellers: Following the installation of new cash counters in the branch network, all tellers are trained in the correct use of the new installations.
Workstation Evaluation	With a view to enhance employee comfort (including PWD), the Occupational Safety Specialist and Engineering team undertakes individual workplace evaluations to improve working postures while carrying out activities.
Environmental Risk Prevention Program (PPRA)	Rates the performance of the business units in order to verify physical, chemical and biological hazards in the environment and proposes necessary adaptations for eliminating exposure to such risks.
Preparation of Reports on Insalubrious or Dangerous Conditions	On-site inspections made at specific business units to identify insalubrious or dangerous conditions as required by Brazilian legislation on the subject. Conducted in all workplaces where employees are potentially exposed to environmental risks.

(1) The percentage relates to the total number of employees at administrative hubs, excluding branches, International Units and outsourced sites.

The company uses internal indicators and rules to manage various Occupational Health and Safety-related programs.

Occupational Health and Safety issues are also addressed in the Collective Bargaining Agreements with labor unions and the Occupational Safety and Health Sub-Commission of the FEBRABAN.

Our employees are not subject to specific occupational diseases. Incidents are due principally to carelessness or unsafe actions on the part of employees, such as falls between their residence and the company and vice versa, in which cases the company has no management control.

See more details on occupational safety and health-related rates on [page A-280](#).

Performance

Meritocracy

Meritocracy is our way of managing people and we believe that this ranks us among the most outstanding global companies. For us, meritocracy means leading people, recognizing and differentiating them on the basis of their relative performance.

Honest and transparent feedback is part of this exercise, as are opportunities for development suited to employee needs and also the role of each one in continually pursuing the best opportunities.

We do this by using performance assessment tools and fostering development as described in greater detail below.

Meritocracy Cycle

The employee performance evaluation is part of the Meritocracy Cycle and is aimed at measuring the employee's performance over a one-year period. Therefore, we use three evaluation tools:

- **Goals (X-Axis):** the objective here is to evaluate what was achieved through an analysis of the employee's results over the year when set against preset goals and levels of achievement.

- **Behavioral attitudes (Y-Axis):** the objective here is to evaluate how results were achieved by the employee based on an analysis of behavioral attitudes deemed as fundamental by the organization and set out in our corporate culture, "Our Way"; (For more information on "Our Way" and "Our Culture", see the section on [page A-26](#)).

- **Strategic People Plan (acronym in Portuguese – PEP):** consolidation of scores in relation to the evaluation of goals and behavioral attitudes to analyze performance relative to the employee's peers on a group basis.

For the assessment period ended December 2015⁽³⁾, approximately 45,794 employees were evaluated as part of the PEP (including external units), corresponding to about 51% of the total headcount.

At the end of each process, our employees receive feedback to understand their strengths and where there are opportunities for improvement. The feedback exercise provides each employee with ideas for the creation of an Individual Development Plan (acronym in Portuguese – PDI).

PDI

To ensure that each employee's development is continuous and structured, in 2016, 100% of officers, senior managers and 84% of managers prepared their PDI. All of them were discussed in a Development Committee, in which the performance record and career stage were taken into account in the discussion of development, in order to define consequential management. Although recommendable, this activity is optional for the coordinator and analyst levels.

(3) Information on the fiscal year 2016 was not available as at the date of publication.



For cashiers and employees working in the agencies the evaluation is based on the results they bring to Itaú-Unibanco, the Y-Axis and their development to the next career stages in an evaluation process called Career Paths or "Trilhas". Semi-annually, the results, similarly to the X axis, come from the strategic planning of the bank and are bottomed-down to the agencies, and the employee's performance in the agency is scored to compose their "Trilhas". As in PEP, the employees are classified in clusters according to the three perspectives evaluated (Y-Axis, results and development). In "Trilhas", career decisions are taken. 36,626 employees were evaluated in this process in the second half of 2015, corresponding to 43.68% of Itaú-Unibanco.

Others participate only in an individual evaluation (goals and behavioral attitudes evaluation) or other specific evaluation models. This ensures that 100% of eligible employees in the organization are subject to some form of performance evaluation. The 2016 process is still underway. [GRI 404-3](#)

Training and development

The Itaú Unibanco Business School devises learning solutions that match the organization's culture and strategies. It offers specific training programs covering technical and behavioral themes, through the use of a range of methodologies and media.

Our training department fosters initiatives for developing and continuously improving teams and leaders, since people are seen as fundamentally material to the perpetuation and sustainability of the business, delivering results and benefits to stockholders, employees and society alike.

Our Corporate Portal includes policies on training, education and development, providing guidelines for planning and corporate educational initiatives for leaders and their teams. In 2016, the bank invested R\$131 million* in training with more than 4,598 groups completing on-site training activities.

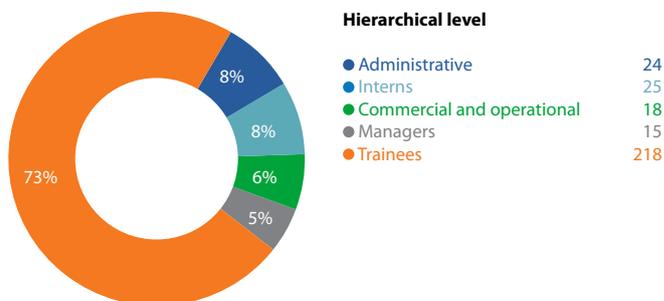
We use two types of indicators to enhance training program management: process (budget, volume and efficiency) and quality (reaction, learning, applicability, impact on business, and return on investment), thus ensuring the input to improve our programs.

See more information on training in the table on [page A-281](#).

Itaú Unibanco Business School in numbers

- Average rate of adherence for training events was **92%**.
- Number of employees trained: **91,897** participations in on-site actions (numbers may reflect one employee participating in more than one program).
- **947,744** participations in online training programs.
- **7,276** scholarships, being **1,427** granted by post-graduation incentive program, **5,500** determined by Collective Work Convention 16/17 and **349** for the study of languages.
- A total of **1.4 million** hours (in-person classroom hours). [GRI 404-2](#)

Average training hours per employee



Leadership training

Based on a strategy for training leaders, including coordinators, managers, senior managers and officers, we seek to ensure the sustainable performance of our business through initiatives and tools for development.

In 2014, we committed to a target to have all coordinators and managers take our corporate leadership training program in up to two years, based on three pillars: people management and performance, ethics workshops and good labor practices in people management. This target was successfully met and 99.9% of managers undertook the program.

For 2016, we continue with the strategy to provide training for managers on the above-mentioned three themes, which were revised as required and according to corporate guidelines, in addition to supplementing the leadership training program with other issues on people management, clients, risks and banking business. In the year, 8,111 managers undertook the training program.

*This amount refers specifically to the training offered by the School of Business

In addition to corporate training activities, we offer specific training actions in line with the career status reached by each executive and customized with their PDI, including both on-site and remote learning solutions, such as online continuing education platforms, language courses, postgraduate and MBA programs, seminars, congresses and short courses both in Brazil and abroad.

Career Opportunity Program (POC) [GRI 404-2](#)

POC is our internal mobility tool, through which employees and interns are encouraged to take on the role of protagonists, seeking opportunities in line with their career expectations, and managers are able to identify people from different departments who have profiles adequate to fill any possible vacancies.

One of the main purposes of this tool is for our employees to be able to take advantage of internal vacant positions, thus providing for the broadening of development

horizons and encouraging them to take on a central role in their career management. In 2016, 1,957 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.

Programs for talents

In order to ensure the sustainability of our business, we must prepare leaders to meet future challenges. Based on this premise, we run attraction and development programs to supply and train future leadership.

Program	Description	Recruitment	Retention rate
Corporate Internship	The program's objective is the attraction and development of young people in different technical competences, practical and behavioral experiences, thus strengthening our talent pool. Participants are assessed through a structured process. In the Corporate Program, there is a possibility for interns to achieve mobility among departments for internships or effectively be hired, by taking part in the #Career program.	3,982 recruited in 2016 (1,442 in the Corporate Program and 2,540 in the Branch Program)	53% Calculation based on the following group: those hired between Jan/14 to Dec/16. Calculation: interns effectively hired, divided by total recruited, less active interns.
Trainee	The purpose of the trainee program is to attract and develop the best talent and to transform the high potential of these young people into exceptional performance. The program permits the rotation of trainees through different business units and includes a development plan, a mentoring program and training in partnership with the best business schools in Brazil.	123 recruited for 2016's Program	97%
	The purpose of the Post-Trainee Program is to accelerate the careers of ex-trainees with high performance, so they can take over positions of leadership after a year. This program is made up of three pillars: strategic vision, global mindset and leadership.	A total of 26 ex-trainees make up the current Post-Trainee Program, selected from the 2015 trainee group.	96% of the 2015 group
Fellows	This program aims at developing the future leadership of the Technology and Operations area of the bank, by attracting the best talent in the market, taking part in top projects that contribute to the bank's transformation process.	1 st group: 17 recruited in 2015	94% up to December 2016
International Sponsorship (MBA, Master, Sloan and LLM)	The program aims to develop our employees on programs such as MBA/Sloan/MASTER (Master of Law – LLM/Master in Finance – MIF) at top business schools in the US and Europe, monitored by the Talents Area and executives.	13	100%
MBA Associate Program	We recruit students from the best US and European business schools for summer internships in our organization. The MBA Students stay in Itaú for nine-12 weeks. During the year we visited over eight overseas universities.	16	MBA Summer Associate: not applicable
	We recruit students from the best US and European business schools for full-time opportunities in our organization.	5	100%
Job Swaps and Expatriates	Our employees are offered a chance to work at one of our international units. Job Swaps (exchange program): developing a short-term project (three to six months, with a possible extension to 12 months, not renewable) at one of our foreign units. Expatriates: employee taking a position at one of our foreign units for a longer period of time (from 12 months to two years, which may be extended for an indefinite period of time).	In 2016: Expatriates: 25 Job Swaps: 38	100% 100%



Speak Frankly Survey

The Speak Frankly survey is held annually with all employees in Brazil and International Units to measure the level of staff satisfaction in relation to the organizational environment and people management.

In 2016, the survey reported satisfaction levels of 85% from a voluntary participation of 89% of all employees. Compared with the preceding year, the overall result was a three percentage point improvement.

This is an important moment to understand the path we are following in building an ever-improving working environment for our employees.

Base-year	Units	% Participating employees	% Satisfaction
2014	Brazil and international units	89	80
2015	Brazil and international units	88	82
2016	Brazil and international units	89	85

The survey's results are forwarded to all the bank's managers and staff, who can access not only the overall result, but also the numbers for their own departments. With these results at hand, managers and employees are encouraged to gather together and analyze the results of their departments and prepare an action plan. To help managers and employees to prepare and define an action plan, we provide a tool called Practice Guide, developed to guide managers and teams to carry out actions that positively impact climate and people management. It comprises 12 best practices and should be adopted based on the needs of each department.

Additionally, the Organizational Climate area prepares studies based on the overall result, by dividing the satisfaction rate by samples (e.g.: corporate to branch network) and by demographic data, and forwards it to the Executive Committee for its appreciation and definition of strategies for the following year.

Best Companies Surveys

Itaú Unibanco participates in four external surveys related to the Best Companies to Work For concept, in an effort to comprehensively monitor management practices and to compare them to other companies in the market. The focus of the surveys is analysis of aspects of the management of the organizational climate. Great Place to Work organizes this research in partnership with *Época* magazine, Aon consulting company, in partnership with the magazine *Valor Carreira*. Finally, the last two surveys are conducted by Fundação Instituto de Administração (FIA) in partnership with the periodical *Você S/A*. – one of which is a satisfaction

survey of the young. The institutes select more than 5,000 employees randomly to answer surveys.

In 2016, Itaú Unibanco was among the Best Companies to Work For in all rankings mentioned above.

Recognition

Each year, we stage the Walther Moreira Salles Award, one of our most important forms of recognition, the purpose being to enhance the value of the organizational culture by showcasing exceptional employee projects and practices.

The award covers both projects and managers who have achieved notable results in themes such as efficiency, customer satisfaction, innovation, risk management and leadership. Each successful entrant is awarded a trophy and a specified number of our shares are distributed equally among the winners. In the 2016 event, there were 565 entries, 12 finalist projects and three finalist leaders, and a total of 40 employees who received awards.

Compensation⁽⁴⁾

[GRI 102-36](#) | [GRI 103-2](#) | [103-3 Diversity, equity and inclusion](#)

Fixed and variable compensation policy

The purpose of fixed compensation is to recognize a professional's competence and seniority. Employees may have their fixed compensation altered in accordance with our promotion and merit policy, which takes into account the individual's consistent performance and exercise of their responsibilities. Fixed compensation for our employees, plus payroll charges and benefits, totaled approximately R\$14 billion in 2016.

Variable compensation recognizes individual performance levels, the bank's earnings, and its short, medium and long-term sustainability. Each employee has targets to meet that are linked to each department's strategy, which in turn reflects our global strategy.

Our policy for fixed and variable compensation is in line with market practices and our compensation strategies depend on the unit in which each employee works. Market alignment is assessed annually through a survey conducted by specialized consultants. We also take part in surveys held by other companies while also attending forums specializing in this topic.

A committee involving our senior management supervises our governance model and determines general principles

(4) Information on the companies of Itaú Unibanco Holding in Brazil managed by the Human Resources department (International Units not included).



and guidelines, in line with market practices and regulations. For more details on our compensation practices, [see Our Governance section, Administrative Structure item, Compensation Committee.](#)

Additionally, our employees are assured salary increases and profit sharing based on the collective bargaining agreements signed with the unions for each employee category.

Our variable compensation programs are as follows:

Types of variable compensation	Description
Profits Sharing (local acronym PLR)	Distribution of a percentage of our net income up to an amount specified in the collective bargaining agreement signed with the relevant union.
Profit Sharing (local acronym PR)	Our profit sharing program reflects our business performance (such as a business area's results) and the employee's individual performance.
Supplementary Profit Sharing Program (local acronym PCR)	Participation in profit-sharing programs that depend on the results of our corporate performance (example: Itaú Unibanco Holding's performance). It consists of the payment of an amount determined in accordance with the union concerned.
High Performance Compensation Program (local acronym PRAD)	Additional profit sharing for the 30% of employees who were best evaluated and not covered by profit sharing programs. This program also depends on the Conglomerate's performance.
Differentiated Performance (local acronym PD)	PD is a program for employees in leadership or similar positions in our conglomerate. Compensation takes the form of the deferred vesting of our preferred shares (ITUB4). This model reflects individual assessments to reward professionals who have been outstanding in their results and behaviors. Its aim is to strengthen personnel management, self-development and team building.

Partners Program: we adopt a long-term incentive program that recognizes and highlights professionals who make a difference, spearheading the building of the Conglomerate's future, as well as reinforcing and disseminating the vision and a "business owner" attitude, strengthening and propagating the organization's culture. Under this program, employees and management members who are partners or associates may invest part of their Profit Sharing to purchase shares of Itaú Unibanco Holding, receiving a corresponding matching (partners' shares). For more details, please see [page A-75](#).

Benefits [GRI 401-2](#)

We offer several benefits under the collective bargaining agreements with labor unions that cover obligations such as meal or food vouchers, monthly staples packages, day-care/nanny costs, transportation vouchers, etc. 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.
Complementary Private Pensions	• There are 22 pension plans managed by two closed funds and one open fund. Two main aims are served by these plans: topping up social security benefits and maintaining standards of living for retirees. • Our contributions to pension plans totaled approximately R\$239 million in 2016. Around 70% of employees have voluntarily adhered to some of the plans offered.
Group Life Insurance	Group life insurance covers a beneficiary's death or disability. The plan automatically includes spouses and children and extended funeral assistance coverage. Employees who already have life insurance may get a supplementary policy to increase the amount insured.
Financial products and services with discounts for employees (loans, purchasing 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 purchased at the Droga Raia and Drogasil chain stores by using an ID card.
Tuition	5,500 tuition grants, 1,000 were primarily for employees with disabilities allocated in the banking sector; 4,000 were for bank employees and 500 for non-banking staff, subsidizing part of the costs of first and second graduation courses and also postgraduate courses.



Program	Description
Itaú Unibanco Club	Leisure, recreation, cultural and sporting activities intended to foster integration and quality of life for our employees, retirees and their families. We have three clubs, located in Guarapiranga, Itanhaém and São Sebastião.
Itaú Unibanco World Partnership Program	Our Itaú Unibanco World program provides benefits, discounted prices and exclusive services from several partners in Brazil and Latin America.

Ethics [GRI 102-16](#)

Our business is based on ethical principles, which reflects the transparency, respect and honesty present in our relationship with stakeholders, the quality of our products and services, as well as our concern with environmental and social responsibility and financial performance. These principles are also present in the internal relationships, in which we maintain environments that are conducive to quality and relevant to those performing the work, to the organization and to society.

With this purpose, our Code of Ethics is in place to guide, prevent and resolve ethical dilemmas and conflicts of interest related to our activities and internal relations. This document along with the Integrity and Ethics Corporate Policy were updated in August 2016 and, in combination with *Nosso Jeito* (Our Way) which highlights one of our main values, Ethics is non-negotiable; it helps us in our businesses, activities and in the decisions we make with respect to our relationship with stakeholders: employees, clients, stockholders, suppliers, partners, government, competitors, the media and society.

Our Code of Ethics is divided into four basic principles:

- Identity (what distinguishes us from other companies);
- Interdependence (the engine of social coexistence);
- Good faith (trust building trust); and
- Excellence (the continuous search for the highest levels of quality).

This Code reflects our attitudes towards the development of a set of values, corporate culture, beliefs and attitudes adopted at all times by all our employees.

Our Code of Ethics is approved by the Board of Directors and applies to all directors, officers and employees of our conglomerate in Brazil and abroad. It is available in four languages (Portuguese, English, Spanish and Japanese) and we require our employees to formally acknowledge and accept its terms electronically once a year. 98% of the active employees and managers of the organization have acknowledged and accepted the corporate integrity policies (which include the Corporate Code of Ethics). For 2017 we plan to keep this percentage between 95% and 100%.

Additionally, our Code of Ethics provides for our formal commitment to the topics indicated in the ILO's fundamental conventions and other international agreements, such as the elimination of child, forced or compulsory labor, combat against all forms of discrimination, promotion of appreciation of diversity, prevention of sexual harassment in the workplace, and respect of the rights to free union association and collective bargaining agreement.

In addition to these guidelines, the Code of Ethics provides for the forwarding and analysis by the proper departments of cases of misconduct, interpersonal conflicts, violation of rules and conflicts of interest in the context of our operations. The more complex cases are submitted to specific Integrity and Ethics Committees for decision.

Our Code of Ethics is available to all employees on the intranet and to our stakeholders on our Investor Relations website. We communicate and train our employees on the guidelines of our Code of Ethics through in-person and online courses. In 2017, we aim to have 85% of the employees and administrators trained on the ethics modules, such as the new e-learning launched in December 2016, as well as ethics seminars for senior managers.

In 2016, we also launched the Code of Relationship with Suppliers with the purpose of achieving the same transparency, legality, quality and reliability we have with our customers, also in the interactions with our suppliers and service providers. They need to adhere to the guidelines of this code as of its launching, ensuring alignment of principles in the business relationship.

In 2016, Itaú Unibanco was selected to compose the 2016 Pro-Ethics Company list (Empresa Pró-Ética 2016) promoted by the Brazilian Ministry of Transparency, Supervision and Controls.

Combating corruption [GRI 102-16](#) | [GRI 205-2](#) | [GRI 103-2](#) | [103-3 Combat of corruption and illegal activities](#)

Based on global best practices, our purview of corruption covers illegal acts between public and private agents, as well as those involving private agents only.

Our Corruption Prevention Corporate Policy reinforces our commitment to cooperate proactively with local and international initiatives to prevent and combat all forms of corruption. It also sets guidelines for the conception,



execution and continuous improvement of the Integrity and Ethics Corporate Program aimed at the development of corruption prevention, monitoring and combat practices, using reporting channels and promoting awareness campaigns and training programs on the topic.

The policy is available in Portuguese to all employees on the intranet and in [Portuguese](#), [English](#) and [Spanish](#) to our stakeholders on our Investor Relations website.

Based on local and foreign legislation (Brazil's Federal Law No. 12,846/2013; the Foreign Corrupt Practices Act and the UK Bribery Act, among others), case law and global market information, we identify the countries with the main risks related to the practice of corruption. In all the countries where we operate, we have processes and controls related to the relationship with clients, public sector and third parties according to the specific regulations and particularities of each jurisdiction. We also conduct due diligence audits for merger and acquisition processes.

The Compliance Department, which is responsible for the Integrity and Ethics Corporate Program, is available to receive opinions and to resolve doubts on the subject. We also provide a whistle-blowing channel for employees and stakeholders to report any suspicions of corruption, which may culminate in dismissal or contract interruption. Both channels guarantee confidentiality and anonymity to anyone who wishes it.

In 2016, we received three complaints of possible acts of corruption among private agents, one of which proved unfounded. In the other two cases, one involved employees and a client and the other an employee and a third party. In these two cases the employees involved had their jobs terminated and the other parties involved had their accounts closed. [GRI 102-17](#)

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

The percentage of adherence of employees and senior management to distance training is 83.5%. See the table below for the breakdown per job level by the end of 2016:

Job level	Percentage
Senior management ⁽¹⁾	82%
Middle management ⁽²⁾	83%
Workforce ⁽³⁾	84%

(1) Directors and above.

(2) Superintendents, managers and supervisors.

(3) With no management position.

Additionally, we will continue to carry out institutional corporate integrity and ethics communication campaigns on our corporate policy of prevention of corruption and its related guidelines for all employees and managers.

In order to ensure the continuous improvement of the Corporate Integrity and Ethics Program, periodic reviews of our processes and corruption prevention controls are carried out, based on the monitoring of existing regulations and best market practices.

Any identified opportunities for improvement are discussed in the Integrity and Ethics Committees mentioned in the previous item and presented to senior management.

We believe that through the commitment of our senior management, a continued education and communication program, together with a strong system of internal control and compliance, we have an effective process to mitigate the risk, diagnose, reprimand and combat misconduct.

Ombudsman [GRI 102-17](#) | [406-1](#)

To strengthen our commitment to ethics, we have an Internal Ombudsman channel in place – the Internal Ombudsman's Office.

Based on commitment, dialogue, transparency, owner's mind, integrity and ethics, the purpose of the Internal Ombudsman's Office is to help employees resolve interpersonal conflicts and conflicts of interest in the work environment, based on confidentiality, neutrality and independence. Its activity is vital for the development of an organization that values respect in all relationships and seeks to achieve its objectives without deviating from the values in which we believe.

In 2016, the work carried out by this department can be summarized as follows:

- 1,227 calls were received;
- 670 were investigated and 147 are still under analysis;
- 324 were dealt with through guidance or advice;
- 86 were redirected for assessment to other departments; and
- 183 calls received before 2016 were solved, all of which were addressed by means of investigation.

Out of the 853 complaints received by the channel in 2016, 50.2% were considered legitimate, and the behaviors reported in such cases were primarily related to disrespect, deviations from the bank's standards and guidelines, lack



of effective management, bullying and communication deficiency. The indicators of the nature of the cases reported throughout the year was as shown below:

Nature of the cases reported in 2016 (%)

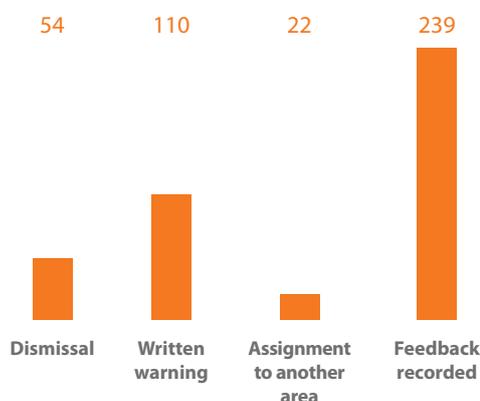


Of the incidents registered in 2016, ten were classified as discrimination, six of which were resolved in the year and considered groundless and four are still being addressed. One call received and classified as discrimination in 2015, which was under analysis in 2016, after completion of the determination, was considered groundless.

During the year, 34 of the incidents registered were classified as harassment, 29 of those were solved during the same year and five are still on going. Seven of the resolved complaints were identified as consistent for behavior. Moreover, five of the 17 harassment complaints received in prior years and that were still on going in 2016 were classified as consistent with the harassment claim.

In order to guide and discipline employees who did not comply with the principles of the Code of Ethics and the company's rules and to minimize the related risks, 425 guiding/disciplinary measures were applied to those involved in the calls investigated and considered valid, as shown in the following chart. In addition, 528 monitoring actions and action and development plans were recommended for the calls received.

Guides/disciplinary measures implemented



The commitment to the quality of service and detailed investigation is vital to the work of the department. The work is carried out with a focus on empathy, consideration and respect towards the employees involved. Besides quality, the channel seeks to serve the employees with as much agility as possible. Therefore, based on the reduction of the timeframe for the resolution of calls recorded in the previous year, the channel established a timeframe of 35 business days for 2016 that was successfully achieved. The processes simplification and structure changes at the Department made a substantial contribution to the decrease of the average term that was previously estimated.

As a mitigation initiative, the Ombudsman Office management held 40 meetings and lectures during the year, covering 2,933 employees. We also created campaigns about Ombudsman and disclosed this in different media channels, including: Ombudsman new visual identity, new Corporate Portal, video transmission of Ombudsman managers explaining about the relevance and responsibility of our work. We also provided stickers giving information on the contact channels available, among others.

Additionally, 2016 was characterized by a great change in the Internal Ombudsman's Office, because this was the first year that the channel directly reported to the CEO, strengthening its independence.

Accordingly, the Internal Ombudsman's Office assumed one more important role in the organization and, with monthly meetings with the CEO, it started to contribute, in a timely manner, to indicators and discussions on relevant matters to the organization, further strengthening the preventive nature of the channel, based on the confidentiality, neutrality and independency applied to its activities.

Clients



We believe that customer satisfaction and financial results are inseparable goals. Our corporate vision of "being the leading bank in sustainable performance and customer satisfaction" shows

how we view the complementary nature of these goals in our business approach. Therefore, ensuring customer satisfaction and including their vision in the business strategy means being prepared for constant change.

In the information age, when our relationships and the use of technology and digital media are increasingly democratic, consumers are better informed and becoming more aware of their rights and responsibilities. Consequently, troubleshooting, transparency, reliability, convenience and speed are requirements identified by clients as essential for the use of banking services. Consumers are also more likely to collaborate, suggest and

build the reputation of a company, as an agent responsible for this process. This is why we are always seeking to follow this movement, offering increasingly digital tools as well as bringing the client to take part in the development of what we intend to offer them.

Delivering the expected banking services efficiently and meeting the client's expectations with excellence are challenges that drive our teams. We have stepped up our efforts to deliver prompt service to our clients: our current average response time on social networks is two minutes, regarding our 24 hour customer service.

We consult more than 6 million clients per year in our satisfaction surveys made for all types and segments of clients. We also consult clients of other banks to have constant monitoring of our services compared to the market. We carry out constant surveys about our service channels – Internet Banking and Automatic Teller Machines (ATM), for example. The results are part of the goal of quality to all branches. We also constantly do consumer research to launch new products, segments or changes in our products (qualitative and quantitative research, depending on the need of the project). We have more than 30 research institute partners in these processes, certified and adhering to ABEP standards.

More specifically about the digital solutions we aim to offer, the Customer Experience as the basis for the development of these tools that directly impact the client's experience turned into an important practice in the bank over 2016. Clients also started to be involved in increasingly earlier primary stages for the creation of new initiatives, for example in the concept tests instead of in the phase of ready prototypes, as we did with the construction of the new banking app released in 2016. For that purpose, these tests include from the access logic to a function, from new functionalities offered to the illustrations and icons that make up one application, for example. To achieve this, both departments, design and research, teamed up to understand the whole context and the way customers perceive illustrations in a digital context. We consider this activity extremely important, since one of our main goals is becoming a more client-centric company.

In order to become more efficient in timing and costs in 2016 we also created an online community of clients and non-clients to support initiatives like the ones described in the paragraph above. This LAB is a community that allows us to talk to our customers in a very agile way, providing ideas and references outside the box, feedback and strengthening our relationship. Throughout this year, more than 90 activities were developed using this new tool, and it is estimated that more than 300 people, both corporate and individual clients, were involved in about 3,400 interactions. As an example of LAB's tangible deliveries we can mention the redesign and brand new experiences of many functionalities of our digital channel portfolio.

Channels Areas use experience of the User Experience, CRM and Digital conceptualizing methodologies supported by the approaches of Design Thinking and Human Centered Design. These approaches assume and deeply understand the needs and behavior of customers to conceptualize products and viable enterprises that create perceived value from business challenges. That is, they assume a direct and recurrent contact with the customer/user to understand their needs, mental model and "fast tests" to check adherence to and understanding of the proposed solution. That is the reason why, in 2015, we created the Channel Policy, which requires that 100% of the digital solutions created must be tested with real users before publication, involving customers and internalization and use of their considerations for the launch of new digital features.

Customer satisfaction survey

[GRI 102-43](#) | [GRI 103-2](#) | [103-3 Client satisfaction](#)

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. Our annual telephone survey contacts a representative sample from each segment's portfolio without identifying Itaú Unibanco as the party that contracted the survey to ensure the most impartial evaluation possible. Thus, monitoring key market players and understanding market requirements on satisfaction of impartial market realities, we are able to define action plans focused on improvements to better serve and attract new clients.

In 2013, the system for measuring competitiveness was also implemented in other countries where we operate: Argentina, Paraguay, Uruguay and Chile.

Survey data collected from each segment are consolidated into an overall customer satisfaction index. In 2016, we achieved a score of 7.96. This consolidation, considering all the segments evaluated in this methodology, makes it possible to have changes from year to year according to the company's restructuring and new acquisitions.

Customer satisfaction survey	2016	2015	2014
Results	7.96	8.02	8.11

Reiterating our commitment to the satisfaction of our clients, the results of the surveys directly influence variable compensation, whether for executives or the teams at branch level.



Complaint Management

The External Ombudsman is part of the Itaú Unibanco 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 presented request, the External Ombudsman acts directly on the process of Client Demand Management and its goal is to mobilize the organization to identify the main causes of dissatisfaction among customers and develop action plans to improve them.

In addition to direct customer service, the External Ombudsman acts on the processes of complaint resolution in critical channels, such as consumer protection bodies, the Central Bank and the insurance regulator, ensuring the best solution for the customer. The indexes of SINDEC, the National Consumer Protection Information System, for example, indicate that Itaú Unibanco has solved over 87.4% of the requests registered with the consumer protection bodies in the preliminary phase.

Considering all the internal channels of face-to-face or remote service, such as Customer Services, External Ombudsman and branches, 160 million contacts have been registered, of which 94.2% referred to information, questions and requests, and 5.54% referred to dissatisfaction. From the total amount of complaints, about 99% were solved or explained in the customer services area of the bank and the remaining about 0.3% progressed to other consumer service bodies or to the justice system. In spite of the high retention rates presented by these services, we remain challenged to straighten out errors and improve our products and services.

In 2016, 98.5% of the customers that used the External Ombudsman services did not pursue the matter in external bodies, such as Procon (consumer protection body), BACEN and the court system. Over 98% of the incidents were solved within ten days, and about 75% of those incidents were solved within five working days.

On the website Complain Here (*Reclame Aqui*) our reputation, which is generated from the evaluation of the customers, was deemed "good". Our solution rate on the website is very close to 79% and approximately 70% of the customers who recorded complaints from January to December 2016 said they would do business with Itaú Unibanco again.

Another channel where customers can have their demands solved is the website Consumidor.gov.br, a platform created in 2014 by the federal government as an alternative resolution channel to litigation, monitored by consumer protection bodies and the National Consumer Department (SENACON). In 2016, a full 80% of the

demands recorded by our customers in this platform were solved, according to the evaluation of the customers themselves. The average level of satisfaction was 3.1, on a scale from 1 to 5 and, on average, demands were resolved in six days, four days less than the official deadline.

Our efforts have been to offer a fast and definitive solution to the customer, in both internal and external channels. We privilege the consensual solution, so we support and encourage the use of platforms such as Consumidor.gov.br, which in addition to being a direct dialogue between consumer and company, is still digital, providing total convenience.

Customer satisfaction is a fundamental value for Itaú Unibanco and is stated in our vision: "to be a leader in sustainable performance and customer satisfaction." We will keep on strengthening the relationship and dialogue with our customers, consumer protection bodies, regulators and the Judiciary.

Communication Management

GRI G4-DMA Product and service labeling (former FS15)

The communication process – that can be understood by subjects such as advertising, promotions, sponsorship and events, among others – is one of the main ways we can relate to our stakeholders and connect with them. Communication is an essential tool in our business because it contributes to our client satisfaction, boosts our financial results and reinforces the reputation of our company. This is how we enhance the value of our brand and guarantee the continuity of our business.

In order to manage risks in the marketing of our products and the dissemination of our banking services, we operate guided by the Itaú Unibanco Code of Ethics, the Sector Policy on Money Laundering Prevention and other internal policies that standardize marketing processes. They are internal policies related to the management of our brand and the way we develop communication with our employees and with the various target audiences with whom we do business.

Our communication projects are developed respecting the rules and regulations of CONAR (Conselho Nacional de Autorregulamentação Publicitária). In 2016, we did not identify any cases of non-compliance with the marketing communication codes and we did not face a single lawsuit. **GRI 417-3**

The management of the impact that our communication projects have on our brand and our business is carried out using certain monitoring mechanisms. The tools we use to measure and map this impact include: client satisfaction surveys; pre-test and post-test surveys



during our campaigns analyzing the performance of our communication; monitoring the number of interactions and views related to our campaigns on social media and our company-owned media; and lastly, monitoring the public response during our campaigns on social media.

The results obtained using these indicators are analyzed by the marketing department. Based on these analyses and discussions, it is possible to improve inadequate systems, strengthen communication projects even further and clearly observe how much our communication process is able to positively affect our financial results.

Transparency and Client Satisfaction

GRI G4-DMA Product and service labeling (former FS15)

We constantly seek to improve our communication with clients to be as objective as possible when informing them about charges, rates, characteristics and conditions of our products and services. Also, we are committed to providing orientation and information about our financial services and products and to suit our offer to the client's profile and moment in life. In this way we instigate the conscious use of products and services, because we believe that the better the choices people make, the bigger their satisfaction as clients.

- **Nosso Jeito de Falar de Investimentos Itaú Uniclass (Our Way of Talking About Investments – Itaú Uniclass):** in 2016, we started to review the commercial manager training, including content and inspiration in such a way they could notice the benefits of the habit of saving in their personal life. We believe that personal experience empowers a more assertive offer to clients.
- **Behavioral Finance Program:** the program was created in 2016 aiming to disseminate among employees knowledge about the biases, emotions and behaviors of clients so that we can develop the best solutions for their financial lives.
- **Transparency Guide:** in 2014, we completed a study on the problems that affect clients as a result of unclear communication. This diagnosis was based on an analysis of client service, studies and conversations with executives, opinion makers and consumers in general. As a result, we developed a guide containing general guidelines and systematized the guidance as part of the product assessment governance.
- **Credit Guider:** this is an online tool (logged in and non-logged in areas) created for the purpose of determining the best credit product according to the client's need and their moment in life. Through objective questions we identify characteristics of the client and, in the logged in area, we connect to their current account information to offer credit suggestions that are adequate to their objectives.

Quality in Sales Program: the quality of the services provided to our clients is part of our culture. In order to fit it we developed the Quality in Sales Score, which has as main objective improve sales quality by the identification and treatment of the occasional misconduct of employees from commercial and operational areas. It's a monthly program that is part of the incentive system and supervises the sales from more than 20 thousand employees. The program is based in three pillars: information and training of the sales teams; improve in sales quality and decrease in clients friction; application of corrective actions on misconduct cases. The employee and his manager are informed about the monthly supervisement, including the last year data and the next steps to guarantee the quality in their sales. All trainings are online, must be certificated and involve the following subjects: focus on the attendance; sales with quality; what we look for and what we don't tolerate.

Accessibility **GRI G4-FS14**

We develop countless initiatives intended to promote the autonomy and the economic development of the disabled.

At branches

- **Parking lots** with larger and demarcated parking spaces;
- **Ramps and/or lifts** that facilitate access for wheelchair users and persons with reduced mobility;
- **Tactile paving** to guide visually impaired people to the first service point or to the accessible teller machine;
- **Preferential seats** for the elderly, pregnant women, breastfeeding mothers, and the disabled next to teller windows;
- **Teller windows** adapted to priority service;
- **Bathrooms adapted;**
- **Password letters and credit card invoices in Braille or with large characters;**
- **Account statements in Braille or with large characters,** requested at the branch when opening the account, to be received at the mailing address; and
- **Priority service table** (hybrid terminal).



At ATMs

Our branches have ATMs that follow the precepts of a universal teller machine, as determined by the Brazilian Technical Standards Association (ABNT). They provide autonomous and safe use to any person, no matter their mobility or limitations of perception.

In the case of visually impaired persons, the bank has voice command navigation available, by connecting headphones to the Itaú teller machine, and tactile signage on the keyboard, card and barcode readers, and voucher and note dispensers.

By telephone

For persons with hearing impairments, we offer a service through the "Fale conosco" ("Talk to us") channel, through which, by means of equipment called TDD⁽⁵⁾, one can exchange text messages with the Customer Service Center, call centers and External Ombudsman's Office. This system enables clients to obtain information about:

- Current and savings account balance;
- Recent entries;
- Position of investments;
- General information; and
- Complaints and suggestions for products and services.

On the internet

"Itaú on the Internet" was adapted to be accessed using a voice synthesizer (software) installed on the client's computer, which captures and transforms the customer's account information into audible answers. The services available are:

- Current and savings account balance;
- Recent entries; and
- General Conditions of Itaú Universal Account and Services, available in PDF, audio and video formats.

Tangible assets

In 2016, we issued 12,197 cards (multiple debit cards and credit cards) in Braille, which were sent to the client together with the purchase agreement in the audio format.

The credit card monthly invoice and the current account statement of visually impaired clients are translated into Braille and mailed. In 2016, 731 invoices and 6,251 letters with general information on accounts were sent, totaling 40,021 pages.

Illicit act prevention

Banco Itaú maintains structures dedicated to the fight against illegal acts, to mitigate risks to society, avoiding the use of financial resources illicitly or exposing sensitive data. The main activities involved in these processes are:

• Prevention of fraud [GRI 103-2](#) | [103-3](#) [Combat of corruption and illegal activities](#)

We have some fraud prevention measures based on best practices in local and international markets. We have a recurring agenda with the bank's executives for risk sharing and decision-making, as well as proximity to business areas to help in understanding risks and to propose mitigating measures for the sustainability of products and services. The keys to this are:

• Monitoring

The Fraud Prevention area is responsible for the preventive monitoring of higher risk transactions through tools that combine information, focusing on the difference between the customer profile and the fraud profile.

• Customer service

We have internal structures aimed at attending customer demonstrations and for the relationship with regulatory entities, aiming to advance the client in their complaints through the treatment and determination of responsibilities.

• Devices

In order to increase the security of the client, both Individuals and Legal Entities, the bank provides security devices for transactions in electronic channels, which are presented on the website of Banco Itaú Unibanco (<http://itau.com.br/seguranca>). This is besides those available in physical channels, where we have cards with chip technology and the use of biometric authentication by Finger Print technology in our channels.

(5) TDD – Telecommunication Device for the Deaf.



• Campaigns and trainings

We carry out programs and actions for the dissemination of information and awareness of clients and employees about fraud prevention through different channels such as social media, direct mail and audio-visual campaigns for clients, as well as internal information, e-mails, lectures and training for employees.

• Information Leakage Prevention (Information Security) [GRI 103-2](#) | [103-3 Information security](#)

The Information Security area is responsible for providing structured and consolidated information on the main information security risks in the different levels of the organization aimed at reducing financial losses and image risks in Brazil and abroad, from the definition of policies, processes and procedures that support the information lifecycle.

We monitor and treat any type of attack and security incidents, agilely and effectively, managing all security tools with certified and specialized staff in several technologies. We carry out the management of access to systems and resources efficiently, following

the changes necessary to maintain secure access to systems and information.

We work together with the business areas and technology, as well as to maintain the solutions and product architecture with the highest degree of safety, following the trends of the digital world market.

Each year the employees of the corporation undergo training on Information Security in-class and/or online covering issues relating to the confidentiality, integrity and availability of information.

The public web pages of the site www.itaubr.com.br are certified with the Brazilian standard ISO/IEC 27001 in order to ensure the protection and privacy of information provided by customers and other sources, with the sole and exclusive purpose of meeting the objectives defined in our products and interactive services.

• Money Laundering Prevention

[GRI 103-2](#) | [103-3 Combat of corruption and illegal activities](#)

The management of this theme is detailed in [section Anti-money laundering regulation, of chapter Our risk management](#).

Customer Privacy Management

The privacy of our customers is a sensitive issue, which is handled in accordance with applicable laws and regulations, with confidentiality and accuracy. Therefore, the number of complaints about breach of customer privacy is confidential information. [GRI 418-1](#)

Considering the sensitivity of this issue, we are committed to ensuring our customers a safe and reliable environment. We have invested in infrastructure, technology and human resources to prevent information privacy violations, based on policies, processes, procedures and guidelines covering several fronts of action.

Examples of actions that exist in products and services are the development and application of security devices for authentication and use of the electronic channels and certification of channels according to the strictest standards of security and reliability.

Another existing measure that we can mention is the protection and preservation of confidential information in its various forms, including encryption of the information flow on the Internet.

Stockholders



Please refer to the [section Our Profile, item Our Shares](#) for further details about our common and preferred shares and further information for the investor.

We have several activities aiming to engage our stockholders; to find out more about our engagement with stockholders please refer to the item Stakeholder engagement on [page A-210](#).



Distribution of added value [GRI 201-1](#) | [G4-DMA Economic performance](#)

The distribution of added value is an accounting reference that allows us to see how the generation of the bank's value is distributed among its different audiences. Our added value, which shows the wealth generated for the community, reached R\$70 billion in 2016. This result refers to the direct economic value generated and distributed by us, including income, operating costs, employee compensation, donations and other investments in the community, retained earnings and payments to capital providers and governments.

Value distributed	2016	2015	2014
	R\$70 billion	R\$44.53 billion	R\$52.16 billion
Sphere	%	%	%
Personnel	29.03	39.54	29.22
Reinvestment of profits	23.78	44.90	32.73
Taxes, levies and contributions	35.17	(1.17)	26.54
Payments to capital providers	9.45	12.90	8.59
Remuneration to third-party capital	2.11	2.89	2.33

Suppliers [GRI 102-9](#) | [GRI 103-2](#) | [103-3 Management of suppliers and supply chain](#) | [GRI 414-2](#)



Suppliers

Our supply chain covers a wide range of segments – such as Telecommunications, Call Centers, Cash and Valuables Deliveries, Market Research, Furnishings, Electricity, Training Programs – in which our

relationships are based on transparency, sustainability and adding shared value.

Since 2009, we have had about 9,000 partners that have provided goods or services to the bank. 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 demand from our suppliers sustainable practices in addition to the compliance with legislation and the ethical principles that must govern business relationships.

In 2016, an in-depth mapping of the Procurement processes was conducted to identify opportunities for improving operational efficiency, transparency in the relationship with suppliers, and obtaining more satisfaction from internal clients, employees, and suppliers through closer, simpler and more expeditious procedures throughout the supply chain.

Focused on ongoing improvement, in 2016 the Procurement department underwent four Kaizen processes, a methodology developed in Japan and focused on the review of processes and short-term solutions. These initiatives were aimed at identifying possible improvements in current controls on the access and monitoring of service providers, optimizing the list of items purchased by the bank, and improving procedures concerning the commissioning of corporate events.

The mapping carried out in the department gave rise to a restructuring and a New Procurement Model, and one of its actions was the creation of a Supplier Relationship Code of Conduct, which supplements the Code of Ethics, and aims at "governing interactions between employees and suppliers through a statement of values that define the expected behavior in commercial relationships, called "Our Principles":

- Ethical and Long-Lasting Relationship;
- Transparency;
- Traceability and Integrity;
- Simplicity and Efficiency;
- Sustainable Results;
- Cooperation; and
- Risk Management.

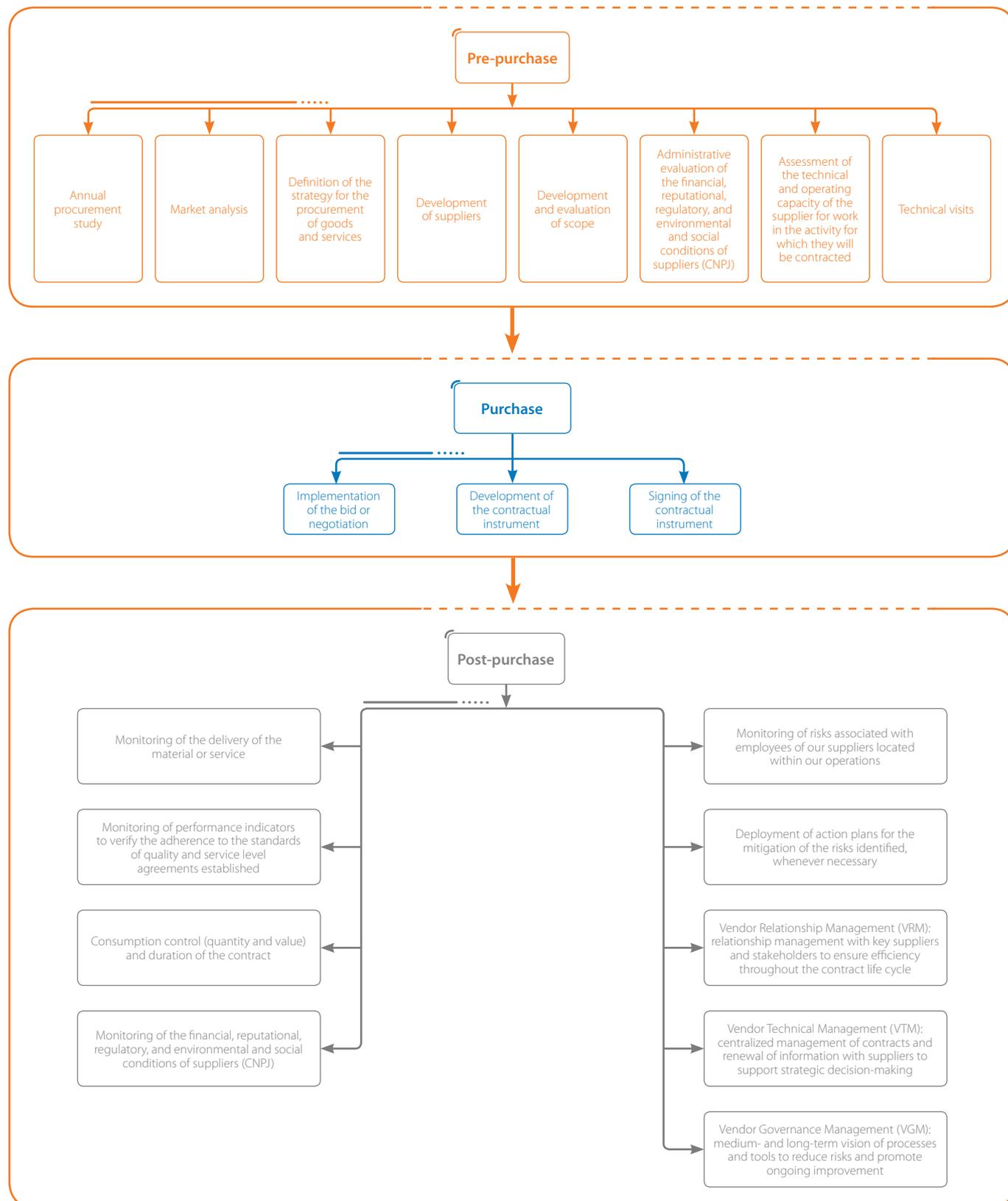
The launching event of the Supplier Relationship Code of Conduct was attended by 391 partners in November, 2016 and addressed the issues above. After the meeting, the document presented in the event and the link with the required acceptance was shared with all participants.

Procurement of goods and services

Goods and services from our supply chain are centrally managed by our Procurement department with the involvement of the contracting and legal areas, among other areas of support.



The Procurement department operation model allows the understanding of each market to identify the most appropriate procurement strategy for each type of business and ensure consistent supplier relationships. This is a process of three stages:



Administrative assessment of suppliers **GRI 414-2**

We have a structured process for the evaluation of suppliers, the function of which is the mitigation of risks in our supply chain. This process starts with the access and registration of the supplier on the website www.itaubank.com.br.

www.itaubank.com.br/forneceedores, where the procurement policy, sustainability and environmental and social responsibility, information security, the Code of Ethics, and the general conditions applicable to the procurement

of goods and services are published for awareness and acknowledgment. When registering on the website or participating in a procurement process, the supplier adheres to these policies and to the Code of Ethics.

After registration, these companies go through a technical and administrative evaluation and approval process. This consists of an analysis of the supplier's adherence to the practices of environmental and social responsibility, compliance with and adherence to fiscal, tax and labor legislation (regularity of certificates, licenses, payment of taxes, salaries and contributions). It also considers the fulfillment of their corporate obligations through the same tools used to assess customers (credit analysis, indebtedness with the market and suppliers, Money Laundering Prevention (MLP), fraud, anti-corruption law and other discrediting facts). After going through these criteria, if approved, the company will be able to participate in contract procedures.

Our administrative evaluation of suppliers comprises a specific view considering the risks of the category of products or services supplied. This is based on the risk matrix of suppliers, composed by the four pillars below:

- 1. Reputational/regulatory:** risks of the supplier and the corporate structure related to image, compliance with legislation in force, illicit acts, human rights (such as child labor, dirty list of slave labor), environmental impact, among others.
- 2. Financial:** risk related to the financial health of the supplier.
- 3. Dependence:** risks related to the dependence of the bank on the supplier to mitigate the possibility of discontinuing the provision of services or supply.
- 4. Labor:** risks relating to the provision of services involving intensive labor.

	2016	2015	2014	Variation (%) 2016-2015	Variation (%) 2015-2014
Approved suppliers (Brazil)	7,106	6,884	6,361	3.2	8.2
New approved suppliers (Brazil) GRI 308-1	1,031	778	652	32.5	19.3
Approval rate of suppliers (% Brazil) GRI 414-1	86.6	90.9	96.3	(4.7)	(5.6)
Purchases from local suppliers – Brazilian companies and/or subsidiaries in Brazil (% of spending in Brazil) GRI 204-1	96.5	98.2	99.5	(1.7)	(1.3)
Purchases from local suppliers – in the same State (% of local suppliers) GRI 204-1	75.3	75.1	76.7	0.3	(1.6)

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



GRI 204-1

Regions	Number of suppliers	(%)
Southeast	6,060	85
South	527	7
Northeast	271	4
Central-West	200	3
North	48	1

Among the categories with the highest number of suppliers, we highlight Maintenance, Works and Equity, which serves the hubs and branches scattered throughout the country.

Category	%
Maintenance, works and equity	38.8
IT	13.1
General expenses	9.8
Marketing	8.0
Operating expenses	8.0
Legal expenses	6.3
Training and benefits	6.3
Security	3.1
Valuables deliveries	2.4
Telecom	1.9
Post office, card and check inputs	1.3
Call center	0.6
Selling expenses	0.4
Advisory and consulting	0.2
Grand total	100.0

Contractual formalization, breaches and penalties

Supplier contracts include specific requirements for the proper monitoring of environmental and social issues – such as labor and employment obligations, occupational health and safety standards, adherence to environmental legislation, liability for damages and information security – that are applicable to our suppliers and their supply chain. If irregularities are detected, penalties and action plans may be applied to help a supplier solve the problem, or, in certain situations, they may lead to suspension or termination of the respective contract.

Monitoring [GRI 308-2](#) | [GRI 414-2](#)

We monitor, on a monthly basis, the approved suppliers and their employees, considering the risks of the category of products or services supplied.

The monitoring criteria are the same as those used in the administrative evaluation process (ESG – Environmental, Social and Corporate Governance), having as an objective to check the maintenance of the initial condition, and, in the case of identification of relevant facts, at any time suppliers may be excluded from the supplier base and, as a result, have their contracts terminated.

We have a governance model which applies specifically to software development suppliers. The model is divided into Governance, Relationship and Technical Management. This allows Itaú a vision of the business life cycle, value gain, in addition to cost control, service excellence and risk reduction. Due to the restructuring in 2016, the implementation of this model was rescheduled for 2017.

We periodically conduct announced and semi-announced independent audits of our critical suppliers to assess the risks across our supply chain. Over 2016, after the in-depth mapping of the current diagnosis of the Procurement department to identify opportunities for improving operational efficiency, we reassessed the planned activities and the critical categories from the social and environment viewpoint. Our studies consisted of categorizing the supplier's sector according the level of risks – high, medium or low – and their major risk factors. Then, the list of monitored suppliers was reassessed taking into account the new method. Therefore, we focused the audits on tier 1 suppliers, considering the study on critical categories from the social and environmental viewpoint. Actions for improving these activities with tier 2 suppliers are scheduled for 2017.

We started a new audit process in 2016. Out of the audits we carried out in 2016, 35% of our suppliers were approved with no restrictions. The remaining companies have had an action plan defined to address any identified gaps and started to undergo another assessment for their

evolution in December 2016. The audit works are expected to be completed in the first half of 2017, starting a new action plan monitoring process.

In addition, we made visits led by the technical departments specialized in our operations and in applying rules related to information security and other regulatory items.

Transparency [GRI 102-17](#)

We provide our suppliers with communication channels through which they may make suggestions, ask questions or report any violations or misconduct (including for issues of an environmental and social nature).

In 2016, we reviewed our website and in October implemented the Reporting Channel, aimed at ensuring a transparent and ethical environment for us and our suppliers. We made available the contact email address fornecedores_relatos@itau-unibanco.com.br through which vendors may report any ethical misconduct or nonconformities with our Code of Ethics.

To ensure the sustainable growth in our supply chain, we believe that we should promote the development of ongoing practices, seeking to advance together with our suppliers and their supply chain operations. Therefore, our website www.itau.com.br/fornecedores shows the initiatives we see as good social and environmental practices, as well as our Code of Ethics.

In addition, semi-annually we forward these same recommendations, through a formal statement by email, to the suppliers of the bank.

Training [GRI 102-43](#)

We train our suppliers and employees to promote their development and strengthen their commitment to our culture, recognizing good risk mitigation practices and discussing opportunities for making our operations more efficient.

CDP – Supply Chain

In partnership with the British NGO CDP, which holds the largest global database on corporate climate governance and inventory of emissions of GHG, we held a workshop with our suppliers to engage them to work with the topic Climate Change in their companies.

As participants, we had 101 of our largest suppliers and those from critical sectors in terms of GHG emissions. This initiative consisted of forwarding a questionnaire to help



us better understand how they address climate change into their companies, how we can help them to introduce this topic in their company's strategy, leveraging carbon management throughout our value chain.

Diversity

The valuation of diversity contributes to a positive and more tolerable climate, by encouraging cooperation and the synergy among employees and leaders towards their common goals with better performance. Accordingly, throughout 2016 Itaú sought to improve the access to diversity in the supply chain through the following partnerships:

Integrare

In 2016, we entered into a partnership with Integrare, a non-profit organization specialized in searching for and approaching very small, small and large companies interested in fostering their networking relationships. The mission of this association is to promote inclusion and the corporate development of suppliers from minority groups,

GRI 204-1

	2016	2015	2014	Variation (%) 2016-2015	Variation (%) 2015-2014
Number of procurement processes	19,010	13,218	10,740	44	23
Total amount purchased (R\$ billions)	10	9	11	11	(18)

Therefore, in 2013, we encouraged medium- (2015) and long-term targets (2020) by determining responsibilities and measures required to cope with the challenge of implementing engagement actions, mitigating risks and having greater transparency when disclosing operational and supplier indicators.

We have fulfilled our objective of monitoring, on a monthly basis, all the approved suppliers in the administrative approval process, thus guaranteeing better control of risks in our supply chain. We have also included, in the process of risk mitigation, the second tier of our supply chain, which, like the first tier, occasionally participates in the environmental and social

by providing access to and business qualification for black and indigenous businessmen or those who have special needs.

By now, 212 companies have been approved according to the administrative criteria and are now able to supply products and services to the bank.

For 2017, our challenge is to advance the diagnostics and search for suppliers to improve our relationship and seek the creation of value through the supply chain.

Achievements and challenges

The procurement department contributes significantly to reduce costs and optimize resources through actions such as partnerships with suppliers, innovations in our supply chain, developing new suppliers, consolidating volumes, reconfiguring the value chain, reviewing specifications, undertaking initiatives to renegotiate contracts, managing consumption, improving processes and assessing environmental and social gains.

research, where we were able to map risks and draw up improvement plans to be monitored in the coming years.

We raise the awareness of our suppliers on the sustainability recommendations that are disclosed on our website and sent every six months to all the suppliers. We are increasingly improving our process of conducting external audits of suppliers and establishing indicators related to the evolution of the companies evaluated over the years.

Breakdown of the targets measured in 2016 and new commitments for 2017:

Indicator	2016 result	2017 target	2020 target
Risk monitoring for suppliers with recurrence being equal to six months or less	100% of the amount spent	100% of the amount spent	Previous target: Suppliers that represent 90% of the amount spent in the 12 months prior to the measurement. Adjusted target: Implement action plan and governance to 100% of our suppliers identified with risks.
Recommendations for suppliers as to practices: <ul style="list-style-type: none"> Retaining local companies as contractors, focusing on small and medium businesses Assessing, training and employing persons with disabilities Active involvement in a development agenda Practices to combat slave labor, child labor, corruption and prostitution 	Recommendations sent to 100% of our suppliers by email and posted on the website www.itaubr.com.br/fornecedores	Sent every six months recommendations to 100% of our suppliers by email and posted on the website www.itaubr.com.br/fornecedores	100%



Indicator	2016 result	2017 target	2020 target
Supplier engagement (specific discussions, interaction reported in development programs)	We held the Supplier Relationship Code of Conduct event that was attended by 391 partners in November, 2016 and addressed issues as: Ethical and Long-Lasting Relationship; Transparency; Traceability and Integrity; Simplicity and Efficiency; Sustainable Results; Cooperation; and Risk Management.	To make progress on tiers 1 and 2 supplier engagement agenda by means of conducting specific workshops and start a new action plan monitoring process for developing programs within the suppliers.	Tier 1 and 2 suppliers
Audits conducted on-site (% of audits)	81% announced 19% unannounced/ semi-announced	Conduct a project to reassess the suppliers selection criteria (critical categories vs % of the amount spent).	Previous target: 80% announced 20% unannounced/semi-announced. In the next report, after the reassessment, we will publish the new target.
% of suppliers at risk, identified by a detailed environmental and social survey	Conducted every two years	Conduct detailed environmental and social survey among suppliers not assessed by detailed audit in order to achieve suppliers that represent 50% of the amount spent in the 12 months prior to the measurement in critical categories.	Suppliers that represent 80% of the amount spent in the 12 months prior to the measurement in critical categories
Internal sustainability engagement (Procurement and Technical Management departments)	We conducted the Forum of Sustainability in Procurement – 2016 to launch environmental and social partners CDP Supply Chain, Integrare Institute and Itaú Mulheres Empreendedoras (Itaú Women Entrepreneurs Program)	For 2017, our challenge is to advance the diagnostics and search for suppliers to improve our relationship and seek the creation of value through the supply chain.	Stakeholders who work with 80% of the amount spent per year in critical categories
Disclosure of supplier hiring indicators (e.g. certificates, best practices, gas emissions and other indicators)	Implemented the weekly newsletter to procurement departments with the disclosure of internal indicators about management and risks monitoring suppliers	Indicators on minority suppliers and results of the programs implemented.	Indicators for tier 2 suppliers
Supply chain risk assessment (contractors retained by our suppliers for critical processes)	We reassessed the planned activities and the critical categories from the social and environmental view point	Actions for improving the following indicators are scheduled for 2017: • Conduct environmental and social survey among tier 2 suppliers • Start a new action plan monitoring process for developing programs within the suppliers	Suppliers that represent 30% of the amount spent in the 12 months prior to the measurement in critical categories
Preparing and monitoring action plans with at-risk suppliers identified in the RFI program and on-site audits			• Preparing the plan: 100% • Monitoring: 30% (critical cases)

Through all processes described in this document, we seek to avoid potential impacts on our value chain.

Among them we highlight: [GRI 308-2](#) | [GRI 414-2](#)

- Varied environmental impacts related to illegal labor practices, such as child labor, forced labor, slave labor, inadequate working conditions and the impact on human rights, all included in the supplier approval process; and
- Impacts on society, which are mitigated by hiring committed suppliers, which in turn helps to promote responsible and ethical practices in the market, cooperating as well with Brazilian society.

Society



Society

Our strategy relates to social development initiatives, such as education, culture, sports, urban mobility, entrepreneurship and for the elderly, 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 in order to improve public policy models in the many countries where we operate.



Itaú Corporate Communication

With the mission of promoting Itaú Unibanco's relationships and interactions with the press and other stakeholders, to meet the organization's priority themes – generating positive exposure, protecting and strengthening the holding's image and reputation – the Superintendency of Corporate Communication acts towards ensuring the alignment between the company's discourses and practices.

We want to contribute to the compliance of the organization's vision: to be the leading bank in sustainable performance and customer satisfaction. And, to be an increasingly sustainable bank we need to maintain an open and transparent relationship with the press and opinion makers in general.

In our interfaces with the press, for example, we work to reinforce the bank's main positions and key messages, contributing to adequate and clear coverage by the media and, ultimately, influencing Itaú Unibanco's reputation positively. We also promote discussions on topics that may contribute to the development of society. One of the most successful strategies in this regard has been holding meetings and workshops designed to disseminate relevant information on topics that help understand the contribution of the financial services industry in a globalized world. In 2016, more than 20 events were held covering issues such as financial education, macroeconomics, sustainability, urban mobility, encouragement to reading, cultural activities and sports, digital channels, ombudsman office, and female entrepreneurship.

Coupled with communication strategies, dialogue is maintained on a permanent basis, which allows us to receive and properly address the demands of media outlets and opinion makers. From the press alone, more than 1,600 topics were received in 2016. This work allows, among other actions, us to support the bank in changes of products, products and services.

Also in 2016, more than 100 journalists from the main media outlets of the national and international press were hosted by the bank's executives to hear about the projects and actions adopted with a focus on customer satisfaction. During these meetings, initiatives that helped to improve the dialogue and increase the bank's transparency in its relationship with the client, including, for example, commitments assumed on fronts such as Relationship with the National Consumer Defense System, Customer Service and Transparency, were presented. Topics such as economic scenario, macroeconomic projections, evolution of customer service channels, among others, were also addressed on those occasions.

Currently, over 190 spokespersons from the bank are authorized to talk to the press. The training programs provided to these executives are also the responsibility of the Corporate Communication Department. They are delivered on demand, as new executives are appointed spokespersons. In 2016, 30 executives were provided with training.

Itaú Unibanco's exposure in the national and international press is monitored by means of an image audit conducted by the Analysis and Research area of CDN, a communications agency focused on building and strengthening image and reputation. Information, which is analyzed both qualitatively and quantitatively, is used to construct the Media Exposure Quality Index (IQEM), an indicator that is tracked on a monthly basis by the Corporate Communication department. In 2016, Itaú Unibanco accounted for 40.7% of the financial services industry's positive exposure in the national press.

Another relevant indicator used by the department is the RepTrak, which measures the reputation of Itaú Unibanco and main competitors in the perception of the audience in general. With monthly, quarterly and semi-annual surveys, the methodology allows us to make a detailed analysis of 26 attributes that explain the bank's reputation. In 2016, Itaú obtained a median reputation, but stood out from the other players in the financial system, with 3 points above the average for the sector.

Based on all results obtained monthly from IQEM and RepTrak, risks to be mitigated and opportunities to work with the press and opinion makers are assessed. Thus, actions and initiatives are planned with the purpose of reinforcing Itaú's reputation in the stakeholders' perception and put into practice in partnership with the areas responsible for each topic.

The resulting data is used internally and supports the strategic communication planning, sets performance goals and allows us to assess the results of the actions promoted by the department.

Membership of associations [GRI 102-13](#)

In order to contribute to the creation of spaces for discussion and dialogue among sector players, guide the preparation of self-regulation policies, and structure joint actions among the institutions, in 2016 we worked together with the following **entities with representation purposes**, which addressed themes such as Credit Environment, Taxation in the Banking System, Insurance, and Economic Plans:



Entity	Membership
Brazilian Association of Private Pension Funds (Abrapp)	X
National Association of Automakers Financial Firms (ANEF)	X
Brazilian Association of Public Companies (ABRASCA)	X
Brazilian Association of Credit Card Companies and Services (Abecs)	X
Brazilian Association of Real Estate Loans and Savings Companies (Abecip)	X
Brazilian Association of Financial and Capital Market Entities (ANBIMA)	X
Brazilian Association of Consortium Companies (ABAC)	X
Brazilian Association of International Banks (ABBI)	X
Brazilian Association of Leasing Companies (ABEL)	X
Brazilian Private Equity and Venture Capital Association (ABVCAP)	X
Brazilian Intellectual Property Association (ABPI)	X
Capital Market Investors Association (Amec)	X
Association of Capital Markets Analysts and Investment Professionals (Apimec)	X
National Association of Credit, Financing and Investment Institutions (Acrefi)	X
BM&FBOVESPA S.A.	X
National Confederation of General Insurance, Private Pension and Life, Health Insurance, and Capitalization Companies (CNseg)	X
Brazilian Banking Federation (FEBRABAN)	X
National Federation of Capitalization (FenaCap)	X
National Federation of Private Pension Funds and Life Insurance (FenaPrevi)	X
National Federation of Supplementary Health (FenaSaúde)	X
National Federation of General Insurance (FenSeg)	X

Additionally, we contribute to the development of society through relationships of trust and collaboration, working with **entities with non-representation purposes**, which carry out actions in line with our institutional pillars, such as:

Entity	Membership	Sponsorship
American Chamber of Commerce for Brazil (AMCHAM)	X	
Brazilian Association for Educational Evaluation (ABAVE)		X
Brazilian Association of Corporate Communication (Aberje)	X	
Brazilian Association of State and Municipal Pension Plan Institutions (ABIPEM)		X
Brazilian Association of Investigative Journalism (ABRAJI)		X
Brazilian Association of Institutional and Government Relations (ABRIG)		X
Brazilian Agribusiness Association (ABAG)	X	
Trade and Industrial Association of Anápolis (ACIA)	X	
Association for Assistance to Disabled Children (AACD)		X
Association of Banks of Minas Gerais (ABEMG)	X	
Association of Banks of Ceará	X	
Association of Parents and Friends of Exceptional Children (APAE)		X
Association of Banks of the Federal District (ASSBAN)	X	
Association of Banks of Rio Grande do Sul	X	
Association of Federal Judges of São Paulo and Mato Grosso do Sul (AJUFESP)		X
Association of Judges of Rio de Janeiro (AMAERJ)		X
Women 360 Movement Association	X	
São Paulo Association of State and Municipal Pension Plan Entities (APEPREM)		X
<i>Atletas pelo Brasil</i> (Athletes for Brazil)		X
BAYBRAZIL	X	
Bei Comunicação Ltda.		X
Brazil Investments & Business (BRAiN)	X	
Chamber of Commerce – France-Brazil (CCFB)	X	
Swiss-Brazilian Chamber of Commerce (SWISSCAM)	X	
Carbon Disclosure Program (CDP)	X	
Brazilian Center for International Relations (CEBRI)	X	
Centro de Estudos de Direito Econômico e Social (Economic and Social Law Study Center)	X	
Business Council – Brazil-China (CEBC)	X	
Brazilian Business Council for Sustainable Development (CEBDS)	X	
National Council of Advertising Self-Regulation (CONAR)	X	



Entity	Membership	Sponsorship
Regional Administration Council (CRA)	X	
Brazilian Public Security Forum		X
Brazilian Communication and Justice Forum (FNCJ)		X
Abrinq Foundation	X	
University Extension and Research Support Foundation (FAPEU)		X
Fernando Henrique Cardoso Foundation		X
Institute of Economic Research Foundation (Fipe)	X	
José Arthur Boiteux Foundation (FUNJAB)		X
GBA Board Membership	X	
Global Reporting Initiative (GRI)	X	
Support Group for Children and Adolescents with Cancer (GRAAC)		X
Applied Tax Studies Group (GETAP)	X	
O Direito por um Planeta Verde Institute		X
Abaçaí Institute		X
Akatu Institute	X	
Brazilian Institute for Criminal Sciences (IBCCRIM)		X
Brazilian Institute of Civil Law (IBDCivil)		X
Brazilian Institute of Procedure Law (IBDP)		X
Brazilian Institute of Tax Law (IBDT)		X
Brazilian Institute of Corporate Governance (IBGC)	X	
Brazilian Institute of Competition, Consumer Affairs, International Trade (IBRAC)	X	
Brazilian Institute of Politics and Consumer Law (BRASILCON)		X
Brazilian Institute of Capital Markets (IBMEC)	X	
Brazilian Institute of Financial Executives (IBEF)	X	
Brazilian Institute of Investor Relations (IBRI)		X
Ethos Institute	X	
Fernand Braudel Institute of World Economics		X
National Institute of High Studies (INAE)		X
Novo Brasil pelo Carimbo Solidário Institute		X
Institute for the National Pact to Eradicate Slave Labor (InPACTO)	X	
Integrare	X	
Jota Jornalismo Ltda. – ME		X
Lideranças Empresariais Ltda.	X	
Prosecutor's Office Democratic Movement (MPD)		X
Global Compact	X	
Equator Principles	X	
Brazilian Rural Society (SRB)	X	
SustainAbility	X	
United Nations Environment Programme Finance Initiative (UNEP FI)	X	
WEPs Brasil 2016 – Empresas Empoderando Mulheres		

Voluntary commitments [GRI 102-12](#)

In the last decade, we have adopted a series of measures to strengthen our commitments to causes such as the environment, human rights and sports, among others. Voluntary commitments are one way through which we support the development of these agendas. An example of this includes the voluntary adhesion by the bank to the "Compact for Sport" in 2015, to support the construction of practices for the professional governance and management of sports entities, envisioning improvements that will ensure increased credibility and security to investments made, adding even more value to national sports.

We work to foster our actions on Diversity, which is a topic recognized and valued in our organizational culture. As a result of this work, in 2016 we were granted the **São Paulo State Diversity Seal** as a recognition for our being a role model in good business practices, with actions that seek to strategically spread the culture of inclusion, respect, care, value and promotion of equal conditions in different work environments. Additionally, we voluntarily adhered to the **Business Initiative for Racial Equality**, developed by Zumbi dos Palmares College and Afrobras, based on pillars such as the responsibilities stated in a work agenda prepared by Ethos Institute and represented by 10 commitments⁽⁶⁾.

(6) These 10 Commitments may be referred to in its entirety at "O Compromisso das Empresas com a Promoção da Igualdade Racial" ([Business commitment to the promotion of racial equality](#)), a publication of the Ethos Institute and documents related to the 5th edition of the Program for the Promotion of Gender and Race Equality award.



We also voluntarily adhered to the **Program for the Promotion of Gender and Race Equality**, developed by the Federal Government. Created by the Special Secretary on Policies for Women, of the Federative Republic of Brazil, and the II National Plan of Policies for Women, we reaffirm our commitment to the promotion of equality between men and women and to the elimination of discrimination and inequality in the work environment, by preparing and committing ourselves to carry out an internal action plan,

scheduled for the next 18 months, to promote gender and ethnic and racial equality.

In addition to the commitments affirmed over 2016, we highlight below some of the principles and voluntary commitments executed in the last 15 years, which, together with our internal policies, underpin our management, allowing these issues to pervade all areas, such as our direct relationships with stakeholders:

Principles	Accession date	Acting country
Global Compact	2003	Global
Global Reporting Initiative (GRI)	2004	Global
Equator Principles III	2004	Global
Carbon Disclosure Program (CDP)	2005	Global
National Pact to Eradicate Slave Labor	2008	Brazil
GHG Protocol – Brazilian Program GHG Protocol	2008	Brazil
Principles for Responsible Investment (PRI)	2008	Global
United Nations Environmental Program – Finance Initiative (UNEP-FI)	2008	Global
Corporate Charter on Human Rights and the Promotion of Decent Work	2012	Brazil
The Business Contribution to a Green Inclusive Economy (RIO+20)	2012	Brazil
International Integrated Reporting Council (IIRC)	2012	Global
Principles for Sustainable Insurance (PSI)	2012	Global
Compact for Sport	2015	Brazil
Business Pact for Integrity and Against Corruption	2016	Brazil

Relationship with government

[GRI 102-43](#) | [GRI 201-1](#) | [G4-DMA Economic performance](#)

We pursue working in direct contact with civil society, third-sector entities, such as government entities, to collaborate with the construction of public policies focused on the interests of society and organization. Thus, our actions with public agencies, with respect to matters that involve our business and the causes we support, promote democracy, respect for the laws of Brazil, the principles set forth in our Code of Ethics and Governmental Relations Policy, which guide the conduct allowed to and expected from employees in the relationship with any public agency.

Our activity involving the representation of the interests of the institution and the financial system in general, in an organized and transparent manner, was developed throughout 2016 by means of actions consisting of monitoring the normative and legislative processes, as well as providing technical information and suggestions with a view to contributing to the improvement of the Brazilian regulatory scenario, always in strict compliance with legal and ethical requirements applicable. Concerning the strengthening of institutional causes, throughout the year we contributed financial funds to support projects and/or activities linked to public agencies and other institutions.

From this perspective, during 2016 we made the following efforts with respect to the federal government level of Brazil:

- We monitored the progress of more than 1,900 legislative proposals under discussion in the National Congress.
- We visited more than 200 lawmakers and public administrators with remarkable participation and expertise in areas such as security, consumer rights, urban mobility, tax and fiscal matters and environment. Examples of articulations include:
 - Meeting with parliamentary assistants to present the material on Finance Education Strategies prepared by the Sustainability area; and
 - Meeting with representatives from the National Consumer Department and Legislative Affairs Department of the Ministry of Justice, with participation of other representation entities, to discuss and submit proposals to Bill 3515/2016, which addresses the prevention and treatment of the excessive indebtedness of the country.
- We work to bring the Executive Branch, namely the Ministries of Justice, Finance, Environment, Planning, Civil Office, and Labor, closer to the Legislative Branch so as to act on topics such as Electronic Commerce, Digital Documents, Personal Data Protection; FGTS Loans, Credit Policies, Excessive Indebtedness and Environmental Licensing.



- We help divulge federal government's education and awareness campaigns to the population by disclosing them on our outdoor LED display on the top of our administrative building in the district of Pinheiros, city of São Paulo.

At the state and municipal levels:

- We closely monitored the debates of more than 4,500 legislative proposals under discussion in all Legislative Assemblies in Brazil and in approximately 90 Municipal Chambers on topics related to security, consumer rights, tax system, banking transactions and urban mobility, among others.
- We established relations with governmental entities and strategic audiences to foster, support and develop activities aligned with our institutional causes, thus, generating and adding value to society. The following are examples of this approach:
 - Implementation of the Citizen Camera Project in Nova Friburgo (RJ), Maceió (AL), Recife (PE) and Salvador (BA), which allows sharing images from branches' external cameras with public security departments of the respective municipalities;
 - Release of around 50 branches located in cities of States of Rio de Janeiro and Minas Gerais so that, in accordance with Superior Electoral Court Resolution 23,456/2015, electoral sections could be set up for holding the 2016 elections;
 - Promotion of a Workshop on Tax Incentives executed by Nexo Investimento Social, in Recife, Salvador, Mogi Mirim and the Federal District, relying on a partnership with local public authorities, to teach and encourage companies and third-sector entities to enjoy tax benefits, creating opportunities to complete cultural, sports and education projects, among others; and
 - Delivery of Lectures on Security for Seniors in partnership with Departments of different cities, including Palmas, Aracaju, Aparecida de Goiânia, Recife, and Fortaleza, to provide guidance and disseminate security practices to the elderly population, discussing topics such as the scams most commonly perpetrated, ways to prevent possible card fraud, safe withdrawals, use of biometry, among other matters.
- We are committed to the management of Ibirapuera Auditorium in the city of São Paulo, supported by Instituto Itaú Cultural.

Political campaigns and donations [GRI 415-1](#)

In accordance with Law No. 9,504/1997, as amended by the Electoral Reform (Law No. 13,165/2015), in 2016 we revised our internal policy relating to donations, prohibiting any type of: I) "Donations made directly to public agents, agencies or entities representing public authorities, or donations to relatives 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 Itaú Unibanco conglomerate; II) Electoral donations or donations to candidates and political parties". Therefore, according to Brazilian laws and regulations, in 2016, Itaú Unibanco conglomerate did not make any donations of funds to political parties or candidates intended for 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. To conduct the process applying the required control, governance is centralized in Itaú Unibanco's Superintendency of Relations with Government, where projects are received, analyzed and evaluated in accordance with our Code of Ethics and Corporate Corruption Prevention Policy. An evaluation of the probity of the project donors is then performed and, last, to ensure that funds are used in accordance with our institutional causes are used in a transparent, honest and ethical manner, the proposals are forwarded to the committee of Sponsorships and Donations, so that the final decision on whether or not the contribution may be made. In this regard, in 2016, we made various donations to non-profit institutions, public bodies and even to private organizations that pursue strengthening initiatives that foster culture, education, sports and urban mobility, among other actions that generate value to society.

Government tax incentives [GRI 201-1](#) | [201-4](#)

In 2016, we received tax benefit in the amount of R\$134.8 million, through investments in culture, education, sports and health, incentivized by our tax law, as follows:

Investment by category (R\$ million)	2016	2015	2014
Donations of funds for child and adolescent rights	15.8	22.4	22.0
Rouanet law for cultural support	74.4	87.0	107.2
Sports sponsorships	12.4	22.4	21.0
Audiovisual activities	0.3	0.8	4.0
Other ⁽¹⁾	31.9	65.3	57.8
Total	134.8	197.9	212.0

(1) Data refer to PRONAS (Programa Nacional de Apoio à Atenção da Saúde da Pessoa com Deficiência – National Program to Support the Health Care of People with Disabilities), PRONON (Programa Nacional de Apoio à Atenção Oncológica – National Program to Support Oncology Care) and Estatuto do Idoso (the Elderly Statute).



Additionally, we benefited in the amount of R\$6.3 million from tax incentives referring to the following programs:

Tax Incentives by category (R\$ million)	2016	2015	2014
Employee food program	5.3	4.3	4.8
Extension of maternity leave	1.0	0.9	1.2
Total	6.3	5.2	6.0

Community [GRI 102-43](#) | [GRI 201-1](#) | [G4 DMA Local Communities](#)

As a financial institution, we recognize our role as a transformation agent and promote local development. In this regard, we work to encourage the development of projects, institutions and individuals in an innovative manner for the construction of a better world.

We take part in discussions, events and actions that contribute to the improvement and strengthening of the communities in the neighborhoods of our Business Center, located in the district of Jabaquara (SP), the Technical Operations Center, at the city office of Mooca (SP), and our Technological Center, inaugurated in 2015 in the city of Mogi Mirim. Throughout 2016, we promoted the following types of engagements for projects relating to education, culture, sports and urban mobility:

- Sponsorship of the 52nd anniversary of Jabaquara district and of the Spring Festival, celebrated in Vila Santa Catarina neighborhood;
- Maintenance of public spaces, such as the Alfredo Egydio de Souza Aranha Square and the Lina e Paulo Raia Park;
- Promotion of visits of Fatec Mogi Mirim's students to Mogi Mirim Technological Center to share knowledge on the local operations and infrastructure;
- Participation in São Paulo Diversity Committee ("Comitê SP Diverso") – a group of companies that collaboratively produced the 3rd Inclusive Economic Development Forum;
- Support to the construction of Cozinha SP, a community experience set up in Praça dos Arcos for the development of a collaborative kitchen based on social gastronomy;
- We also ran the Solidarity Campaign (*Gincana da Solidariedade*), which encouraged healthy competition between employees from administrative buildings and bank branches by collecting donations. We collected a total of 96.5 tons of products which were donated to different charity institutions, and approximately 45,000 blankets and/or bed sheets were donated to non-profit organizations and municipal agencies in different cities of Brazil, including Departments, Funds and City Councils; and

- Meetings were held with the government of different municipalities to identify local needs for institutional support for social actions, such as the installation of outdoor fitness equipment, some of them specifically for seniors and installation of bike parking spaces, among other partnerships.

Moreover, we monitor and invest in education, sports, culture, health, diversity, urban mobility and innovation. Working to identify needs and opportunities in regions where we have businesses and, in conjunction with leaders of local communities and the regional public administration, we support social transformation actions. Examples include sponsorship of projects such as the 4th Cultural Festival of Belo Horizonte, São Paulo Diversity Forum, CEBRAP's Bike Brazil Project for technical analysis in Urban Mobility and sponsorship of São Paulo City's Road Safety Movement.

Additionally, we work with civil society and third-sector entities to generate and share knowledge as well as engage in initiatives in order to boost the articulation between private social investment and public policies and causes in different cities of Brazil. Among our sponsorship initiatives are the Rethinking High School Survey promoted by NGO "All for Education", the 21st Environmental Law Congress, promoted by "Right to a Green Planet" Institute, the "The House is Ours" project conducted by New Brazil Institute for the Solidarity Stamp, a study project on Technical and Professional Education in Brazil, developed by the public interest civil society organization Institute for Labor and Society Studies, and sponsorship of Social Stamp launched by Abaçai Institute, which proposes measures for eradication of extreme poverty and hunger in Brazil.

Corporate Citizenship [GRI 201-1](#) | [GRI 103-2](#) | [103-3](#)

[Corporate citizenship](#)

Private Social Investment [GRI G4-DMA Economic performance](#)

Among the actions carried out in 2016 to support social change agendas, noteworthy is the private social investment model, in which investments were made to support initiatives and projects in line with our institutional causes.

Over the year our private social investment contributions took three forms:

- By making direct financial contributions (sponsorships and donations, inclusive to Investment funds, [see page A-243](#));
- By providing support for projects subject to incentive laws; and



- By our Institutions and Foundations.

Following the line of reasoning to strengthen the society that is our own strength, these social investments were allocated to improve areas such as: education, culture, sports, urban mobility, health and aging. Our performance in 2016 is detailed as follows:

Social Private Investment⁽¹⁾

Non-incentivized

	2016: amount invested in millions of R\$	Number of projects
Education	140.3	180
Culture	74.1	4
Sports ⁽²⁾	8.5	4
Urban mobility	63.8	15
Institutional support and other	33.5	206
Total of non-incentivized	320.2	409

Incentivized

	2016: amount invested in millions of R\$	Number of projects
Culture	83.6	97
Education	11.7	39
Sports	14.5	15
Health and elderly	38.4	39
Other	6.5	21
Total of incentivized	154.6	211
Total	474.8	620

(1) Due to the change in how the investments made in 2015 and 2016 were stated and to the inconsistency in how they were restated, this report does not include a comparison between these years.

(2) Does not include the sponsorships of the Brazilian soccer team and of the Miami Tennis Open.

Education

Itaú works to raise the quality of Brazilian public education through Itaú Social Foundation, Unibanco Institute, and partnership with other Institutes, Foundations and NGOs that share the same goal.

Fundação Itaú Social

The history of Fundação Itaú Social dates back to 1993, when the Community Action Program – later named Itaú

Social – was created to manage and implement Itaú Bank's private social investment initiatives. In the year 2000, these initiatives were institutionalized with the establishment of Itaú Social Foundation by means of an endowment fund that would ensure continuity to the private social investment and provide accountability for all stakeholders.

Actions that produce long-lasting outcomes call for effective government policies combined with the broad participation of various sectors of civil society. With an education-gearred systemic approach, the Itaú Social Foundation concentrates its programs in four domains:

Extended Learning: we advocate for an expansion of time, and diversified spaces and educational content that may better fulfill a child's development potential in a country that only provides a half day of school as a means to reduce inequalities.

Education Management: we promote skills development for public school technical teams and management in partnership with public education systems aiming to promote focused and sustainable improvements in student learning and in school everyday activities.

Program Impact Evaluation: social investments deliver better outcomes when they are able to assess impact and effectiveness. We provide training for professional evaluators and civil society organizations (NGO) managers on impact evaluation methodologies and practice, adding return on investment (ROI) estimation, while providing our own programs with monitoring and evaluation as a means for program improvement and better decision making.

Social Mobilization: we provide bank employees, clients, as well as society at large, with volunteering initiatives, with the purpose of building collaborative networks focused upon reading skills and financial education. We believe in cooperation between different persons as a means for building a better and more equitable society.

In 2016, close to 2 million people benefited from Itaú Social's initiatives. This report summarizes data and outcomes from some of our most outstanding programs.

Program/geographical coverage	Program goal	Investment 2016	Attendance 2016
Prêmio Itaú-Unicef (Itaú-Unicef Award)	Identifying, recognizing and encouraging partnerships between NGOs and public schools in social and educational projects that contribute to public policies geared towards extended learning for children and youngsters. The award is granted to projects submitted in odd years; in even years, training sessions are delivered to develop the skills of those engaged in projects that have applied to the award.	R\$2,652,693.00	1,480 attendees in the training sessions
States of AM, BA, CE, DF, ES, GO, MG, MS, MT, PA, PR, RJ, RS, SC, and SP – where NGOs received consultancy services			
<i>Escrevendo o Futuro – Olimpíadas da Língua Portuguesa</i> (Writing the Future – the Portuguese Language Olympics)	Improving language teaching practice for teachers from public schools across the country. In even years, a national competition is held with texts in four literary genres. In odd years teacher training is expanded to include teacher trainers and technical staff.	R\$ 17,346,767.00	81,266 teachers registered in the competition
87% of Brazilian municipalities (4,873 cities applied, as well as all 27 states)			68 groups of distance education courses, with 6,376 students attending 16 groups of face-to-face courses with 1,000 students attending



Program/geographical coverage	Program goal	Investment 2016	Attendance 2016
<p><i>Programa de Avaliação da Educação</i> (Education Evaluation Program)</p> <p>Government technicians, university graduates and NGO managers in the states of BA, CE, DF, ES, GO, MT, PR, RJ, and SP</p>	Professional training on Program Impact Evaluation methodologies and ROI estimation by means of courses, workshops and seminars.	R\$ 1,700,425.00	<p>4 workshop groups – 131 attendees</p> <p>6 groups of the Course for Managers – 148 attendees</p> <p>4 groups of University Extension Course – 127 attendees</p> <p>2 groups of the Advanced Course – 63 attendees</p> <p>9 Theme Gatherings – 239 attendees</p> <p>2016 International Seminar – 352 participants</p>
<p>Itaú Criança (Itaú Child)</p> <p>Every state received the collection</p> <p>States provided with mediated reading initiatives: AM, BA, GO, RJ, PR, RS, and SP</p> <p>States with projects funded by the Endowment for Children and Adolescents Rights: PB, PR, CE, AL, SP and MG</p>	A joint action with the bank to engage employees, clients and the community to help promote the rights of children and adolescents to access better quality education that will contribute to their full development. It encompasses campaigns encouraging adults to read to children and the allocation of tax rebates to the Public Endowment for Children and Adolescents' Rights, with a matching fund by Itaú.	R\$ 18,059,416.00	<p>1,801,663 Itaú Child book collections distributed through the "Read to a Child" campaign – 1,600,000 collections to individual families</p> <p>200,000 collections to NGOs and State Education Departments: 1,663 Braille collections</p> <p>6,418 library boxes given out by Itaú Unibanco employees during volunteer actions</p> <p>2,795 children assisted by projects funded by Itaú employees' tax rebates</p>
<p><i>Voluntariado</i> (Volunteering)</p> <p>States benefited from volunteering actions: AM, BA, GO, RJ, PR, RS, SP, PA, PB, AL, RN, PE, MA, and DF</p> <p>States with Itaú Mobilization Committees: AC, AL, AM, BA, CE, ES, GO, MA, MG, MS, MT, PA, PB, PE, PR, RJ, RN, RS, SC, SP and DF</p>	Encourage, facilitate and recognize the engagement of bank employees in volunteer initiatives.	R\$ 3,661,190.00	<p>17,098 volunteers registered in the Itaú Social Action Network</p> <p>15,642 people attending the Conscious Use of Money workshops</p>

Access our institutional link for further information: www.fundacaoitausocial.org.br/en.

Targets

Initiatives	2016 target	Status in 2016	2017 target
Prêmio Itaú-Unicef (Itaú-Unicef Award)	Hold training sessions for public schools and NGO managers and educators – 40 groups of distance education and 3 online discussion forums.	26 groups of distance education with 983 students; 4 online discussion forums with 433 attendees	Hold the award ceremony and register 3,000 applications from NGO-public school partnerships
	Hold 25 strategic planning meetings with the volunteer committees to promote synergy and access to the Social Actions Network.	20 meetings held with 4,352 attendees	Carry out 50 volunteer mobilization actions
	Improve the technical consultancy with 32 NGOs and public schools, classified as finalists in the 2013 and 2015 editions.	Consultancy with 32 NGOs	Hold 07 regional kick-off events in partnership with local organizations and government authorities
<i>Escrevendo o Futuro – Olimpíadas da Língua Portuguesa</i> (Writing the Future – the Portuguese Language Olympics)	Competition: provide learning materials, mobilization of education departments and schools, application of 100,000 teachers, student/teacher workshops and essays selection at all levels (school, city, state, regional and national).	81,266 teachers registered	Face-to-face courses: training in all 27 states
	Distance education: 106 groups of distance education courses with 12,000 students.	68 groups of distance education courses, with 6,376 students	Distance education: 94 groups
		16 groups of face-to-face courses with 1,000 students	



Initiatives	2016 target	Status in 2016	2017 target
Ações do Programa de Avaliação da Educação (Actions of Education Evaluation Program)	10 workshop groups and adjustments to course format and content	4 workshop groups – 131 students	
	8 groups of the Course for Managers	6 groups of the Course for Managers – 148 students	2 groups of the Course for Managers
	2 groups of the Online Course	4 groups of University Extension Course – 127 students	1 group of the Advanced Course
	3 groups of the University Extension Course	2 groups of Advanced Course – 63 students	2 Online Courses
	1 group of the Advanced Course	9 Theme-Based Meetings – 239 attendees	1 International seminar
	8 Theme-Based Meetings	1 International Seminar – 352 attendees	
Itaú Criança (Itaú Child)	Carry out mediated-reading training sessions to 660 volunteers.	639 volunteers trained in the mediated-reading sessions	Distribution of 6,000 additional libraries from previous editions
	Acquire and deliver 4,000 Itaú Child Libraries (collections with 50 literary works) to foster volunteering.	6,418 libraries distributed	1.6 million books of the Itaú Child Collection given to public schools and social projects
	Acquire and deliver 3.6 million children's books (Itaú Child Collection).	3.6 million children's books distributed	1.8 million books of the collection given to individual families
	Ensure that 5% of Itaú's employees and 20% of the bank's management team allocate up to 6% of their tax rebate to the Endowment for the Rights of Children and Adolescents.	3.15% of Itaú's employees and 21% of the bank's management team allocating funds	
Voluntariado (Volunteering)	15,000 volunteers registered in our Social Actions Network.	17,098 volunteers registered	Volunteer advisory actions for 30 bank teams in all regions of Brazil with the engagement of 10,000 employees
	500 volunteers actively working in the Conscious Use of Money workshops.	595 volunteers active in the Conscious Use of Money workshops	Minimum attendance of 4 offshore Itaú branches in the global volunteer week
	Volunteer advisory actions for 20 corporate teams.	Volunteer advisory actions for 42 bank teams	Design and implementation of a volunteering policy towards risk mitigation
			Improvement of monitoring and evaluation processes

Instituto Unibanco

Founded in 1982, the Instituto Unibanco (Unibanco Institute) is an organization that works to raise the quality of Brazilian public education, and secondary schools in particular. Therefore, the Institute develops and disseminates applied school system management solutions.

The Institute has partnerships with institutions such as education departments, academic, philanthropic and education-focused institutions, the National Council of Secretaries of Education (Consed) and the Ministry of Education, among others. It is supported by an endowment that guides the funding of activities. This report presents some of Instituto Unibanco's outstanding programs.

Program/ geographical coverage	Description	Amount invested in 2016	Impact in 2016
<i>Jovem de Futuro</i> (meaning promising youth) CE, GO, ES, PA and PI	Educational technology and knowledge production designed to foster the ongoing improvement of the school management.	R\$38,526,254.24	1,440 schools 469,985 students
<i>Estudar Vale a Pena</i> (Volunteer Program: Studying is Worthwhile) CE, GO, ES and SP	A volunteering action aimed at raising awareness of the benefits of education among public secondary school students.	R\$2,412,597.43	1,013 active volunteers 57 schools 6,684 students
<i>Fomento – Editais Gestão Escolar para Equidade e fundos de apoio</i> (Promotion – Edicts school management for equity and support funds) AM, BA, CE, MG, PB, RJ, RN, SC and SP	Public notice in order to identify, recognize and monitor projects developed in public secondary schools focused on school management that may contribute to improve the educational results of vulnerable students. Support for the institutional development of non-profit organizations in the field of education.	R\$3,021,100.07	10 projects chosen in the call notice "School management towards equality: encouraging girls in Science" and 12 non-profit organizations supported



Targets

Program	Status in 2015	Status in 2016	2017 target
<i>Jovem de Futuro</i> (meaning 'promising youth')	2,407 schools (up 19% from the expected target)	2,519 schools	1,832 schools

Itaú BBA Education Initiatives

To optimize our social investment, we work in partnership with other foundations, institutes and NGOs sharing the same purpose: improving the quality of the basic public education in Brazil. We gather together efforts, intellectual capacities, knowledge, and resources to provide technical and financial support to education projects, since we believe that this enables us to leverage our actions so that we can do our best for Brazil's education development. This effort is not supported by an incentive law.

In the last two years, our primary focus has been on designing a new secondary school model that is both flexible and integrated into technical learning and professional qualification, since 83% of Brazilian students who graduate from secondary school fail to go onto college or to take classes for a qualified job, according to IBGE.

To bring the integration of technical learning and

secondary school to the center of the debate, we have commissioned overall in-depth studies on this matter and then started partnerships with Consed and the organization Movement for a National Common Core Curriculum (BNCC). We also support the States of Paraíba and Santa Catarina to put this proposal of increased flexibility into practice, with the prospect of providing visibility to such initiatives.

A distinguishing feature of our priority actions and support is that they have national, state and municipal coverage and consist of studies and research, direct involvement in public schools, and institutional sponsorships. In 2016, we invested a total of R\$5,333,974.00.

The main projects, institutions, and NGOs supported in 2016 include:

Projects supported/ geographical coverage	Description	Amount invested in 2016	Impact in 2016
Consed – <i>Conselho Nacional dos Secretários da Educação</i> (National Council of Secretaries of Education – Consed)	Technical and financial support to include the reorganization of the secondary school in the agenda, especially to promote technical professional learning as regular secondary education.	R\$165,000.00	Enactment of Provisional Act 746, which established the New Secondary Education Model, which will be composed of the National Common Core Curriculum (BNCC) and of formative itineraries, including technical professional qualification.
All Brazilian states			
<i>Secretaria Estadual de Educação de S. Paulo – Programa Educação Compromisso de São Paulo</i> (São Paulo State Education Department – “Education: São Paulo’s Commitment” program)	A collective action setting up a pact with society for Education based on 5 pillars: 1. Valuing human capital: Career and Qualification of Teachers; 2. Educational management focused on students’ results: Learning; 3. A new school model: Full-time Schools; 4. Project Office: Operation of the Program; and 5. Engagement and Communication: disclosure of the Program.	R\$250,000.00	Activities in the 5 pillars were performed to meet the goal of improving education in São Paulo in the next 15 years. Among its main targets is making São Paulo state schools rank among the world’s 25 best education systems according to international rankings, and placing the teaching profession among the ten most desired careers in the State.
State of São Paulo			
<i>Todos pela Educação</i> (All for Education Movement)	Institutional support and support for studies and research on public basic education.	R\$665,000.00	Actions were taken with a view to allowing that, by 2022, 98% of children and youths between 4 and 17 are enrolled with and attending school, or have completed secondary school.
All Brazilian states			
<i>Parceiros da Educação</i> (Education Partners)	Support to 3 public schools of the Full-time School program in São Paulo (capital city): • Elementary 1 – Escola Estadual Vila Albertina; • Elementary 2 – Escola Estadual Carlos Maximiliano Pereira dos Santos; and • Secondary School – Escola Estadual Prof. Antônio Alves Cruz.	R\$1,040,000.00	Support to the educational area, for 42 teachers, 9 educational coordinators, coaching 3 principals and 2 vice-principals, remedial classes, college preparatory course, and composition writing preparatory course for Brazil’s national high school exam (local acronym ENEM), and purchase of materials. In addition, investments in the infrastructure of these schools benefitting 820 students.
São Paulo – SP			
<i>Movimento pela Base Nacional Comum Curricular</i> – BNCC (Movement for a National Common Core Curriculum – BNCC)	Member of the Movement for the creation of a National Common Core Curriculum which will be the cornerstone of each student’s learning rights, the qualification of teachers, learning resources, and external assessments.	R\$400,000.00	The second release of this Core Curriculum, written based on more than 12 million contributions and a broad public discussion, was released by the Ministry of Education (MEC) in May 2016. Between June and August, more than 9 thousand participants, the majority teachers, met in seminars in all States in Brazil and made suggestions for changes. These contributions were compiled in a report submitted to MEC on September 14, 2016. The effective date of the National Common Core Curriculum has not yet been defined.
Throughout Brazil			



Targets

Support by type of action	Status in 2015	Status in 2016	2017 target
Institutional	We supported 5 Foundations, Institutes and NGOs that carried out projects to improve the quality of Brazil's basic public education, in particular those supporting public policies.	We supported 6 Foundations, Institutes and NGOs that carried out projects to improve the quality of Brazil's basic public education, in particular those supporting public policies.	To support 6 Foundations, Institutes and NGOS for carrying out projects to improve the quality of Brazil's basic public education, in particular those supporting public policies.
Direct Involvement	We supported 4 projects directly impacting teachers, principals, and educational coordinators, and students from public elementary schools.	We supported 8 projects directly impacting teachers, principals, and educational coordinators, and students from public elementary schools.	To support 8 projects directly impacting teachers, principals, and educational coordinators, and students from public elementary schools.
Studies and Research	We supported 4 Studies and Research projects that contributed to validating basic public education projects.	We supported 7 Studies and Research projects that contributed to validate basic public education projects.	To support 5 Studies and Research projects that contribute to validate basic public education projects.

Culture

Itaú has a commitment to democratize access to Brazilian culture and arts, operating on a number of fronts through Itaú Cultural Institute and Espaço Itaú de Cinema.

Instituto Itaú Cultural

Founded in 1987, the Instituto Itaú Cultural (Itaú Cultural Institute) has a strong commitment to the Brazilian arts and culture, operating on a number of fronts to democratize access to culture and the arts. The Institute promotes intensive free-of-charge programming with events held in its headquarters in São Paulo, and in partner institutions located in other cities in Brazil and abroad. Projects by Itaú Cultural in 2016 totaled R\$87,956,204.66, of which R\$14,244,420.70 were carried out under the benefit granted by Rouanet Law – Art. 26 and R\$73,711,783.96 outside the scope of Rouanet Law.

Of the amount not supported by Rouanet Law, R\$12,031,928.66 were carried out exclusively by Ibirapuera Auditorium.

In 2016, Itaú Cultural has intensively worked with diversity. Issues related to the accessibility to visually and hearing impaired people were displayed in the exhibition areas on the Institute's website, as well as to their employees, through the Accessibility Committee. The Institute also counts on the Racial Issues Committee, which works the presence and representativeness of black people in the Brazilian current cultural scenario. The projects submitted to the *Rumos* Program also picture this search, by supporting diversity-related projects (such as racial, indigenous, gender and other issues concerning minority groups).

With more than 900 cultural activities over the year, which impacted 730 thousand visitors throughout Brazil – including actions related to Ibirapuera Auditorium, Itaú Cultural continues to be a top national and regional highlight in our Media Exposure Quality Index (IQEM). Our virtual audience increases every year, and in 2016 the Institute's website had 15 million hits.

Program/ geographical coverage	Description	Amount invested in millions of R\$	Impact in 2016
<i>Programa Rumos</i> (<i>Rumos</i> Program)	In 2016 <i>Rumos</i> celebrated its 19 th anniversary, and announced the selected projects for the edition launched in 2015. The strength and breadth of the Brazilian cultural and artistic diversity were evident by the large number of projects submitted with topics that mirror racial issues, isolated communities, and gender issues.	6.6	Overall, 117 selected projects had financial and institutional support for the production and dissemination of their productions.
25 Brazilian states + Argentina			
<i>Ocupação Glauco</i> (<i>Ocupação</i> Project: Glauco)	In July 2016, the Institute launched the 30 th edition of the <i>Ocupação Itaú</i> Cultural project, which highlighted the universe of Brazilian cartoonist Glauco Vilas Boas, presenting to the audience over 200 artworks and addressing different aspects of the artist's journey – from professional partnerships to his spiritual life. Considerable effort was devoted to make this exhibition accessible to the visually and hearing impaired. It was the first exhibition to prioritize accessibility-related issues.	0.4 (420,171.99)	Approximately 34 thousand people impacted.
São Paulo			
<i>Exposição Calder e a Arte Brasileira</i> (<i>Calder e a Arte Brasileira</i> Exhibition)	The <i>Calder e a Arte Brasileira</i> exhibition was the highlight of the year. The Institute shed light on the influence of the US artist's artworks in Brazil, as Calder was a pioneer in the kinetic art, and brought about his relevant role in the creation of the Neo-concrete movement in Brazil.	2.3	Approximately 60 thousand people impacted.
São Paulo			



Program/ geographical coverage	Description	Amount invested in millions of R\$	Impact in 2016
Exposições Acervo Itaú e Itaú Cultural (Exhibitions with the Itaú collection) Brasília, Curitiba, Fortaleza, Ribeirão Preto, Rio de Janeiro, Santos, São Paulo	Two new artworks of the Itaú Unibanco art collection, maintained and managed by Itaú Cultural, started to travel across the country: <i>Narrativas em Processo: Livro de Artista</i> na Coleção Itaú Cultural, which visited Ribeirão Preto, and <i>Imagens Impressas</i> , which visited the Heritage Hall and the city of Santos.	1.3	In 2016, seven exhibitions with the Itaú e Itaú Cultural collection visited five Brazilian states. Over 205 thousand people were impacted.
Ações virtuais (Virtual Actions) Brazil and abroad	It launched "Channel", an area in the website of Itaú Cultural working with audiovisual productions. The Olavo Setubal Hall now hosts the Google Art Project, a tool providing for online visits to the Institute's permanent exhibitions. The Enciclopédia Itaú Cultural de Arte e Cultura Brasileiras can now be reached on mobile devices.	0.4 (Channel) 398,464.20 R\$0.00 (Google Art Project)	The Institute's website had 15.5 million hits in 2016.
Ibirapuera Auditorium São Paulo	In 2016, the highlights of the Auditorium programming were MIT SP, <i>Brasiljazzfest</i> , <i>Ana Cañas</i> , and the <i>Paraisópolis Ballet</i> . It also held performances of artists of the current artistic scenario, such as <i>Liniker, As Bahias e a Cozinha Mineira</i> , and <i>Rico Dalasam</i> . The Auditorium School, receiving approximately 170 children and adolescents of the public municipal schools of São Paulo, qualified 19 students over the year.	12	187,545 people had access to 147 concerts at popular prices and 59 concerts for free.
Formação (Education) Brazil and abroad Brazil	In 2006, the institute created and edited the <i>Observatório Itaú Cultural</i> magazine to focus on discussions about Brazil's public cultural policies. One of the results of this initiative is the free <i>Specialization Course in Cultural Policies Management</i> , which is provided in conjunction with the <i>Unesco Chair in Cultural Policies and Cooperation</i> established at the University of Girona, Spain, and supported by the Organization of Ibero-American States. In 2016, the Education and Relationship Center hosted around 200 private and public schools and held activities such as the <i>Family Weekend</i> , which offers the <i>Reading Corner</i> , the <i>Book Exchange Fair</i> , <i>Comics and DVDs</i> , <i>theater plays</i> , <i>experiences and workshops – street games and storytelling</i> .	0.7 R\$ 718,603.23 (Specialization Course in Public Cultural Policies)	In 2015-2016, the <i>Specialization Course in Public Cultural Policies</i> counted on 45 students and 37 formed. The 2016-2017 classroom training is in progress, with 54 participating students. The Education and Relationship Center hosted around 12,000 students.

Diversity

Itaú Cultural has increasingly had a more challenging attitude in diversity issues, both towards its audience and employees. The Institute counts on the Racial Issues Committee, and the Accessibility Committee, in addition to programs addressing diversity-related themes, such as *Entre Arte e Acesso*, which brings together the universes of arts and accessibility, providing greater visibility of the artworks of artists with different types of disabilities; *Todos os Gêneros*, a reflection through the production of artists dedicated to challenge sexuality and its representations; and *Diálogos Ausentes*, a series of meetings addressing the production and the presence of black artists in different artistic expression areas.

In the *Ocupação* projects, the Instituto closed the year by paying homage to artist *Abdias Nascimento*, a playwright, theatre director and actor, visual artist and writer, an activist and a member of the Brazilian Congress, who journeyed throughout the century combating racism.

Additionally, we have prioritized the hiring of black persons, exhibitions with accessibility resources for visually and hearing impaired people and wheelchair users, the availability of tickets and priority given to seats for wheelchair users, obese and people with reduced mobility at the Itaú Cultural Hall, and the improvement of activities with the Brazilian Sign Language ("Libras") (both for our audience and employees – by way of a learning course), as well as a language interpretation tool on the Institute's website.

Targets

2016 targets	Status in 2016	2017 targets
New highlights of the Acervo Itaú (Itaú collection) throughout Brazil (Livros de Artista)	100%. The exhibition was hosted by the city of Ribeirão Preto.	Launch new digital platforms (mobile, desktop).
Exposição Santos Dumont – 100 Anos do 14-Bis (Santos Dumont – 100 Anos do 14-Bis Exhibition)	100%	Increase our presence nationwide.



2016 targets	Status in 2016	2017 targets
Projetos Ocupação 2016: Person, Glauco, Cartola e Abdias do Nascimento (2016 Ocupação Projects: Person, Glauco, Cartola, and Abdias do Nascimento)	100%. Abdias, the last occupation of the year, opened in November 2016.	Carry out actions related to the celebration of the 30 th anniversary of Itaú Cultural, such as publication of a related book; "Gabinete" project (relationships of Itaú Cultural with artists, managers, groups, educators and cultural institutions in Brazilian states) and the Prêmio Itaú Cultural 30 anos, that will pay homage to artists, intellectuals and activists who had outstanding roles between 1987 – year in which IC was founded – and 2017.
Contemplados Rumos 2015 – 2016 (Selected projects – Rumos 2015 – 2016)	100%. Those selected were announced at a press conference in May 2016.	
Renew the agreement to be the manager of Ibirapuera Auditorium for one more year	100%. Renewal up to July 31, 2017.	
Launch the Canal (Channel) – an area on the institute's website covering the editorial work of Itaú Cultural's audiovisual projects	100%	
Hold a seminar to celebrate the 10 th anniversary of the Observatory at the Ibirapuera Auditorium	It did not take place, since the amount intended for this action was allocated instead to the Seminar of Economy of Culture at the Brazilian Forum for Cultural Rights.	
Planning the 30 th anniversary of IC with lectures and other events. The tangibilization will be carried out through the implementation of activities in 2017	100%. A Strategic Committee is in place to work with the initiatives to be carried out in 2017; and an image reputation survey was conducted by company Reputation Institute.	

Espaço Itaú de Cinema

Originally opened under the name Espaço Unibanco in 1995, the Espaço Itaú de Cinema aims at providing diversified programming, from art-house to blockbuster movies.

The network of movie theaters, comprising eight complexes, with 57 screening rooms and 194 places for disabled people in six Brazilian cities (Brasília, Curitiba,

Porto Alegre, Rio de Janeiro, São Paulo, and Salvador) is mainly aimed at providing different views of the movies, develop audiences, and leave a legacy to society, always supporting projects that value and reinforce our commitment to democratization of culture. In 2016, approximately 3.5 million people visited these complexes.

We also have some social programs, as described below:

Program/ geographical coverage	Description	Amount invested in 2016	Impact in 2016
<i>Clube do Professor</i> (Teacher's Club) All cities where we have a presence	The intention is to broaden the cinematographic experience of teachers. Admission is free for teachers with a <i>Clube do Professor</i> card and one companion.		37,661 teachers
<i>Projeto Escola</i> (School Project) All cities where we have a presence	Its aim is to integrate different forms of expression, always seeking to correlate areas of knowledge in its programs. The project is not limited to just screening the movie, but it also stages workshops, debates and other complementary activities to address the content and the understanding of the topics introduced. As such, it seeks to help to develop viewers who are critical and more active in society.	R\$377,500.00 ⁽¹⁾	13,702 students
Itaú Viver Mais (Itaú Live Longer) All cities where we have a presence	A project specially developed for people older than 55, offering free-of-charge sessions on the last Tuesday of each month. More information on the section about the program in the website: www.itaucinemas.com.br/pag/itau-viver-mais .	R\$90,485.50	7,906 elderly
<i>Sessão Popular</i> (Popular Session) All cities where we have a presence	From Mondays to Fridays, one movie screened daily at a specific time at a discount price.		Approximately 7,150 people

(1) Budget from Instituto Unibanco de Cinema (Unibanco Cinema Institute).



Targets

Programs	Impact in 2015	Impact in 2016	2017 target
<i>Clube do Professor</i> (Teacher's Club)	37,066 teachers	37,661 teachers	
<i>Itaú Viver Mais</i> (Itaú Live Longer)	6,393 elderly	7,906 elderly	Up 10% from the end of 2016
<i>Projeto Escola</i> (School Project)	28,088 students	13,702 students	
<i>Sessão Popular</i> (Popular Session)	8,075 people	7,150 people	

Other cultural events and sponsorship

We believe that access to culture can help form more critical and conscious citizens who are capable of challenging and becoming transformation agents, ultimately influencing and changing the society they live in. For this reason, we invest in and support different types of artistic and cultural expressions by sponsoring projects such as the Joinville Dance Festival, supported by us for the 9th consecutive year, Paraty International Literary Festival (FLIP), where we offered the Itaú Cultural Space of Literature, which received 3,000 people, with a rich agenda that included panel debates, meetings, roundtables, mini-courses, and poetry slams.

In 2016, we also sponsored the 32nd São Paulo Biennial, which hosted more than 900,000 visitors, the 24th São Paulo International Book Biennial, which received 700,000 visitors and the 40th São Paulo International Film Festival (which we have been sponsoring since 2012), besides several theatre plays and musicals such as *Cartola* and *Children's Rights Song*.

Sports

Appreciation of sport is part of our DNA. We believe that sport, along with education and culture, helps to develop citizenship in a changing society. Therefore, we sponsor several projects that aim to make sport a social activity – one that benefits communities and transforms people's worlds.

Sports sponsorship

Our involvement with soccer goes back over 20 years, through sponsorship of TV broadcasts of various competitions ranging from Brazil's national championship to FIFA World Cup qualifying rounds and the Brazilian national team's friendly matches. Since 2008 we have been a sponsor of Brazil's national team in all categories.

In 2009, we were the first Brazilian company to sign a sponsorship contract for the FIFA World Cup 2014TM. According to a survey conducted by IBOPE, our brand was the second most associated with the event by the end of the tournament in Brazil. In 2015, we started the sponsorship of the Chilean national team.

The "Itaú and Tennis" is also a long-standing association, with a thorough platform ranging from the youth academy to the elite professional level, counting on

Gustavo Kuerten as our tennis ambassador. In the development phase, we sponsored the Champions of Life tennis project of the Guga Kuerten Institute, the Tennis for All circuit and the *Caravana do Esporte* (sports caravan) – a traveling program that assists cities referred to us by UNICEF promoting the qualification of instructors, and which has benefitted approximately two million children.

Another initiative we support is the Itaú Training Center/ Tennis Institute, a project focused on developing high-performance youth athletes.

Also concerning the sport development phase, we sponsor the University Sports League, the largest university sports project in Brazil, carried out by the Brazilian University Sports Confederation (CBDU).

Additionally, we sponsor the School and University Tennis Circuit, some rounds of the ATP Challenger Men's Tennis Tournament in many Brazilian cities, and we are the main sponsor of the international Future Women's Tennis Circuit.

As to the high-performance tennis level, in 2015 we became the main sponsor of the Miami Open, an ATP's Masters 1000 event that already had our support since 2009, and is one of the world's top tennis tournaments. In Brazil, we sponsor the Rio Open, which is South America's only tournament to combine ATP World Tour 500 and WTA International rounds, and also the Itaú Masters Tour, the senior tennis circuit that has now reached its 14th year.

Urban mobility GRI 201-1

As we are an essentially urban bank and we recognize the importance of valuing an active transport mode for the sustainable development of cities, in 2011 we defined urban mobility as an investment pillar within our sustainability platform. Since then, together with the government and society, we have worked to foster the culture of integrating bikes into the urban transport model, thus seeking to impact public policies that promote the use of bikes in the day-to-day lives of people.

Bike-sharing system

We were the first large Brazilian company to support a bike-sharing system, by way of a public-private partnership based on the public interest. In 2011, in partnership



with the municipality of Rio de Janeiro, we started the sponsorship of the Bike Rio program, and this program's success has led to the expansion of the project to São Paulo and Porto Alegre in 2012, Pernambuco, Salvador, and Santiago (Chile) in 2013, and to Brasília and Belo Horizonte in 2014. We believe that the main contribution of the bike-sharing systems is to help users to commute in urban centers, contributing to the intermodality and ensuring the visibility of bikes as a means of transport.

We are the sole sponsors of bike-sharing systems in the world that count on nationwide programs. In 2016, this project reached 14,000,000 trips since it was launched and over 440,000 registered users, as shown in the table below.

Program	Launch date	Status	Stations	Bikes	Number of users since launch	Number of users registered in 2016 ⁽¹⁾	Number of trips since launch	Number of trips in 2016 ⁽¹⁾	Tons of carbon credits since launch
Bike Rio	October 2011	In operation	255	2,500	940,411	181,398	9,036,235	1,927,711	3,255.01
Bike Sampa	June 2012	In operation	260	2,600	688,533	114,184	2,166,889	614,615	793.79
Bike Poa	March 2013	In operation	40	400	188,830	25,195	893,972	149,594	324.21
Bike Pernambuco	August 2013	In operation	80	800	206,742	39,797	1,121,759	278,805	397.26
Bike Salvador	September 2013	In operation	40	400	169,210	27,690	710,804	154,930	261.99
Bike Brasília	May 2014	Closed in August 2016			134,814	21,954	505,269	139,561	214.04
Bike BH	June 2014	In operation	40	400	132,863	34,786	249,972	88,164	91.64
Bike <i>Turista</i>	April 2016	In operation	13	142	1,057	1,057	1,913	1,913	-
TOTAL		In operation	728	7,242	2,462,460	446,061	14,686,813	3,355,293	5,337.94

(1) As calculated until November 2016.

Infrastructure

Bike parking lots and bike parking racks

Investing in public parking spaces is fundamental to support our urban mobility platform, since the lack of a safe space to park a bike prevents many people from using it as a basic means of transport.

In August 2014, we launched the *Estação* Bike in São Paulo, a project with the capacity for 100 parking lots, open 24 hours/day, and with an integration system with subway stations and the cycle route infrastructure of the region.

Since then we have launched three other bike parking lots: one in São Paulo and the other two in Salvador. Overall, these bike parking lots total over 95,000 thousand parking lots since the first one was launched, in addition to approximately 7,500 registered users.

In 2016, in addition to maintenance services for the bike parking lots in São Paulo and Salvador, we entered into a Cooperation and Sponsorship Agreement with the District Council of Jabaquara (São Paulo) to implement a bike parking project at Santa Generosa bridge, close to Paraíso subway station. Also in 2016, there were 2,000 and 400 bike parking racks installed in São Paulo and Belo Horizonte, respectively.

Bike *Turista*

Bike *Turista* is a pioneering initiative in Brazil that aims at the exclusive sharing of bikes for hotels. It encompasses a total of 13 hotels along the coast and the Historic Center in the city of Salvador, Bahia. To be entitled to this service, the visitor must be a guest at one of the hotels that count on this piece of equipment. Bike *Turista* is aimed at encouraging tourists to have a new perspective of the city, fulfilling a demand that is still dormant and promoting the development of urban cycling tourism in Brazil. Launched in April, this project already has over 1,000 registered users, who account for approximately 2,000 trips.

Cyclist counters

We have donated two cyclist counter totem poles to São Paulo and one to Belo Horizonte. Unique in Brazil, these devices display, in real time and in full view, how many people on bikes pass across the cycle routes of Paulista and Faria Lima avenues in São Paulo, and across Bernardo Monteiro avenue in Belo Horizonte. Sharing this data with our audience is one way to promote this successful active transport and urban mobility policy.

Donation of bikes

In order to promote bikes as a means of transport for government bodies, we donated eight bikes to Belo Horizonte and 322 to São Paulo, to be used by local traffic authorities.

Cultural Change

Escolinha Bike

Escolinha Bike Itaú is an event that takes place every weekend, in seven capital cities in Brazil, and in different locations, such as public squares, parks, leisure streets, clubs and schools. Over 35,000 child cyclists were trained in 2016. Inspired by international experiences, this project is aimed at children from two to seven years old. Its purpose is to teach children how to safely ride bikes



in urban centers. By using an inflatable traffic track that simulates a street environment, with traffic signs and equipment, and child bikes, small children get into contact with the traffic routine and rules, which encourages them to deal smoothly with the urban mobility issue. They first have a theory mini-class on traffic before entering into the circuit track.

Bike Noronha

The Bike Noronha project is aimed at providing bikes with a central role as a means of transport and thus contributing to reducing CO₂ emissions in the Fernando de Noronha island. The main pillar of this project is the donation of bikes to all permanent residents of the island. In 2016, 1,310 applicants enrolled in the program and received the donation. Additionally, 85 bikes were donated to the hotels of the island, which, in turn, offered them free of charge to tourists, also promoting eco-cycling tourism. To render the cultural change effective, this project provided support to the island infrastructure, by installing warning signs along the roads, cycling track signs along secondary roads, and bike parking lots in urban areas. Additionally, a number of actions to raise awareness were implemented, with the distribution of 10,000 safe traffic handbooks to drivers and cyclists. According to the Traffic Office, Fernando de Noronha has a fleet of 1,200 vehicles, and after the project is completed, bikes will outnumber cars, which will lead to a unique case in the Brazilian transport scenario.

Movimento Paulista de Segurança no Trânsito

In 2016, Itaú became the sponsor of and a part of the *Movimento Paulista de Segurança no Trânsito*, a traffic safety initiative by the São Paulo State government authorities, the main purpose of which is to halve the number of fatalities in traffic accidents in the state by 2020. The program was inspired in the *Década de Ação Pela Segurança Viária*, 2011-2020 period, a UN program seeking to raise awareness of the issue of traffic violence. In the first ten months of 2016, compared to the same period of 2015, there was a drop of 6% in deaths, of 22% in accidents with casualties, and of 13% in pedestrians killed. Among the actions carried out by the bank, we have 6,000 educational handbooks on cyclist safety to be distributed during educational blitzes, and guidance materials on how to carry out the urban mobility plan, cycle routes and road safety for the 15 municipalities involved in the project.

Institutional support

To further strengthen organizations that promote mobility by bike, over 2016 Itaú Unibanco provided institutional support to organizations from many Brazilian cities,

such as *Aromeiazero*, *Transporte Ativo*, *Rodas da Paz*, *Ciclocidade*, *Ameciclo*, *BiciEscola*, *Libelula*, *BH em Ciclo*, *Bike Anjo*, and *Mobilize*. Through donations of funds, we were able to support the creation and implementation of projects and initiatives to value transport by bike. One example is the “*Meu chinelo não é freio*” project, from the Metropolitan Association of Cyclists of the Great Recife, which developed safety blitzes at different places in the city to replace bike parts, such as brakes and reflective stickers, on the neighborhood residents’ bikes.

Employees

In addition to efforts to promote public cycling mobility policies, we are committed to encouraging our more than 90,000 employees (in Brazil and abroad) to choose bikes as their mode of transport by way of internal campaigns, endomarketing communications and awareness-raising events. With this purpose in mind, in 2016 we carried out the following initiatives:

- Expanded bike parking lots in four administrative complexes of the bank in the city of São Paulo, totaling an increase of over 200 parking lots;
- In addition to changing rooms and the expansion of lockers in the Itaú Conceição Business Center and the Administrative Center at Av. Brigadeiro Luís Antônio, the Tatuapé Administrative Center now has changing rooms and lockers. At the Faria Lima complex, the bike parking now has lots with carriers specifically for electric bikes;
- We launched *lbike*, a digital relationship platform, with urban mobility contents and bike sales;
- With the support of Instituto *Aromeiazero*, *Galpão da Bike*, *Bike Anjo* group, and *Compartibike*, on November 27 Itaú Unibanco hosted the Bike Festival at *Clube Guarapiranga*. In the seven hours of the event, a series of free-of-charge dynamics were held, such as *Spa da Bike*, which provided basic cycling adjustments to those attending the event, and *Bike Personal*, with activities such as the building of small plates and accessories to improve the bike’s looks, and classes were given to teach how to safely ride a bike; and
- In partnership with Instituto *Aromeiazero*, in November a social and team integration action was held with the Individuals Products Department of Itaú Unibanco at *Clube Guarapiranga*. On that occasion, 320 employees took part in the *Desafio 60* to learn how to build child bikes. At the end of that event, 60 children from the *Lar Nossa Senhora Aparecida* were amazed at the gifts made with so much care and dedication by our employees.



Elderly

Itaú Viver Mais

Itaú Viver Mais (Itaú Live Longer) is a non-profit association focused on a senior population (elderly over 55). Our purpose, since 2004, is to help to improve the quality of life of these people, by providing cultural, physical and social activities in partnership with supermarkets, clubs, shopping malls, and movie theaters. In 2016, Itaú Viver

Mais impacted 3,864 new people in 44 locations, deployed among the states of São Paulo, Rio de Janeiro, Paraná, Bahia, Rio Grande do Sul, Minas Gerais, and the Federal District.

The association runs the following projects:

Projects/geographical coverage	Description	Impact in 2016
Physical and cultural activities 37 locations in four states – SP, RJ, MG, and RS	New members in Yoga, dance and walking and stretching, workshops with musical instruments and handicraft.	1,942 people
Itaú Viver Mais Cinema (Itaú Live Longer Cinema) 7 screening rooms in 5 states and the Federal District	Free commented movie sessions in partnership with Espaço Itaú de Cinema.	7,898 people
Reading Mediation (partnership with Fundação Itaú Social) Two shopping malls – in São Paulo and Belo Horizonte	An initiative of the “Read for a Child” campaign, to promote intergenerationality.	1,212 people
Diálogos Itaú Viver Mais (Itaú Live Longer Dialogues) – partnership with PUC-SP (Catholic Pontifical University of São Paulo) 3 events held in São Paulo – SP	An event dedicated to the exchange of knowledge about the elderly population.	355 people
Conscious Use of Money (partnership with Fundação Itaú Social) 2 training events, in Rio de Janeiro and São Paulo – Association of Retired Employees from Itaú Conglomerate (local acronym AFACI)	Financial education workshops held for elderly people and training of elder volunteers, who, in turn, will be able to conduct their own financial education workshops.	39 people trained and 90 people reached
Lectures on security 9 states	Raising awareness, among the audience, of personal and banking security issues.	825 people

The total amount invested was R\$1,989,928.

In 2016, we were able to meet the challenge of improving the performance of the program, increasing the impact on the over-55 audience. The impact assessment disclosed in 2016, which applied a global well-being indicator prepared by the World Health Organization (WHO), reached the conclusion that the Itaú Viver Mais program has positive impacts in the psychological, environmental and life quality areas, which reflects the participants’ greater satisfaction with health, self-esteem, home environment, body image, and appearance.

In 2017, we will work to reinforce our relationship with education institutions, partnerships with municipalities, and to understand the trends impacting the elderly population, both inside and outside Itaú Unibanco, focusing our attention on the dialogues and opportunities of addressing the role of the elderly in society.

Program	Status in 2015	Status in 2016	2017 target
Diálogos Itaú Viver Mais (Itaú Live Longer Dialogues)/events	Three events	Six events were held, of which four in partnership with educational institutions with a study area focused on generation and aging.	Keep the partnerships with universities and uphold the quality of events, seeking themes relevant to our audience.
Participation in the National Council for the Elderly (CNDI)	Representation of the National Confederation of Financial Institutions in the CNDI	Participation in the dialogues and monitoring of public policies focused on aging, and rapprochement with government bodies.	Improve our contact with the financial industry to promote dialogues on trends and initiatives.
Surveys	-	Carrying out and disclosing qualitative surveys to understand the behavior of people over 60.	Use the data obtained and align them with the bank’s interests, broadening the study to understand market trends in aging.



60+Behavior, A New Paradigm Study

In order to develop in-depth knowledge of people aged 60 or older, as well as their habits, needs and how they view the world, we have conducted 60+ Behavior, a New Paradigm study, designed by specialized consultancy Eureka and made possible by Itaú, Nestlé, and Natura. Undertaken between January and March 2016, this survey interviewed over 200 people in São

Paulo, Rio de Janeiro, Recife, and Porto Alegre. Practices for and trends on aging in cities such as Tokyo (Japan), San Francisco (USA), and London (England) were also studied.

To read the whole study and for other information on Itaú Viver Mais, [please access](#).

Phases of maturity

60 Maturescence	70 Reaching maturity	80 The age of conquest
Do not perceive themselves as elderly	Come out and declare themselves as elderly	Being 80 is a victory
Perform highly complex professional activities as they have always done	Become responsible for many domestic chores, such as taking care of grandchildren and children	Managing chronic diseases and physical limitations becomes the main focus of their attention in terms of health care
Become more willing to enjoy life in family	Managing health care and well-being becomes their main focus of experience	Their struggle is to keep autonomy and independence
Have an intense social and cultural life (particularly single ones)		
Many start to take care of their parents, who are also elderly		

Behaviors according to gender

Men60+	Women60+
Being cut from the job is perceived as an aggression against their notion of identity	A phase of rediscovering themselves
Feel the impact of loneliness	Greatly involved with groups of friends, and social and leisure activities
Are more resistant to body and health care	Take good care of themselves, exercise, care about meals and their own well-being
Hallmark of aging: Retirement	Hallmark of aging: Menopause

Entrepreneurship

We support entrepreneurship in order to promote innovation, creativity and the generation of new business. In September 2015, we launched Cubo, a non-profit association that aims to promote a digital entrepreneurship ecosystem in Brazil. This front is also very beneficial for Itaú Unibanco, since it stimulates the knowledge exchange among employees and entrepreneurs, provides new business opportunities and also the opportunity to innovate in products and services, contributes to a more agile and collaborative culture, and also connects us with young talent.

Cubo

In September 2016, Cubo completed one year of operation as an important technological entrepreneurship center in Brazil. In this period, it promoted connections that were essential to leverage businesses, ideas and initiatives of a new generation of entrepreneurs and digital startups.

Despite its brief period of operation, Cubo has already achieved figures that place it as an important player in the digital ecosystem. Currently, the initiative has 54 resident startups that have already generated more than 650 jobs.



Every day, more than 500 people pass by Cubo, which, between September 2015 and this date, has held more than 780 events and received more than 30,000 people. Together, the startups of Cubo have received, between 2015 and 2016, around R\$104 million in investment.

Cubo has also been positively impacting the bank's internal culture and reinforcing our efforts to evolve as a digital bank. The reason for this comes from the approximation with the world of startups that allows us to learn from new business models, new working formats and technological solutions, in addition to finding opportunities to innovate, create competitive advantage and bring even more innovative solutions to our clients. To date, around 4,000 employees have already participated in some of Cubo's activities, including dozens of employees from the international units and more than 1,500 participated in the Cubo Day, an event especially developed for the employees to visit the space and the resident startups. More than 120 events of the bank have been held at Cubo, which helped us save approximately R\$640,000 on the rental of rooms and R\$100,000 on training programs and workshops.

In this first year of operation, Cubo was able to become the main hub of Brazil's technological entrepreneurship ecosystem and the resulting benefits have been reaped by the many audiences that use this platform: entrepreneurs, investors, students and large companies.

Eco-efficiency and climate change

[GRI 201-2](#) | [GRI 103-2](#) | [103-3 Ecoefficiency and environmental management](#)

Climate change represents one of the main challenges for the present and the future. As a financial institution, we have a major role in mitigating these risks and supporting the transition to a low-carbon economy.

We seek to incorporate climate change related variables into our operations and business (credit, insurance and investments) through risk management, by using the expertise of our E&S risk analysis team and developing solutions that adequately respond to our GHG emission reduction targets and adapt our operations to the best market practices in order to mitigate the effects of climate change on our activities.

Climate change is also addressed in our [Sustainability and E&S Responsibility Policy](#), which provides guidelines for the entire organization, and in our [Article on E&R Risks and Opportunities](#), which describes our commitments and targets for the following years.

Embodied in changes to rainfall patterns, occurrence of extreme events and shortage of natural resources,

climate risks bring about severe consequences for society and the economy. Therefore, we have been increasingly expanding our activities on the theme of eco-efficiency, by incorporating climate variables into our business, managing risks and seeking alternatives to increase our resilience, thus ensuring the longevity of our business and contribution to society.

In 2015, we offset all of our direct emissions (Scope 1) from 2012 to 2015, as well as all indirect emissions of energy consumption (Scope 2) of our new Data Center (CTMM) in Mogi Mirim, totaling 47,332.33 tCO₂e. To proceed with our commitment to promote a low-carbon economy with our Itaú Unibanco's GHG Emissions Offsetting Program, which has a biannual periodicity, in 2017 we will issue a new call notice to offset the 2016/2017 emissions.

Even though we are a service business, and even to a lesser extent than industrial activities, our activities do impact the environment through water consumption, electricity and waste. Environmental performance management is segregated by administrative units, branch networks and technological centers, and these areas work together through a working group designed to integrate these actions.

Noteworthy in 2016 was our being granted the GOLD seal in LEED O + M (Operation and Maintenance) certification for the Faria Lima 3500 Building, one more relevant environmental certification added to the LEED NC (New Construction) certification achieved for the CTMM (Mogi Mirim Technological Center). This certification seeks to recognize more efficient management and operation of an undertaking, by reducing the consumption of natural resources and other environmental impacts generated by a building of such a size. Additionally, we renewed our ISO 14001 certification for the Tatuapé Administrative Center, and now we have three administrative buildings that hold environmental certifications (LEED or ISO 14001).

In addition to the working group mentioned above, in 2016 we launched a technical forum named Sustainable Actions Committee, which is mainly engaged in the exchange of experiences between experts and the areas involved in the group to share and analyze eco-efficiency studies and projects accordingly.

We believe that achieving a cleaner, more efficient and resilient economy is contingent on joint actions by and between the private sector, the Government and society. Therefore, we have continued to participate in multi-sector discussion groups, such as CEBDS, FEBRABAN and FGV, to mobilize and organize business leaders, conduct debates on possible impacts of climate change and mitigating actions, and also to contribute to the development of eco-efficiency-related public policies.



Targets and Vision for the Future

All these aforementioned actions guide us to meet the challenges and targets set in 2015, reinforcing our long-term commitment to the environment. Additional details about each target can be found in the chapters on related indicators.

2020 target⁽¹⁾

- Reduce by 34% our energy consumption per R\$1 million of banking products, between 2012 and 2020⁽³⁾.
- Reach, by 2020, a Power Usage Effectiveness (PUE) of 1.60, 19% lower than 2015.
- Acquire, by 2020, 96% of energy for the administrative buildings from renewable sources – 55% more than in 2012⁽³⁾.

Performance in 2016

- We already met the relative target for 2016 and exceeded it by 17%, with an indicator of 5.43 MWh/R\$1 million⁽⁴⁾⁽⁶⁾.
- In 2016, the PUE reached 1.97.
- Currently, 89% of energy for the administrative buildings comes from renewable sources.



- Reduce by 28% our water consumption per R\$1 million of banking products between 2012 and 2020⁽³⁾.

- We already met the relative target for 2016 and exceeded it by 13% – 1.82 m³/R\$1 million⁽³⁾⁽⁴⁾⁽⁵⁾.



- Reduce by 34% our Scope 2 emissions per R\$1 million of banking products, between 2012 and 2020⁽²⁾⁽³⁾.



- 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⁽³⁾.



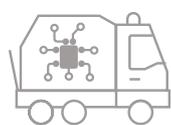
- We have reduced by 24% waste allocation of administrative buildings in landfills, compared to 2015.



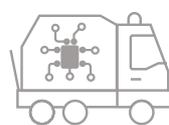
- Reduce by 32% our business travel indicator, which shows the km traveled per banking product between 2012 and 2020⁽³⁾.



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



- In 2016, the estimated generation of 178 tons of REEE in 2020 was defined. This estimate comprised the data from Branch (ATMs) and Central Management – Micro-computing (desktops).



- In 2016 we generated 2,643.45 tons.

(1) Targets were set in 2015. In 2017, we will revisit our commitment in view of the results already achieved.

(2) Considering 2012's Grid emission factor.

(3) Does not include Wholesale Banking buildings.

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

(5) Does not include reused water.

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



Environmental investment and expenditures

One of the ways of controlling our initiatives related to prevention, mitigation and protection of environmental impacts is to keep track of our investments and expenses.

Investments in mitigation and protection of environmental impacts (R\$)

	2016	2015	2014
Waste management – treatment and disposal	2,994,983.00	1,712,896.36	1,624,289.40
Purchase and use of emission certificates ⁽¹⁾	-	892,178.00	-
Conduct Adjustment Agreement – manage contaminated areas and restore vegetation ⁽²⁾	40,589.10	122,000.00	1,000,000.00
Remediation of contaminated areas ⁽²⁾	747,393.20	838,946.00	823,924.12
Subtotal	3,782,965.30	3,566,020.36	3,448,213.52
Outside environmental management services ⁽³⁾	54,957.50	-	38,489.90
Outside certification of management systems ⁽³⁾	494,452.67	7,600.00	8,500.00
Extra expenditures to install cleaner technologies ⁽⁴⁾	-	739,289.75	4,099,176.00
Other environmental management costs ⁽⁴⁾	1,017,514.00	190,954.65	125,408.00
Subtotal	48,810,899.78	937,864.76	4,271,573.90
Total	52,593,865.08	4,503,864.76	7,719,787.42

(1) The Itaú Unibanco's GHG Emissions Offsetting Program has a biannual periodicity. No investments were made in 2016.

(2) Expenditures involving CA Raposo.

(3) Expenses were significantly higher in 2016 due to the LEED EB&OM – GOLD Seal certification for the Faria Lima 3500 building. These amounts also include action plans developed based on the maintenance audit for the ISO 14001 environmental management system at the Tatuapé administrative center in 2016.

(4) Includes investments in the branch network with replacement of fluorescent light bulbs for LED lamps in the amount of R\$3,110,103.61, and replacement for more efficient air conditioning systems in the amount of R\$41,156,882.00. Investments made in the data centers of SP and Mogi and in administrative buildings were intended for energy efficiency and water management.

In 2016, we made high investments to replace the branch network equipment, seeking greater operational efficiency. We will proceed with our investments aimed at environmental protection in waste management (treatment and disposal) and remediation of contaminated areas. During the year we will continue to invest in environmental management, strengthening our commitment to prevent and reduce the use of natural resources in our operations.

Water

In 2016, the water unavailability scenario improved when compared to the previous year. We maintained our emergency response plan for water and energy created in 2014, so as to ensure the supply and business continuity of the bank, simulating actions, defining strategies and monitoring water management in our operations.

In 2016, several actions for more efficient and conscious consumption were implemented, seeking to act on a preventive basis and performing periodic maintenance of the equipment.

Initiative	Description	Consumption reduction (m ³ /year)	Savings (R\$/year)
Consumption reduction	Installation of flow reducers in the showers of the changing rooms.		
	Installation of double flush toilet valves, aiming at reducing consumption per use.	7,816.00	150,526.00
Collection and use of reused water	Use of reused water in the cooling towers of the Eudoro Villela building, the waterfalls of the Business Center and toilets.	9,458.00	181,292.00
	Facade cleaning: Reduction in the cleaning frequency, from four to two cleanings per year. It is worth mentioning that the water used for cleaning is reused water.	NM	NM
Shutdown of the data centers in the CAS (Campinas Alternate Center) and CAR (Raposo Administrative Center) buildings	With the construction of the new Mogi Mirim Data Center (CTMM), we could optimize our IT infrastructure and shut down the CAS and CAR data centers. This project was completed in 2016 and eliminated the consumption of water in these buildings.	51,601.00	1,936,264.54



Initiative	Description	Consumption reduction (m ³ /year)	Savings (R\$/year)
Water mirror in Faria Lima 3500	We have maintained the water mirror deactivated since the water crisis of 2014. In the event of future activation, reused water will be used.	180.00	14,520.00
ETAP (Rainwater Treatment Plant)	Reuse of rainwater collected for irrigation and toilets.	3,697.00	75,788.50
Monitoring of the consumption in our branches using a specific algorithm	Reduction of the average water consumption per branch and monitoring and follow-up of consumption deviations using an algorithm to identify consumption peaks that may be related to leaks, waste or failures in equipment.		
Dry cleaning of branch facades	In the state of São Paulo, branch facades, which were previously cleaned with running water, are now cleaned, twice a year, with damp cloths, using the least possible amount of water.	45,015.00 ⁽¹⁾	504,706.00 ⁽²⁾
Branch cleaning frequency review	Optimization of the cleaning routine periodicity, leading to the reduction of water usage.		
Incentive for reducing water consumption	Actions for internal communication, by means of disclosing initiatives and tips, aiming to reduce water consumption.		

NM – Not measured

(1) The reduction of water consumption of the agencies is a comparison with the annual target of 834, 192.62 m³.

(2) Economy based on financial targets set by the area at the beginning of the year.

Consumption and analysis

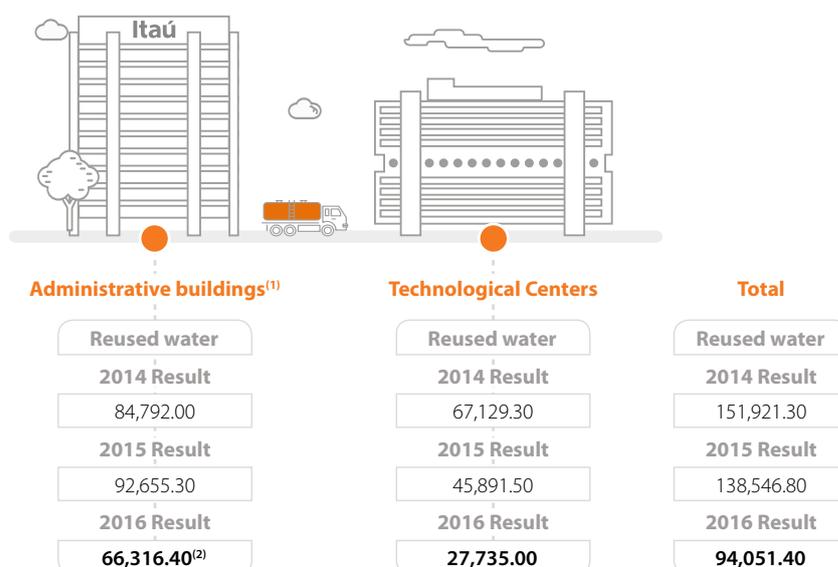
We maintained the actions for water reuse, consumption reduction and alternative sources of water supply (artesian wells and rainwater).

In 2016, we consumed a total of **94,051.40 m³ of reused water**. Our reused water consumption decreased 32% from 2015. The CAR shutdown contributed to this reduction, since it was one of the buildings that used reused water.

Reused water:

GRI 303-3

Consumption of reused water – unit cubic meters



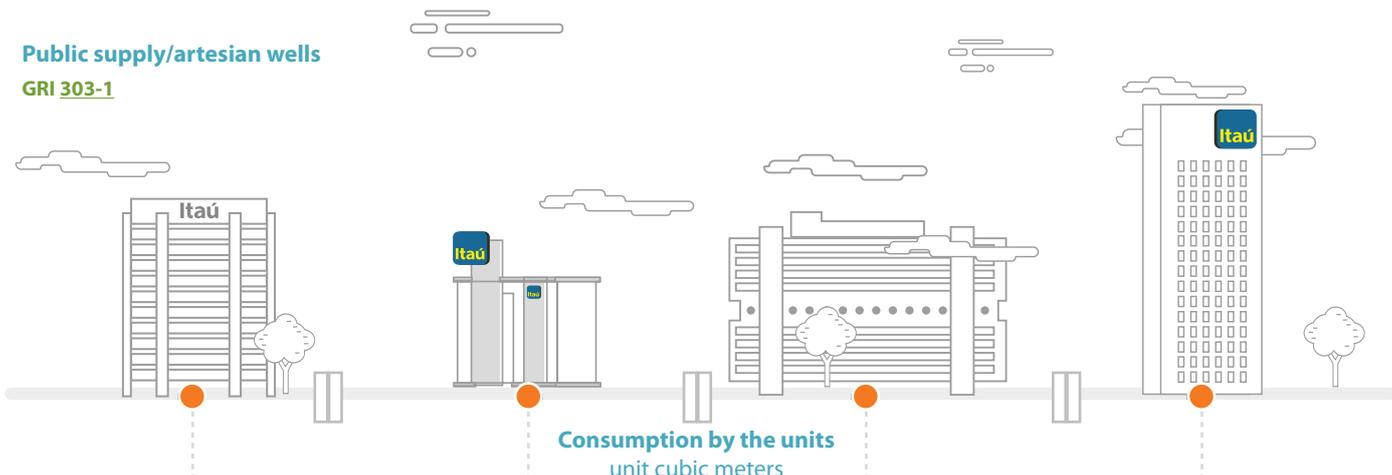
(1) The administrative buildings in Brazil were monitored, including Faria Lima 3500 building.

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



Public supply/artesian wells

GRI 303-1



Consumption by the units
unit cubic meters

Administrative buildings ⁽²⁾		Branches ⁽³⁾	Technological Centers ⁽⁴⁾		Wholesale buildings ⁽⁵⁾		
Public supply	Artesian wells	Public supply	Public supply	Artesian wells	Public supply	Artesian wells	
2014		2014	2014		2014		
340,774.30	23,489.30	1,025,697.00	246,453.00	53,847.00	11,605.00	0.00	
2015 target ⁽¹⁾		2015 target ⁽¹⁾	2015 target ⁽¹⁾		2015 target ⁽¹⁾		
330,846.80	23,489.00	1,050,470.00	446,856.00		NE	NE	
2015 Result		2015 Result	2015 Result		2015 Result		
269,493.46	22,609.73	834,364.44	256,631.00	65,790.00	23,572.00	0.00	
2016 target ⁽¹⁾		2016 target ⁽¹⁾	2016 target ⁽¹⁾		2016 target ⁽¹⁾		
302,743.20	23,489.00	834,192.62	357,984.00	89,496.00	24,854.00	NE	
2016 Result ⁽⁷⁾		2016 Result ⁽⁷⁾	2016 Result ⁽⁷⁾		2016 Result ⁽⁷⁾		
299,752.84	19,993.00	789,178.00	238,311.00 ⁽⁶⁾	38,479.00	20,043.00	4,835.56	
2017 target ⁽¹⁾⁽⁸⁾		2017 target ⁽¹⁾⁽⁸⁾	2017 target ⁽¹⁾⁽⁸⁾		2017 target ⁽¹⁾⁽⁸⁾		
304,791.00	23,489.00	957,678.00	339,277.68	36,351.18	24,854.00	NE	
Total unit cubic meters							
2014		2015 target ⁽¹⁾	2015 Result	2016 target ⁽¹⁾	2016 Result ⁽⁷⁾	2017 target ⁽¹⁾⁽⁸⁾	
Total		1,701,865.60	1,851,662.00	1,472,460.63	1,607,904.82	1,410,592.40	1,661,586.86

NE - Not established
 (1) The targets do not include the FL3500 building (Wholesale buildings).
 (2) The administrative buildings in Brazil were monitored.
 (3) All the Brazilian branches were monitored.
 (4) Data centers were monitored.
 (5) Amount only related to the FL3500 building.
 (6) The value includes the consumption of water from the purchase of trucks.
 (7) The data may contain estimates.
 (8) The targets were established in 2015. For 2017, we will revise our commitment due to the results that have been already achieved.

Regarding water consumption, in 2016 Itaú's facilities have used 1,410,592.40 m³ in our administrative centers, technological centers and branch network. This result showed a reduction of approximately 4% when compared to 2015.

Additionally, it demonstrated the management of the topic within each operation area in order to achieve the commitments proposed, as detailed below:

1. Building Management:

In 2016, with the actions carried out, we consumed 319,745.84 m³ of new water in the administrative buildings (excluding the Wholesale buildings), exceeding the target established in 2016 of 326,232.00 m³.

Additionally, we search for new supply alternatives, such as, for example, the adequacy of water collection from the artesian well at Edifício Faria Lima 3500.

2. Branch Network: water consumption in the branch network was 789,178.00 m³, a reduction of approximately 5.4% from 2015. This reduction was made possible by the initiatives listed above.

3. Technological Centers:

In 2016, CAS and CAR buildings were shut down and today our IT complex comprises only two buildings: CTMM and CTSP. These two centers have teams prepared to design, implement and monitor practices and initiatives focused on infrastructure and to monitor the operation and maintenance of the constructions. This structure enables us to improve the efficiency of water management.

Water consumption in the technological centers was 304,525.00 m³, and 9% of this total came from an Effluent Treatment Plant. In addition to continuing the activities carried out in 2015, blank panels were installed at the raised floor of data center 1 and in the IT equipment racks at CTMM. In CTSP, the hourly programming of the comfort cooling system was improved based on the flow of employees in the building. Focused on the

CTSP IT environment, the temperature was raised so as not to affect the performance of the IT equipment and to demand less energy of the air conditioners. These initiatives improve the cooling system, reducing the amount of power used by the air conditioning equipment, thus reducing water consumption.

Energy

Our operations depend largely on the availability of electric energy and, therefore, we continuously seek to improve our energy efficiency by means of internal projects and consumption reduction targets.

In 2016, we migrated the consumption of the Jardim Paulista, CA Teodoro, Lapa, CTMM (Data Center), FL 3400 and FL 3500 buildings to the free energy market.

Throughout 2016, we developed several initiatives and projects that contributed to improve energy management, enabling compliance with the commitments made in 2015. The main actions are listed below:

GRI 302-4

Initiative	Description	Consumption reduction (MWh) ⁽¹⁾	Savings (R\$/year)
Operational adjustment in the administrative buildings	Adjustment to the hourly programming of the <i>Central de Água Gelada</i> (CAG – Cold Water Station) in the Winter, and reprogramming of the turning off of the chiller in the Summer, which are both responsible for cooling down the air conditioning system. Alternating lighting in the parking areas.	3,028.20	1,140,040.00
Improvements of equipment and installations in the administrative buildings	Change of the programming for the air conditioning equipment in the technical rooms, reducing time of operation.	135.00	60,750.00
Retrofit and optimization of the air conditioning systems in the branches	Retrofit of the air conditioning equipment aimed at reducing electric energy consumption. Adjustment to the operation of the air conditioners in the ATM areas in the branches.	1,165.35	NM
Optimization of the CTMM and CTSP Cooling System	Optimization by means of improved performance of the cooling equipment, ensuring a longer useful life for the system.	1,617.25	696,520.00
Smart Cooling: Innovation and Efficiency (CTMM)	Implementation of a system that regulates the speed of the cooling equipment, providing autonomy (without manual intervention) and energy efficiency to the system.	5,708.00	2,200,000.00
Optimization of the CTSP lighting system	During times of smaller flow of people in the building, the infrastructure was sized to reduce its power and, consequently, reduce energy consumption.	5,822.00	2,918.16
LED lighting in the branches	Implementation of a program to replace fluorescent lights with LED lamps.	307.50	NM
Use of blank panels in the raised floor of the data center 1 (DC1) at CTMM	Use of blank panels in the raised floor, optimizing the air flow under the floor so as to increase the efficiency of the cooling system.	262,800.00	102,780.00
Shutdown of the data centers in the CAS and CAR buildings	We optimized our IT infrastructure and shut down the data centers in the CAS and CAR buildings. This project was completed in 2016 and eliminated the consumption of electric energy in these buildings.	21,911.66	9,487,070.30
Optimization of storage switches at CTSP	With the migration of applications to the CTMM, we noted the need to optimize the data storage facilities. This initiative increased the free physical space in the IT environments, which reduced electric energy consumption.	546.14	234,840.00
Reduction of consumption	Reduction of consumption as a result of direct action through newsletters, indicators, comparisons and reduction of consumption for the branch network.	9,753.00	NM

The data on initiatives are estimates.

NM – Not measured

(1) Using 2015 as a base.



Consumption and analysis **GRI 302-1**

Building Management

In 2016, we had a reduction in the consumption of electric energy of 7,762.50 MWh, corresponding to an 8.5% reduction when compared to 2015 (91,577.19 MWh).

It is important to note that 89% of the electric energy consumed in the administrative buildings comes from renewable sources, such as small hydroelectric, wind and solar power plants. Our goal for 2020 is to increase the use of electric energy from renewable sources to 96% (this includes all administrative buildings, data centers and the Wholesale segment).

Technological Centers

This year we implemented at the CTMM the SmartCooling: Innovation and Efficiency project, an artificial-intelligence based solution capable of monitoring and controlling the temperature at the data center in a more efficient and independent way. A real time heatmap is generated, enabling the analysis of the site and, therefore, the automatic application of physical improvements. Through this action, the electric energy consumption of the fan coils was reduced by 65%, an 8% decrease in the total consumption of the data center.

Meanwhile, at CTPS, which also has a corporate environment, optimization actions were carried out in the two environments:

Corporate environment:

- Optimization of the air conditioning system: it now works based on the flow of employees, providing flexibility to the system in accordance with the demand; and
- Optimization of the lighting system: following the principle of comfort cooling optimization, the system was reprogrammed to follow the volume of people in the building.

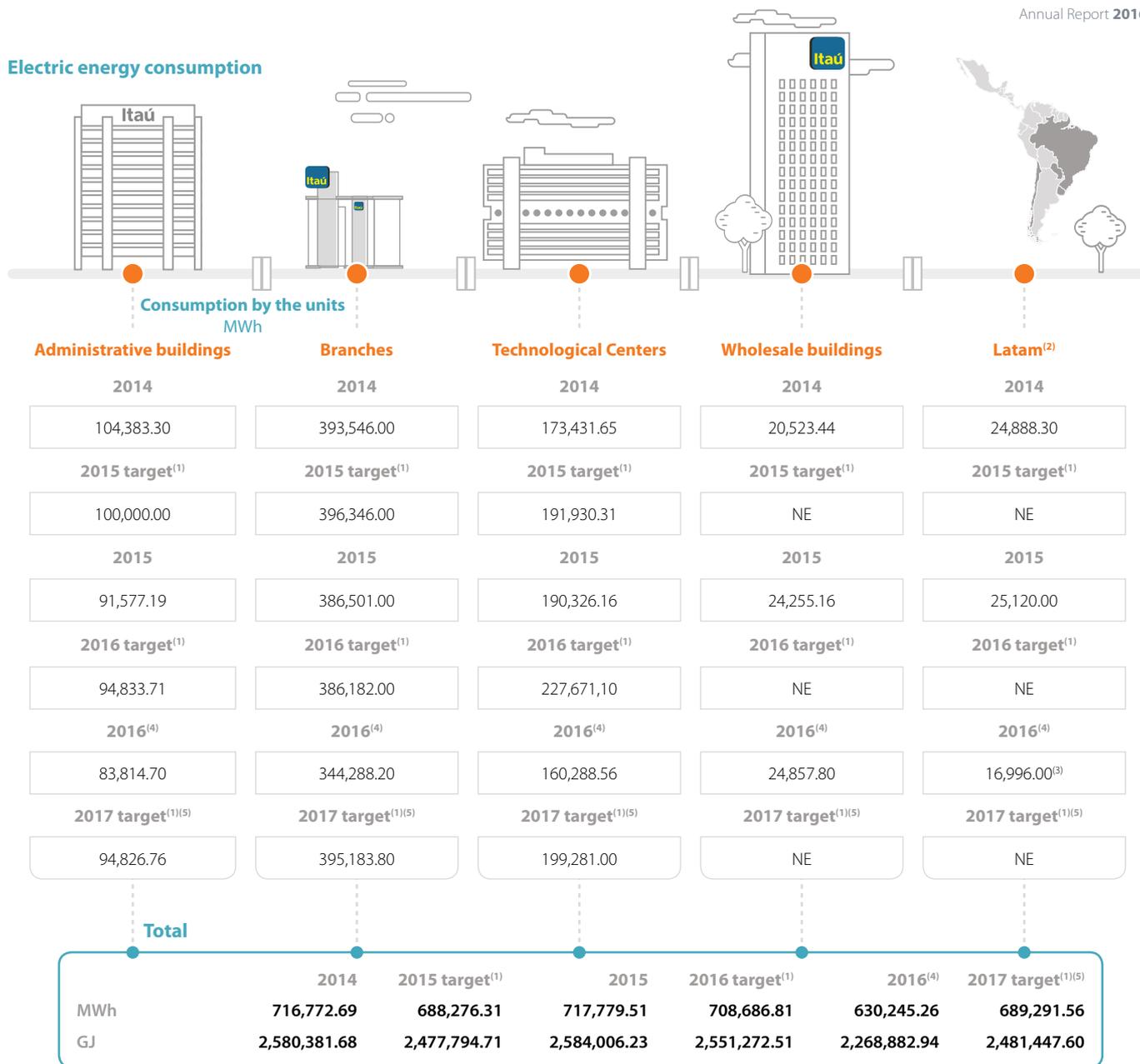
Data Center environment:

- With the evolution of the technology of the data center equipment, it was possible to readjust the temperature in the IT environments, reducing the cooling system load; and
- A survey on data storage capacity of the data center equipment was conducted and, as a result, it was possible to resize some installations. Once the action was implemented, free physical space and infrastructure for electric energy and air conditioning were made available.

After the CTMM was implemented, the infrastructure of the other data center buildings had to be revised, which led, in 2016, to the discontinuation of the activities at the CAS and CAR in December and June, respectively. This discontinuation contributed to a 16% reduction in electric energy consumption in our data centers, which is equivalent to approximately 30,000 MWh.



Electric energy consumption



NE - Not established
 (1) This does not include the Wholesale buildings and LATAM.
 (2) Data collected from our 2016 GHG Emissions Inventory.
 (3) LATAM data does not include Chile.
 (4) The total value may include estimates based on average consumption of the months of the year.
 (5) The targets were established in 2015. In 2017 we will revise our commitment due to the results that have been already achieved.

With the management actions carried out in the year, we had a reduction of **11.5%** when compared to the previous year consumption (excluding LATAM), which is equivalent to almost **80,000 MWh**. This result shows the effort of the teams in the development of projects and monitoring of actions.

It is important to note that our targets do not include the Wholesale buildings and LATAM units, which means that they must be compared with the consumption of **588,391.46 MWh** in 2016.

Therefore, we exceeded our target of 708,686.81 MWh for 2016 by approximately 17%.

Emissions GRI 305-5

We understand the importance of knowing, measuring and managing the impact of our operation. Therefore, we have carried out a GHG emissions Inventory for over eight years, in conformity with the methodology adopted by the Brazilian GHG Protocol Program, which is assessed by an independent third-party and granted recognition with the Gold Seal award.

We seek a cleaner energy matrix, as 89% of the electric energy used in our administrative buildings and technological centers come from Small Hydro Power Plants (SHP), biomass plants or wind farms.

Additionally, in 2015 we offset our Scope 1 (total) and Scope 2 emissions only for the CTMM through a biannual program, which has enabled us to offset a volume of 47,332.33 tCO₂e, including emissions since 2012.

Itaú Unibanco is also a signatory to the CDP, and for the third consecutive year was recognized by the CDP Latin America among the companies Leaders in Transparency, according to its global scoring methodology applied to the 2016 Edition of the "Climate Change" questionnaire, and it also makes up the portfolios of the ISE, the Carbon Efficient Index (ICO₂), and the DJSI, which annually report our emissions.

In this context, we have implemented some measures to directly or indirectly reduce the emissions of GHG and other pollutants associated with our business.

Some of our main initiatives leading to the reduction of GHG emissions are shown below:

Initiative	Description	Results	
		Emission reduction tCO ₂ e	Savings (R\$/year)
Virtual meetings	Replacing on-site meetings with telepresence rooms, preventing displacement to other cities and/or administrative hubs, and reducing the need for land or air transportation. In 2016, we held more than 24,438 virtual meetings, a 44% increase compared to 2015.	NM	NM
Taxi sharing	Optimization of transportation of employees who may be going to the same destination. Reduced use of vehicles and, as a result, reduction of GHG emissions.	NM	NM
Employee transportation	Optimization of operations, schedule adjustments, and use of van and bus routes.	846.80	NM
Shutdown of CAS and CAR data centers	With the construction of the new CTMM, we optimized our IT infrastructure, and shut down the CAS and CAR hubs. This project was completed in 2016 and eliminated gas emissions in these buildings.	NM	NM

NM – Not measured

Consumption and analysis

Emissions reported in 2016 do not include the data related to the Chile units, since those results were being obtained upon publication of this document. Therefore, for performance comparison purposes, the emissions related to these units will be excluded from the 2015 emissions.

In 2015, our Scope 1 emissions, excluding Chile, were 9,638.00 tCO₂e. In 2016 these emissions recorded a 13.04% increase, as a result of the increased use of our proprietary aircraft and the volume of replacement of cooling gas used in the cooling systems due to scheduled maintenance aimed at a better system performance.

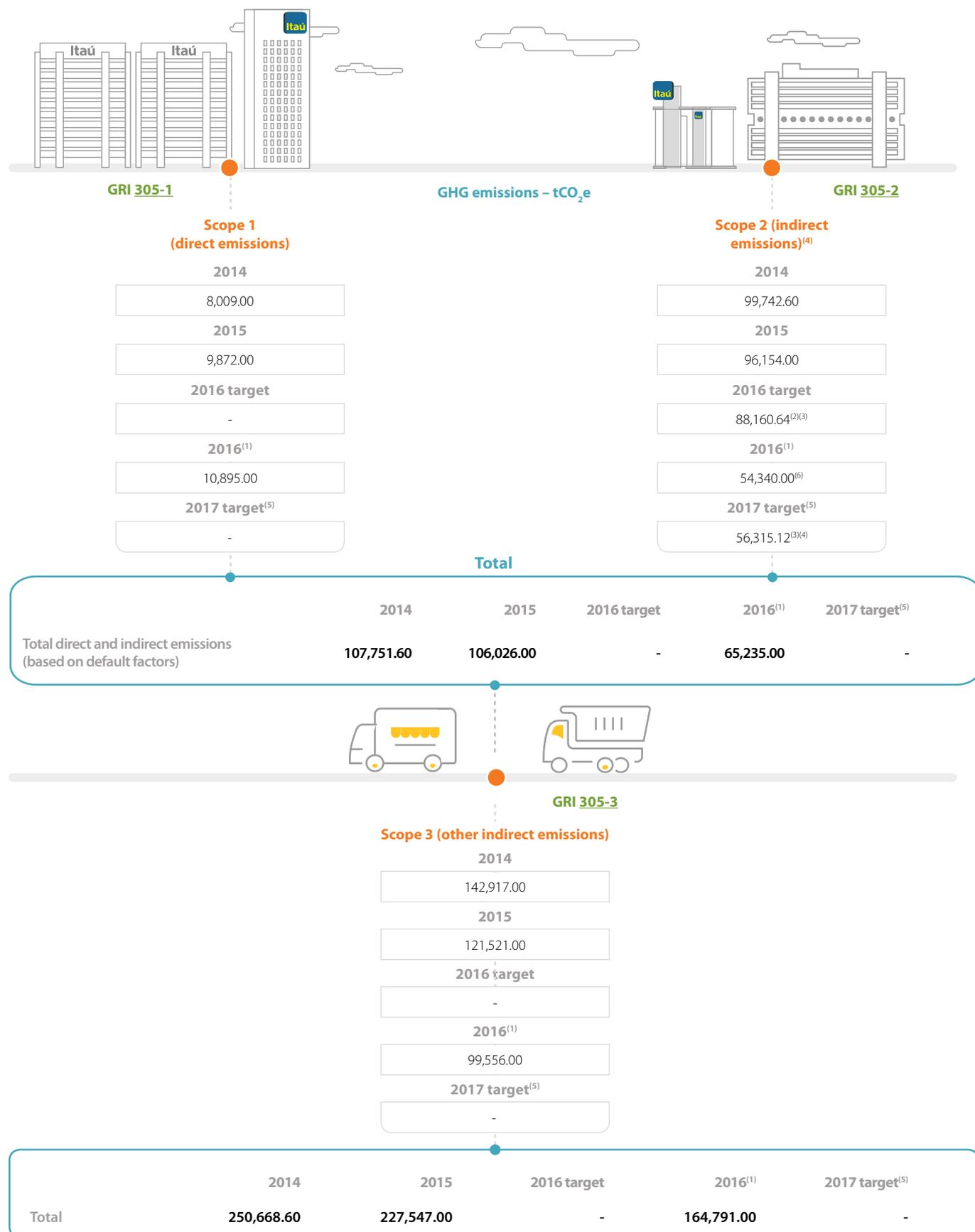
Our Scope 1 emissions come mostly from our generating system, which, during testing or in the event of power shortage, is turned on to ensure the 100% availability of our facilities and business continuity.

Excluding the units in Chile, in 2015 our Scope 2 emissions were 93,013.00 tCO₂e. The significant reduction of 41.58% in these emissions in 2016 was mainly driven by the reduced electricity consumption in our units (branches, administrative buildings, and data centers), and the decrease in the national grid's emissions by more than 30%, as compared to the previous year. In 2016, the total volume of Scope 2 emissions was 54,340.00 tCO₂e.

Excluding the units in Chile, in 2015 our Scope 3 emissions reached 115,284.00 tCO₂e, recording a 13.64% reduction compared to the emissions in 2016, which totaled 99,556.00 tCO₂e. This reduction was driven by the decrease in air trips and by the operational changes, as described above, to increase transportation efficiency.



GHG emissions – tCO₂e



(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.

Transportation

The control of data relating to air and land transportation includes information about the civil aviation, as well as taxis, vans, buses and executive vehicles used by employees. The information is provided by the service providers and is reported, consolidated and stored by Itaú's management, thus ensuring the accuracy of the information.

We determine the transportation tCO₂e emissions on a monthly basis, which enables the monitoring of the targets every four months and an effective management of the actions performed in the determination period.

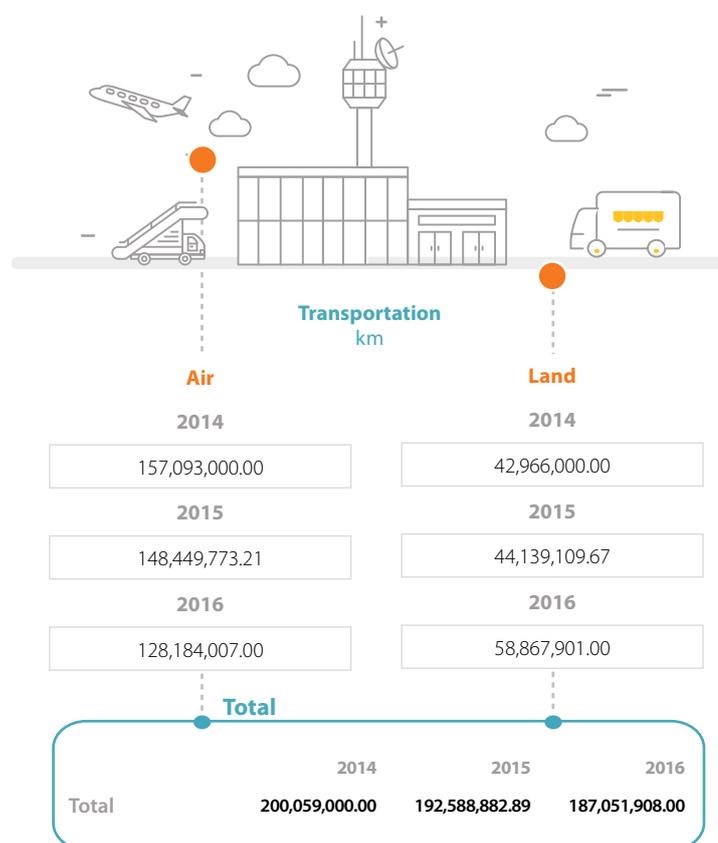
For more effective and real time management, an online management panel was made available to the managers of the organization with consumption indicators (volume/cost) per air and taxi transportation of the employees.

Initiative	Description	Results	
		Consumption reduction (km)	Savings (R\$/year)
Awareness campaign in relation to mobility	Continuity of the campaign aired in several internal media (internal magazine and email marketing), aiming to encourage the use of virtual meetings, public transportation and switching from individual transportation to collective transportation.	NM	NM
Virtual meetings	Change of the procedures for the preparation of the rooms for virtual meetings. The whole process is performed remotely by the team in charge, which reduces the time that the rooms must stay available and increases the number of meetings per day.	NM	NM
Review of facilitating routes	Review/improvement of van and bus routes between the centers.	1,644,000	1,258,000
Taxi sharing	Incentive for taxi sharing, preventing the unnecessary displacement of vehicles going to the same destination. In August, taxi sharing was made available throughout Brazil.	NM	NM
Hybrid taxi	Use of taxis (hybrid vehicles) of a third-party company by Itaú's employees.	1,813	-

NM - Not measured

Consumption and analysis

As from 2016, the operational management of civil air transportation of the Wholesale employees was merged with the management of the other Itaú areas.



As the global outcome of effective management of corporate transportation, we achieved a 2.9% decline in kilometers traveled when compared to 2015.

Paper GRI 301-1

We worked hard to reduce the paper consumption in the bank and to minimize this impact.

The vision of the bank of becoming increasingly a digital bank strongly contributes to the reduction of paper generation and, in this sense, most of our internal projects already have streamlining and electronization of the processes as a guideline.

It is worth mentioning that 100% of the paper printed in the bank is FSC certified.

Correspondence sent to our clients represents a large portion of the paper generated by our activity. Comparing the overall volume in 2016 with that of 2015, the reduction was 6.95%.

The digital Consolidated Current Account and Fund Investment Statement made available to our clients, in addition to other content, contributed to this reduction in the period.

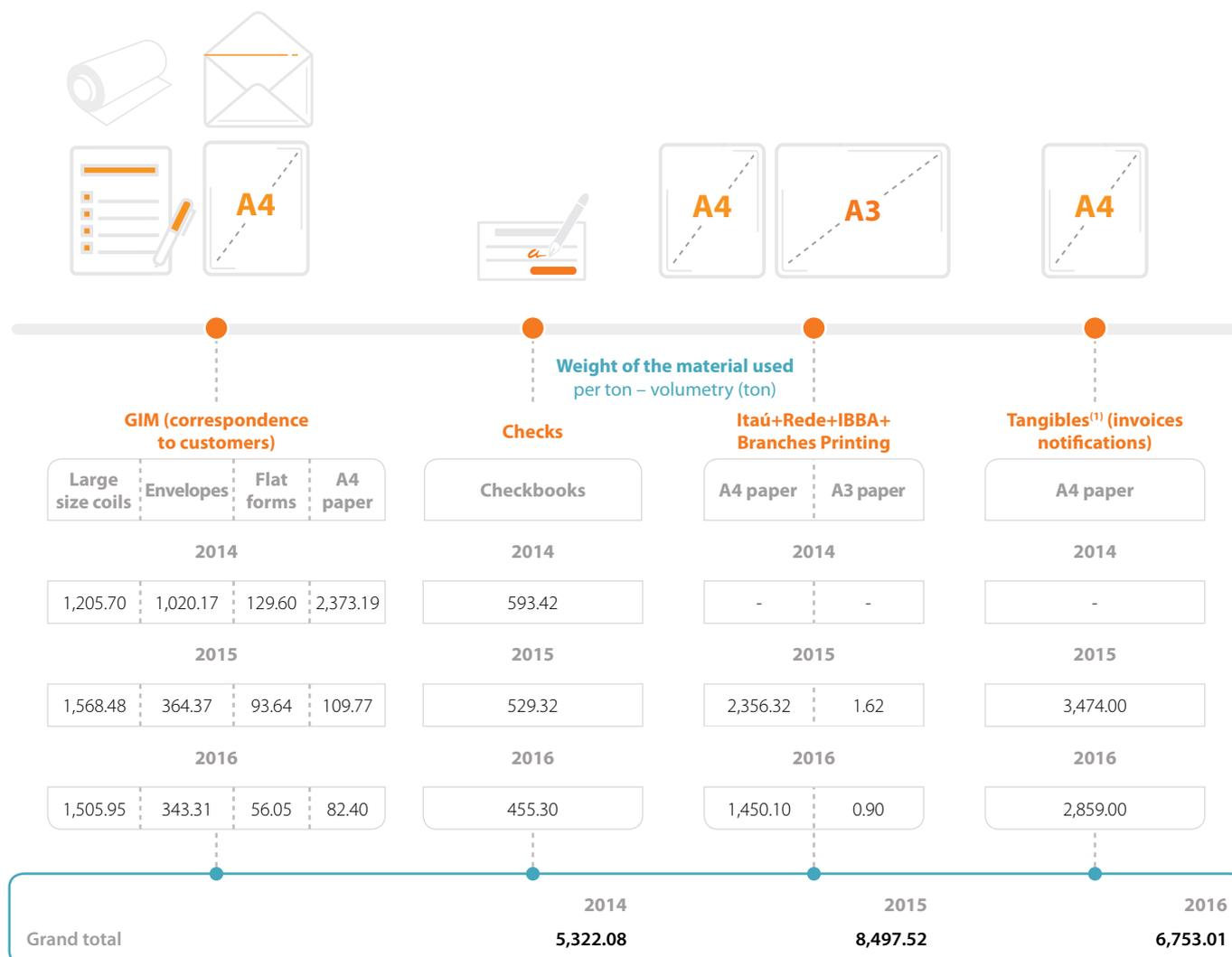


In addition, other projects contributed to this reduction, such as:

Initiative	Description	Outcomes	
		Consumption reduction	Savings (R\$/year)
Kaizen Process – Printing Mix	Reducing the amount of color printing without impacting the printing resource to the areas.	NM	443,737.97
Kaizen Process – Reassess the Need for Printing	Reducing the volume of printing in the corporate environment.	99 tons	NM
Processes review and digitalization	Process review and digitalization of invoices, mortgages, billing, consortium and password issue processes.	We reached a 17% reduction from the previous year.	NM
Reducing the waste of checkbooks	In 2016, we reached a 14% reduction in paper consumption when compared to 2015. The purpose was to avoid the waste of checkbooks, focusing on on-demand production and avoiding unnecessary sending.	74 tons	NM
Digital invoice	Encouraging the digitalization of credit card invoices, discouraging paper mail and sending alerts by e-mail and SMS. Since the program began in 2014, we have recorded more than 7,146 MM of cards that migrated to digital invoices.	NM	78 MM

NM – Not measured

Consumption and analysis



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

In 2016, we noticed a decrease of 20.5% in the volume of paper used compared to 2015. This result arises from the digitalization process of our products and services, which aims at better serving our clients and reducing paper consumption.

We currently have 2 million active users in the bank's application, contributing to a reduction in paper generation with several online activities.

We will continue taking action and making efforts to reduce the global volume of paper used in our operations.

Waste GRI 306-2

Seeking to increasingly improve our waste management, in 2016 we carried out three Kaizen projects, a methodology of continuous improvement based on certain guiding principles, such as:

- Consistent processes lead to the desired results;
- Looking at it yourself to understand the current situation;
- Speaking based on data and managing based on facts; and
- Taking measures to withhold and correct the root causes of problems.

The first Kaizen project was aimed at identifying the main stages and actions for adherence to the Institutional Policy of Solid Waste and preparing a Solid Waste Managing Plan for the administrative units.

Therefore, we have subsequently identified the need to carry out two more Kaizen projects, one related to electrical and electronic waste, and another specific to the administrative building management, led by the areas responsible for waste management operation and management.

Action plans resulting from these Kaizen projects got underway and were monitored over 2016, with actions

taken to assess suppliers, improve and organize selective waste collection and volume control processes.

We are constantly working with our value chain by way of awareness initiatives and programs to reduce and ensure the correct allocation of waste generated by the bank's activities. In 2016, our main results were as follows:

- Reduction in the generation of waste, including recycling of the waste generated, in comparison to 2015;
- Planning an internal awareness campaign, whose objective is to reduce waste generation, as well as to raise awareness of the correct arrangement and stimulus for recycling, therefore replacing disposal in landfills. This campaign is scheduled for July 2017; and
- In 2016, our catering food supplier revisited/optimized its food preparation process in the administrative buildings, with a resulting 15-ton reduction in the generation of waste in the last three months that we were able to refrain from sending to composting and landfills.

In addition to our ongoing efforts to have more efficient waste management, in 2017 we will be conducting new sourcing for the selective collection system, seeking to improve the current waste management models in our administrative units.

Building Management

Overall, in 2016, our waste management achieved the main results:

- A 20% reduction in the generation of waste intended for landfill from our administrative units (Administrative Buildings and Technological Centers) (in comparison to 2015).
- Keeping the composting of waste from the restaurants in the three administrative buildings that account for 55% of the central management users (totaling 24,291 positions).

Initiative	Description	Results
Deployment of reverse logistics for light bulbs in the main administrative buildings	In line with the new National Policy of Solid Waste, we signed a partnership with the manufacturer to practice reverse logistics, that is, the manufacturer will collect the light bulbs used in the bank's main administrative buildings. Previously, the light bulbs were sent for disposal by one of the bank's service providers. Over 2016, we expanded the reverse logistics of light bulbs to the smaller buildings located in São Paulo.	Reverse logistics of 41,700 bulbs
SWMP workshop	Implementing the SWMP (Solid Waste Management Plan) to provide for better practices of management and control of the waste generated in the FL3500 building. The SWMP was introduced to the main suppliers involved in the process.	A 20% reduction in the production of organic waste, in comparison to 2015
Awareness	An awareness campaign for the correct allocation of the waste generated.	NM

NM – Not measured

As our target for 2016 we had defined a 0.5% reduction of our waste from administrative buildings disposed of in landfills, in comparison with the result of 2015. We exceeded that target and achieved a 24% reduction compared with the target.





kg/position: is the volume in kilograms allocated to landfills by position in the bank's administrative buildings.

Considering as the updated number of positions – 44,396 (2016).

(1) Targets were set in 2015. In 2017 we will revisit our commitment in view of the results already achieved.

IT

We have had a waste of electrical and electronic equipment (WEEE) disposal process since 2009 and, during this period, we have properly disposed over 30,000 tons of this waste.

This management process comprises all Itaú Unibanco's IT electrical and electronic equipment used nationwide. The Green IT team is responsible for centralizing and controlling information, together with the equipment management areas (Central Management – Microcomputing, Central Management – Building, Branch, Wholesale Banking, Data Center, and Telecom).

In 2016, the teams involved made efforts to advance the WEEE management. An ongoing WEEE management improvement project was carried out, aimed at better process control and awareness for reducing equipment purchase, extending the lifecycle of equipment for improving its use and, when deemed obsolete, for its proper disposal, therefore mitigating any environmental impact and reinserting these materials into the production chain (circular chain).

In 2016, the shutdown of two data center buildings (CAS and CAR) resulted in the increase in the waste volume, since the IT equipment installed in these two buildings could not be reused in other applications due to obsolescence.

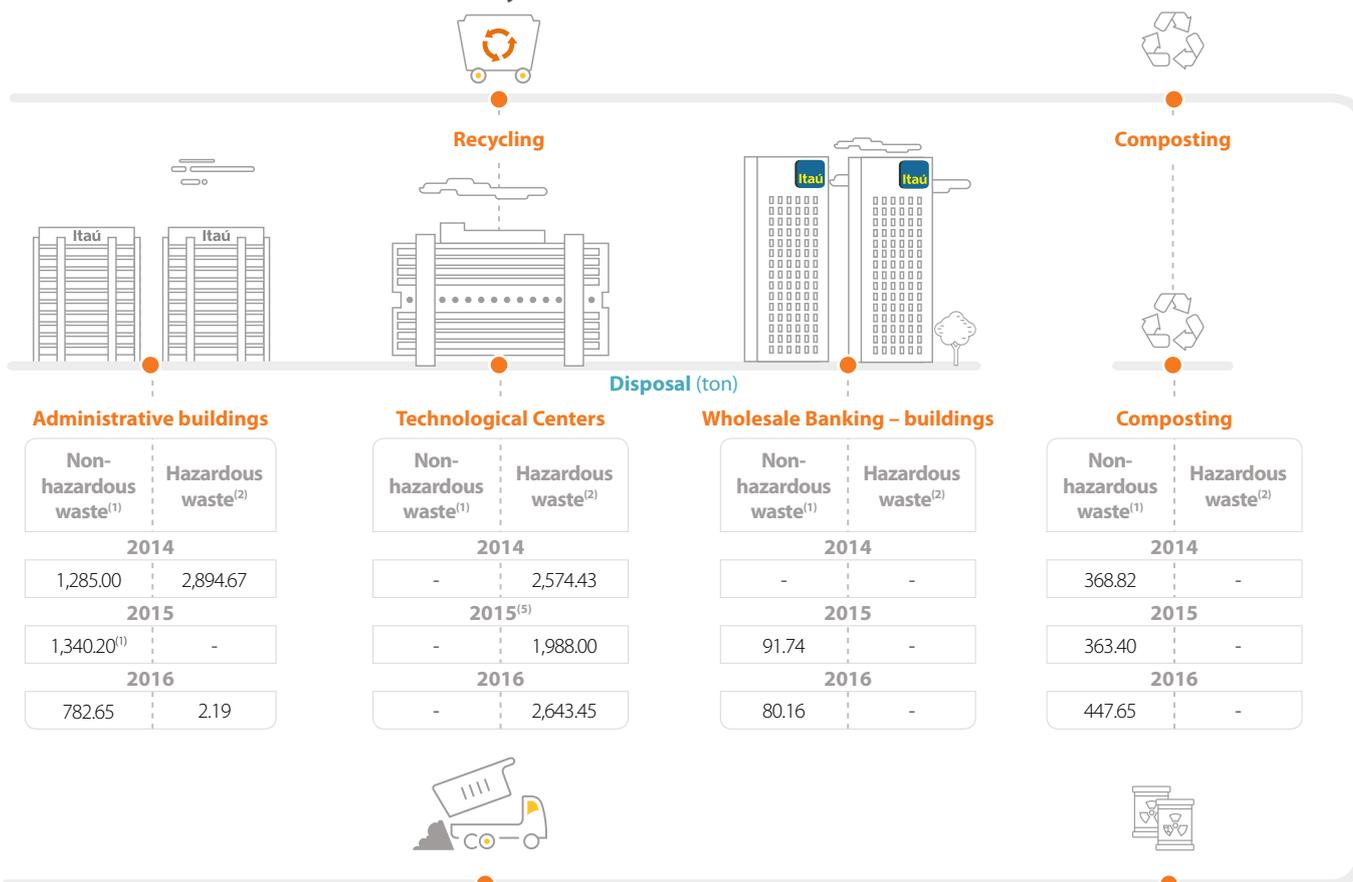
One of the actions resulting from the Kaizen project was the target set for 2020 of estimated 178 tons of WEEE generated. This estimate comprised the data from Branch (ATMs) and Central Management – Microcomputing (desktops).

To meet the 2020 target, in 2016 the Branch and Central Management – Microcomputing teams got initiatives underway to extend the lifecycle of the equipment and to reuse components of obsolete machines still in good use condition for maintenance of their own facilities.

Initiative	Description	Results	Savings (R\$/year)
Sustainable disposal of WEEE	We dispose of all our WEEE nationwide in an environmentally responsible way. When it reaches the end of lifecycle, the equipment undergoes a reverse logistics and manufacturing process and is reinserted into the production chain as raw material.	We refrained from disposing of 2,697.40 t.	NM
Reuse of equipment in the Data Center	With the new CTMM built, we were able to optimize our IT infrastructure and shutdown the data centers of CAS and CAR buildings. This project ended in 2016 and led to the availability of equipment and materials from the facilities (energy machines, air conditioning, automation, racks and cabling) for reuse in the CTMM, CTSP, and CAT buildings. This reuse prevented their allocation to disposal and the purchase of new equipment and materials.	Reuse of 1,583 IT machines, 768 facilities infrastructure pieces of equipment and materials (electric equipment, air conditioning, automation, batteries, and racks).	We avoided expenses of R\$9.183,688 due to the reuse of equipment.
Reuse of ATM components	Previously, when an ATM was deemed obsolete, its whole structure was allocated for environmentally proper disposal. Today we adopt the concept of reuse: after the analysis of components of disabled ATMs, damaged components are disposed of and those in good condition are reused.	NM	NM
Extension of life cycle of notebooks	Part of the workstations (desktops and notebooks) of the administrative buildings is under leasing agreements. At first, this agreement provided for the equipment replacement every three years. Aiming at more efficient use, 31% of this equipment had its lifecycle extended to four years.	NM	NM

NM – Not measured

Generation, treatment and analysis GRI 306-2



(1) Non-hazardous waste intended for recycling: aluminum, wood, other metals, screening, paper, plastic and glass.

(2) Hazardous waste intended for recycling: approximately 96% of electronic waste generated and 97% of the batteries.

(3) Hazardous waste intended for landfill Technology centers: approximately 2% of waste electronics generated by Itaú Unibanco.

(4) Other forms of reuse/disposal of hazardous waste: for batteries and gas scrubber residue).

(5) Because the review process control of disposal of REEE 2015 value has been updated.

Note: in the year 2016 we destine 56,900 lamps units. Have been collected and treated 45 m³ of waste fat from administrative buildings.

7_Attachments

This chapter reports additional information for the Performance and the Sustainability sections, including the GRI Content Index and the assurance of third part audit.

Attachments

Social and Environmental Risk in Wholesale GRI G4-FS6

Wholesale bank only operates with large companies, with a portfolio value of more than R\$30 million.

Wholesale bank portfolio percentages by sector – 2016

GRI G4-FS6

Sector	Portfolio value (R\$ million)	Total value of the business line (R\$ million)	Portfolio value (percentage line of business line)
Corporate and Investment Banking (CIB)	168,290.59	172,469.86	97.58%
Financial institutions	4,179.27	172,469.86	2.42%

Wholesale bank portfolio percentages by sector – 2015

GRI G4-FS6

Sector	Portfolio value (R\$ million)	Total value of the business line (R\$ million)	Portfolio value (percentage line of business line)
Corporate and Investment Banking (CIB)	184,695.03	192,603.84	95.89%
Financial institutions	7,908.81	192,603.84	4.11%

Wholesale bank portfolio percentages by region – 2016

GRI G4-FS6

Region	Portfolio value (R\$ million)	Total value of the business line (R\$ million)	Portfolio value (percentage line of business line)
Mid-West and North	1,066.54	168,290.59	0.63%
South	12,780.38	168,290.59	7.59%
Southeast	136,401.84	168,290.59	81.05%
Northeast	3,741.39	168,290.59	2.22%
Others	14,300.44	168,290.59	8.50%

Wholesale bank portfolio percentages by region – 2015

GRI G4-FS6

Region	Portfolio value (R\$ million)	Total value of the business line (R\$ million)	Portfolio value (percentage line of business line)
Mid-West and North	2,368.99	184,695.03	1.28%
South	18,404.39	184,695.03	9.96%
Southeast	149,599.34	184,695.03	81.00%
Northeast	4,888.90	184,695.03	2.65%
Others	9,433.41	184,695.03	5.11%

E&S Risk Policy and EP

In 2016, we did not have any project-related transaction canceled due to E&S issues. In addition, we did not have any project finance approved by Itaú Unibanco – pre-closing (EP III triggers) and any Project Related Corporate Loans closed (EP III criteria).

Project finance⁽¹⁾ closed (Equator Principles III criteria) – 2016

Category	Number of projects	Total investment ⁽²⁾ (R\$ million)	Itaú Unibanco's share ⁽²⁾ (R\$ million)
A	1	671.60	200.00
B	2	3,027.64	701.36
C	-	-	-
Sector			
Energy	1	842.81	49.18
Logistics	2	2,856.43	852.19
Location			
Northeast Brazil	1	842.81	49.18
North Brazil	1	671.60	200.00
Colombia	1	2,184.83	652.19
Independent consultant			
Transactions analyzed with independent consultant	3	3,699.24	901.36
Transactions analyzed without independent consultant	-	-	-
Total	3	3,699.24	901,363.00

(1) Project Finance as per Basel definition at www.bis.org/publ/bcbs107.pdf.

(2) If in a different currency, transaction-day exchange rate was used.

NB: Brazil is a Non-Designated country, while Chile is a Designated country.

NB: One Project Finance deal was not included in this table because it did not reach EP triggers.



Project finance⁽¹⁾ closed (EP III criteria) – 2015

Category	Number of projects	Total investment ⁽²⁾ (R\$ million)	Itaú Unibanco's share ⁽²⁾ (R\$ million)
A	0	0	0
B	3	3,803.14	279.16
C	0	0	0
Sector			
Energy	2	671.14	237.12
Logistics	1	3,132.00	42.04
Location			
Southeast Brazil	2	3,453.10	69.71
Chile	1	350.04	209.45
Independent consultant			
Transactions analyzed with independent consultant	2	3,453.10	69.71
Transactions analyzed without independent consultant	1	350.04	209.45
Total	3	3,803.14	279.16

(1) Project Finance as per Basel definition at www.bis.org/publ/bcbs107.pdf.

(2) If in a different currency, transaction-day exchange rate was used.

NB: Brazil is a Non-Designated country, while Chile is a Designated country.

NB: One Project Finance deal was not included in this table because it did not reach EP triggers.

Mandates – 2016

	Mandates
Sector	
Logistic	3
Energy	1
Location	
Americas	4
Total	4

NB: Mandates amendments are also considered.

Mandates – 2015

	Mandates
Sector	
Infrastructure	4
Mining	1
Oil & gas	1
Power	13
Others	0
Location	
Americas	19
Europe, Middle East & Africa	0
Asia Pacific	0
Total	19

NB: Mandates amendments are also considered.

Project related corporate loans closed and assessed using Environmental and Social Policy criteria⁽¹⁾ – 2016

Category	Number of projects	Total investment ⁽²⁾ (R\$ million)	Itaú Unibanco's share ⁽²⁾ (R\$ million)
A	-	-	-
B	1	1,544.83	115.73
C	8	364.89	172.80
Sector			
Sugar & alcohol	6	217.37	93.89
Agribusiness	1	36.91	36.91
Logistic	1	1,544.83	115.73
Telecommunications	1	110.61	42.00
Location			
Brazil ⁽³⁾	2	1,655.44	157.73
Mid-West Brazil	2	85.85	36.22
Southeast Brazil	3	107.38	47.67
South Brazil	2	61.05	46.91
Total	9	1,909.72	288.52

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) If in a different currency, transaction-day exchange rate was used.

(3) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc).

NB: Corporate-finance projects are usually covered by existing credit limits rather than approved for specific operations.

Project related corporate loans closed and assessed using Environmental and Social Policy criteria⁽¹⁾ – 2015

Category	Number of projects	Total investment ⁽²⁾ (R\$ million)	Itaú Unibanco's share ⁽²⁾ (R\$ million)
A	0	0	0
B	1	147.88	39.44
C	31	4,707.69	1,301.20
Sector			
Sugar & alcohol	9	391.88	135.65
Agribusiness	3	214.20	103.03
Logistic	17	3,925.60	971.54
Textile	2	228.30	85.41
Telecommunications	1	95.60	45.00
Location			
Mid-West Brazil	4	1,072.66	281.74
Northeast Brazil	6	1,166.21	170.29
Southeast Brazil	14	1,953.68	640.13
South Brazil	3	198.75	68.95
Brazil ⁽³⁾	5	464.27	179.52
Total	32	4,855.57	1,340.63

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) If in a different currency, transaction-day exchange rate was used.

(3) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc).

NB: Corporate-finance projects are usually covered by existing credit limits rather than approved for specific operations.



Other project-related transactions closed in 2016 and assessed using Environmental and Social Policy criteria⁽¹⁾

	Number of transactions		
	Bridge loan ⁽³⁾	Project guarantee	Total
Number of transactions	10	12	22
Amounts – transactions closed			
Total investment (R\$ million) ⁽²⁾	10,882.00	30,013.50	40,895.50
Itaú Unibanco's share (R\$ million) ⁽²⁾	1,282.05	1,571.97	2,854.02
Categories – transactions closed			
A	2	3	5
B	8	8	16
C	-	1	1
Location – projects associated with transactions closed			
Brazil ⁽⁴⁾	1	3	4
Mid-West Brazil	-	1	1
Northeast Brazil	6	7	13
North Brazil	-	1	1
Southeast Brazil	2	-	2
South Brazil	1	-	1
Sector – projects associated with transactions closed			
Energy	10	11	21
Logistic	-	1	1

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) If in a different currency, transaction-day exchange rate was used.

(3) Based on EPIII, bridge loans trigger specific requirements.

(4) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Other project-related transactions closed in 2015 and assessed using Environmental and Social Policy criteria⁽¹⁾

	Number of transactions		
	Bridge loan ⁽³⁾	Project guarantee	Total
Number of transactions	5	5	10
Amounts – transactions closed			
Total investment (R\$ million) ⁽²⁾	3,697.90	4,003.99	7,701.89
Itaú Unibanco's share (R\$ million) ⁽²⁾	488	657.18	1,145.18
Categories – transactions closed			
A	0	0	0
B	5	2	7
C	0	3	3
Location – projects associated with transactions closed			
Northeast Brazil	4	4	8
South Brazil	1	0	1
Southeast Brazil	0	1	1
Sector – projects associated with transactions closed			
Energy	5	5	10

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) If in a different currency, transaction-day exchange rate was used.

(3) Based on EPIII, bridge loans trigger specific requirements.

Other project-finance related transactions approved by Itaú Unibanco in 2016 and analyzed for Environmental and Social⁽¹⁾ Policy in 2016, but not yet closed⁽²⁾

	Number of transactions approved (not yet closed)		
	Bridge loan ⁽⁴⁾	Project guarantee	Total
Number of projects	3	9	12
Total transactions approved (not yet closed)			
Volume approved – Itaú Unibanco (R\$ million) ⁽³⁾	340.00	2,110.00	2,450.00
Location – projects associated with transactions approved (not yet closed)			
Mid-West Brazil	-	1	1
Northeast Brazil	2	6	8
North Brazil	-	1	1
Southeast Brazil	1	1	2
Sector – projects associated with transactions approved (not yet closed)			
Energy	3	9	12

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) No closing reached in 2016 for various reasons.

(3) If in a different currency, exchange rate of the approval day was used.

(4) Based on EPIII, bridge loans trigger specific requirements.

Other project-finance related transactions approved by Itaú Unibanco in 2015 and analyzed for Environmental and Social⁽¹⁾ Policy in 2015, but not yet closed⁽²⁾

	Number of transactions approved (not yet closed)		
	Bridge loan ⁽⁵⁾	Project guarantee	Total
Number of projects	6	6	12
Total transactions approved (not yet closed)			
Volume approved – Itaú Unibanco (R\$ million) ⁽³⁾	645.64	848	1,493.64
Location – projects associated with transactions approved (not yet closed)			
Brazil ⁽⁴⁾	0	1	1
Mid-West Brazil	2	1	3
Northeast Brazil	3	3	6
South Brazil	0	1	1
Uruguay	1	0	1
Sector – projects associated with transactions approved (not yet closed)			
Energy	5	6	11
Logistics	1	0	1

(1) Itaú Unibanco Environmental and Social Risk Policy.

(2) No closing reached in 2015 for various reasons.

(3) If in a different currency, exchange rate of the approval day was used.

(4) Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

(5) Based on EPIII, bridge loans trigger specific requirements.



E&S risk on middle-market operations GRI G4-FS6

Middle-market portfolio percentages by sector GRI G4-FS6

Sectors	Portfolio value (R\$ million)			
	Middle ⁽¹⁾		New corporate ⁽²⁾	
	2016	2015 ⁽³⁾	2016	2015 ⁽³⁾
Sugar and ethanol	75.7	79.6	111.6	101.1
Agribusiness and fertilizers	1,591.6	1,490.5	1,611.4	1,647.6
Food and beverages	2,497.7	2,488.5	621.7	565.0
Banks and financial institutions	295.2	264.0	0.0	0.0
Capital goods	877.8	932.6	307.6	340.6
Durable goods – except vehicles	481.4	525.8	106.7	126.9
Non-durable goods	1,570.9	1,748.6	1,115.6	1,319.9
Pulp and paper	172.0	210.9	49.6	53.2
Commerce – sundry	1,594.7	1,782.9	1,768.6	1,985.5
Infrastructure concession	46.1	62.9	43.3	64.8
Sundry	1,730.5	1,526.4	50.8	65.4
Power	36.3	42.0	71.8	87.9
Education and healthcare	732.2	736.9	361.9	442.4
Pharmaceuticals and cosmetics	889.2	920.9	93.5	83.5
Real estate	792.9	959.6	4,323.1	4,069.4
Infrastructure	465.9	570.8	270.8	363.6
Leisure and tourism	490.2	591.7	54.8	79.7
Construction materials	559.4	632.2	422.2	411.3
Metallurgy/steel and iron	720.7	933.8	509.6	502.4
Media	115.6	133.6	59.5	45.5
Mining	124.9	142.7	9.0	30.6
Oil & gas	447.1	530.9	344.5	366.6
Petrochemical and chemicals	999.4	1,055.9	220.3	207.7
Services	998.9	1,047.5	601.1	584.0
Technology	216.7	267.9	70.9	149.7
Telecommunications	102.8	118.7	2.9	6.2
Trading	297.6	318.5	107.8	94.4
Transportation and logistics	1,488.9	2,102.2	808.8	1,072.8
Vehicles/Auto-Parts	864.3	1,163.0	677.5	828.8
No information	0.7	124.2	864.7	1,112.4
Total value of business line	21,277.2	23,505.9	15,661.7	16,809.0

(1) Middle-market: Sectors defined by a sectorial analysis of Serasa.

(2) Corporate: Sectors analyzed by the commercial/credit area in January 17. Data for December 2016 and December 2015 are retroactively applied for the new analysis.

(3) Data for December 2015 were retroactively applied, with the register for December 2016 due to the re-segmentation carried out in 2016.

NB: Loan portfolio with joint obligations.

Middle-market portfolio percentages by region⁽¹⁾ GRI G4-FS6

Commercial region	Portfolio value (R\$ million)			
	Middle		New Corporate	
	2016	2015 ⁽²⁾	2016	2015 ⁽²⁾
São Paulo	7,957.7	8,887.2	4,743.3	5,378.8
RJ and ES	1,876.0	2,150.4	1,076.3	1,278.2
Northeast	2,143.0	2,433.5	1,092.7	1,380.3
South	2,634.4	290.1	2,473.3	2,704.6
Corporate MG	0.0	0.0	2,151.8	2,275.7
Middle MG CO MT AM	2,240.3	2,906.6	0.0	0.0
Middle PR MS	2,717.6	2,845.5	0.0	0.0
Corporate – real estate	0.0	0.0	4,119.8	3,790.3
Middle – multinationals	1,707.5	1,380.8	0.0	0.0
No information	0.7	0.7	4.3	0.7
Total value of business line	21,277.2	23,505.9	15,661.5	16,808.6

(1) Region: Defined by the commercial service.

(2) Data for December 2015 retroactively applied, with the register for December 2016, due to re-segmentation carried out in 2016.

NB: Loan portfolio with no joint obligations.

Context



Our profile



Our governance



Our risk management



Performance



Sustainability

Attachments **A-274**

Vehicle financing GRI G4-FS6

Product portfolio

Vehicle financing portfolio percentages by sector GRI G4-FS6

Sector	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Transport	2,824.34	4,008.99	5,198.10	5,439.70	7,511.45	9,736.94	51.9%	53.4%	53.4%
Construction materials	477.48	726.57	1,011.25	5,439.70	7,511.45	9,736.94	8.8%	9.7%	10.4%
Light-and-heavy-duty vehicles	371.29	407.31	512.93	5,439.70	7,511.45	9,736.94	6.8%	5.4%	5.3%
Food industry	511.11	680.55	842.18	5,439.70	7,511.45	9,736.94	9.4%	9.1%	8.6%
Other (whose portfolio value is significantly smaller than the four main sectors)	1,255.48	1,688.03	2,172.48	5,439.70	7,511.45	9,736.94	23.1%	22.5%	22.3%

Vehicle financing portfolio percentages by region GRI G4-FS6

Region	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Southeast	2,289.84	3,150.07	4,035.17	5,439.70	7,511.45	9,736.94	42.1%	41.9%	41.4%
South	1,678.97	2,361.37	3,139.75	5,439.70	7,511.45	9,736.94	30.9%	31.4%	32.2%
Mid-West	518.68	691.01	896.25	5,439.70	7,511.45	9,736.94	9.5%	9.2%	9.2%
Northeast	681.74	966.65	1,230.30	5,439.70	7,511.45	9,736.94	12.5%	12.9%	12.6%
North	270.47	342.35	435.45	5,439.70	7,511.45	9,736.94	5.0%	4.6%	4.5%

Vehicle financing portfolio percentages by size GRI G4-FS6

Size	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Micro enterprises (0-2.40 MM)	1,497.16	2,080.16	2,836.21	5,439.70	7,511.45	9,736.94	27.5%	27.7%	29.1%
Small enterprises (2.40 MM-16.00 MM)	2,137.15	3,047.93	4,029.52	5,439.70	7,511.45	9,736.94	39.3%	40.6%	41.4%
Medium enterprises (16.00 MM-90.00 MM)	1,210.35	1,662.32	2,009.36	5,439.70	7,511.45	9,736.94	22.3%	22.1%	20.6%
Medium/large enterprises (90.00 MM-300.00 MM)	461.35	552.80	690.14	5,439.70	7,511.45	9,736.94	8.5%	7.4%	7.1%
Large enterprises (over 300.00 MM)	127.97	168.24	170.53	5,439.70	7,511.45	9,736.94	2.4%	2.2%	1.7%
Information not available	5.72	0.01	1.16	5,439.70	7,511.45	9,736.94	0.1%	0.0%	0.0%

Mortgage loans GRI G4-FS6

Mortgage loans portfolio percentages by sector GRI G4-FS6

Sector	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Residential property	6.046	6.707	6.474	10.187	10.540	9.872	59%	64%	66%
Commercial property ⁽¹⁾	4.141	3.833	3.398	10.187	10.540	9.872	41%	36%	34%

(1) Malls, corporate offices, hotels and office buildings.



Mortgage loans portfolio percentages by region **GRI G4-FS6**

Region	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Southeast	7.602	7.482	6.594	10.187	10.540	9.872	75%	71%	67%
South	898	788	707	10.187	10.540	9.872	9%	7%	7%
Mid-West	900	969	1.232	10.187	10.540	9.872	9%	9%	12%
Northeast	566	854	857	10.187	10.540	9.872	6%	8%	9%
North	221	447	483	10.187	10.540	9.872	2%	4%	5%

Mortgage loans portfolio percentages by size **GRI G4-FS6**

Sector	Portfolio value (R\$ millions)			Total value of business line (R\$ millions)			Portfolio value (percentage of business line)		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
IBBA	3.868	7.725	7.127	10.187	10.540	9.872	38%	73%	72%
Middle market	6.319	2.815	2.745	10.187	10.540	9.872	62%	27%	28%

Itaú insurance **GRI G4-FS6**

Products and portfolio

Group life Insurance and personal accident insurance – aimed at state-owned and private companies in the industrial, commercial and service segments. It provides their employees, partners and owners, in the event of the death of the policyholder, with benefits such as: indemnity coverage, funeral grant and "Fique Bem", a psychological and financial assistance program. There is also the family plan that, in addition to coverage of the insurance, the spouses and children of up to twenty-one years old have the right of coverage with regard to the death and funeral grant.

Business insurance – aimed at micro, small and medium-size companies to protect physical assets (building and contents) against unexpected events such as fire, strong winds, hailstorm, property theft, fixed expenses, civil

liability and more that may cause losses to the client/policyholder.

Lender insurance – financial protection: aimed at clients that contract debt, take out a loan or assume a monthly payment obligation with a bank. The insurance covers full or partial repayment of the debt for the following coverage: unintentional termination for employees, full and temporary disability, permanent disability due to accident and death by any cause. There is also a Lender Insurance aimed at microcredit loans. In 2016, we had 5,683,260 active Lender contracts. In this report, we consider Lender Insurance for Overdrafts, Credit, Life Insurance, Credit and Debt Cards, Insurance Cards and Loans for Individuals and Corporations.

Portfolio percentage per business line and sector in 2016 **GRI G4-FS6**

Business line	Sector ⁽¹⁾	Value of the portfolio (R\$ millions)	Total value of the business line (R\$ millions)	Value of the portfolio (percentage)
Group Life Insurance and Collective Personal Accident Insurance	Commercial bank	43.49	551.45	7.89
Group Life Insurance and Collective Personal Accident Insurance	Trading – non-classified companies	49.98	551.45	9.06
Group Life Insurance and Collective Personal Accident Insurance	Civil construction	32.02	551.45	5.81
Group Life Insurance and Collective Personal Accident Insurance	Companies operating in several business branches	13.23	551.45	2.40
Group Life Insurance and Collective Personal Accident Insurance	Government	6.37	551.45	1.16
Group Life Insurance and Collective Personal Accident Insurance	Food products industry	18.14	551.45	3.29
Group Life Insurance and Collective Personal Accident Insurance	Industry – non-classified companies	28.62	551.45	5.19

(1) Only the sectors representing more than 1% of the portfolio are disclosed.



Business line	Sector ⁽¹⁾	Value of the portfolio (R\$ millions)	Total value of the business line (R\$ millions)	Value of the portfolio (percentage)
Group Life Insurance and Collective Personal Accident Insurance	Governmental Sector Services	5.65	551.45	1.02
Group Life Insurance and Collective Personal Accident Insurance	Services – non-classified companies	80.17	551.45	14.54
Group Life Insurance and Collective Personal Accident Insurance	Public administration services	49.73	551.45	9.02
Group Life Insurance and Collective Personal Accident Insurance	Transportation	14.95	551.45	2.71
Group Life Insurance and Collective Personal Accident Insurance	Trading of food and beverage products	14.63	551.45	2.65
Group Life Insurance and Collective Personal Accident Insurance	Other activities	194.47	551.45	35.26
Business Insurance	Trading of food and beverage products	2.34	67.08	3.48
Business Insurance	Trading – non-classified companies	50.26	67.08	74.93
Business Insurance	Companies operating in several business branches	1.06	67.08	1.59
Business Insurance	Services – non-classified companies	2.34	67.08	3.49
Business Insurance	Steel industry	0.67	67.08	1.00
Business Insurance	Other activities	10.41	67.08	15.52

(1) Only the sectors representing more than 1% of the portfolio are disclosed.

Portfolio percentage per business line and region in 2016 GRI G4-FS6

Business line	Sector ⁽¹⁾	Value of the portfolio (R\$ millions)	Total value of the business line (R\$ millions)	Value of the portfolio (percentage)
Group Life Insurance and Collective Personal Accident Insurance	Bahia	12.68	551.45	2.30
Group Life Insurance and Collective Personal Accident Insurance	Ceará	9.43	551.45	1.71
Group Life Insurance and Collective Personal Accident Insurance	Espírito Santo	5.57	551.45	1.01
Group Life Insurance and Collective Personal Accident Insurance	Goiás	8.07	551.45	1.46
Group Life Insurance and Collective Personal Accident Insurance	Minas Gerais	48.47	551.45	8.79
Group Life Insurance and Collective Personal Accident Insurance	Pernambuco	7.92	551.45	1.44
Group Life Insurance and Collective Personal Accident Insurance	Paraná	37.88	551.45	6.87
Group Life Insurance and Collective Personal Accident Insurance	Rio de Janeiro	114.43	551.45	20.75
Group Life Insurance and Collective Personal Accident Insurance	Rio Grande do Sul	14.06	551.45	2.55
Group Life Insurance and Collective Personal Accident Insurance	Santa Catarina	23.13	551.45	4.19
Group Life Insurance and Collective Personal Accident Insurance	São Paulo	242.88	551.45	44.04
Business Insurance	Amazonas	0.82	67.08	1.22
Business Insurance	Bahia	2.68	67.08	3.99
Business Insurance	Ceará	1.65	67.08	2.46
Business Insurance	Distrito Federal	1.23	67.08	1.84
Business Insurance	Goiás	2.34	67.08	3.49
Business Insurance	Minas Gerais	5.63	67.08	8.39
Business Insurance	Mato Grosso	0.83	67.08	1.24
Business Insurance	Pernambuco	2.59	67.08	3.87

(1) Only the regions representing more than 1% of the portfolio are disclosed.



Business line	Sector ⁽¹⁾	Value of the portfolio (R\$ millions)	Total value of the business line (R\$ millions)	Value of the portfolio (percentage)
Business Insurance	Paraná	4.19	67.08	6.25
Business Insurance	Rio de Janeiro	9.07	67.08	13.52
Business Insurance	Rio Grande do Norte	0.81	67.08	1.21
Business Insurance	Rio Grande do Sul	1.80	67.08	2.68
Business Insurance	Santa Catarina	2.04	67.08	3.04
Business Insurance	São Paulo	26.87	67.08	40.06

(1) Only the regions representing more than 1% of the portfolio are disclosed.

Organizational profile*

Employees by hierarchical level GRI 102-8

Hierarchical level ⁽¹⁾	2016	2015	2014
Directors	107	113	72
Managers	13,591	14,242	13,758
Administrative	26,007	26,365	29,066
Commercial and operational	40,928	42,773	39,431
Trainees	122	98	53
Subtotal	80,755	83,591	82,380
Apprentices	2,743	2,143	1,683
Interns	4,213	4,271	4,040
Subtotalv	87,711	90,005	88,103
Outsourced ⁽²⁾	42,115	45,773	42,185
Total	129,826	135,778	130,288

(1) Managers are considered employees who manage people. Administrative are considered employees of administrative areas that do not manage people. Commercial and operational are considered collaborators of the branches that do not manage people.

(2) Call center operations and collection firms were not included.

Employees – indefinite employment contracts GRI 102-8

Year	Managers		Administrative		Commercial and operational		Trainees		Total		
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	
2016	6,938	6,653	13,898	12,109	27,318	13,610	44	78	48,198	32,450	80,648
2015	7,106	7,136	14,263	12,102	28,209	14,564	24	74	49,602	33,876	83,478
2014	6,854	6,904	15,603	13,463	26,685	12,746	21	32	49,163	33,145	82,308

Employees – other types of employment contract GRI 102-8

Year	Directors		Apprentices		Interns	
	Women	Men	Women	Men	Women	Men
2016	13	94	1,925	818	2,461	1,752
2015	13	100	1,531	612	2,521	1,750
2014	8	64	1,201	482	2,524	1,516

* NB: • Compiling only data from Itaú Unibanco companies managed by the Human Resources department. Reporting companies remaining in 2016: Itaú Unibanco S.A., Itaú Corretora de Valores, Hipercard Banco Múltiplo, Itaú Unibanco Holding, Microinvest S/A, Banco Itaú, BMG Consignado, Provar Negócios, Luizacred S.A., Credicard Promotora, Fic Promotora, Redecard S.A., Itaú Seguros S.A., Itaú BMG, Itaú Saúde S/A, Kinea Investimentos, Banco Itaucard S/A, Icarros Ltda., Pro-Imóvel Promotora, Itaú Adm Prev Ltda., Marcep e Banco Itaú BBA S.A.

• The number of interns refers to the sum of all the Bank's internship program and not just the corporate programs and agencies.



Own employees and outsourced by region GRI 102-8

Region	2016		2015		2014	
	Own	Outsourced ⁽¹⁾	Own	Outsourced ⁽¹⁾	Own	Outsourced ⁽¹⁾
South	6,508	4,149	6,969	5,766	7,298	4,872
Southeast	66,001	31,789	68,036	32,958	66,120	29,892
Mid-West	3,039	1,985	3,210	1,954	3,405	2,094
Northeast	4,068	3,275	4,187	4,341	4,346	4,535
North	1,032	917	1,076	754	1,139	792
Total	80,648	42,115	83,478	45,773	82,308	42,185

(1) Call center operations and collection firms were not included.

Own employees by region, age and gender GRI 102-8

Region										Women		
	Under 30			Aged 30 to 50			Over 50			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
South	1,247	1,390	1,529	2,260	2,456	2,517	522	408	367	4,029	4,254	4,413
Southeast	12,855	13,625	13,688	23,291	24,098	23,427	2,941	2,368	2,165	39,087	40,091	39,280
Mid-West	686	722	832	1,094	1,175	1,167	131	89	89	1,911	1,986	2,088
Northeast	684	752	867	1,637	1,696	1,680	201	146	125	2,522	2,594	2,672
North	260	309	342	372	354	356	17	14	12	649	677	710
Total	15,732	16,798	17,258	28,654	29,779	29,147	3,812	3,025	2,758	48,198	49,602	49,163

Region										Men		
	Under 30			Aged 30 to 50			Over 50			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
South	582	681	779	1,232	1,469	1,600	665	565	506	2,479	2,715	2,885
Southeast	8,021	8,531	8,173	15,658	16,526	15,869	3,235	2,888	2,798	26,914	27,945	26,840
Mid-West	343	370	421	576	665	715	209	189	181	1,128	1,224	1,317
Northeast	411	444	520	883	974	1,000	252	175	154	1,546	1,593	1,674
North	153	176	213	197	201	196	33	22	20	383	399	429
Total	9,510	10,202	10,106	18,546	19,835	19,380	4,394	3,839	3,659	32,450	33,876	33,145

Employees*

Terminations⁽¹⁾ GRI 401-1

Region	Women									Men									Total		
	Under 30			Aged 30 to 50			Over 50			Under 30			Aged 30 to 50			Over 50					
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014			
South	274	91	137	192	235	241	101	98	86	155	119	124	147	171	170	105	63	53	974	777	811
Southeast	1,768	1,036	1,231	2,070	2,255	2,268	748	540	488	1,510	935	1,032	1,614	1,964	1,723	719	583	405	8,429	7,313	7,147
Mid-West	125	57	72	139	128	106	36	17	18	92	49	83	91	85	103	51	31	22	534	367	404
Northeast	86	62	103	154	145	177	32	21	19	84	59	89	90	119	147	19	18	10	465	424	545
North	39	29	29	48	53	37	5	1	0	30	28	38	42	27	36	4	4	2	168	142	142
Total	2,292	1,275	1,572	2,603	2,816	2,829	922	677	611	1,871	1,190	1,366	1,984	2,366	2,179	898	699	492	10,570	9,023	9,049

(1) Including terminations due to resignation, retirement or death.

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Attachments A-279



New hires GRI 401-1

Region	Women															Men					Total										
	Under 30					Aged 30 to 50					Over 50					Under 30						Aged 30 to 50					Over 50				
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015		2014	2016	(%)	2015	(%)	2014	(%)			
South	468	199	253	20	36	36	0	0	0	233	110	171	13	25	51	1	0	0	735	11.29	370	5.31	511	7.00							
Southeast	4,148	2,462	2,842	424	524	435	0	3	4	3,066	1,833	1,874	495	514	475	1	3	7	8,134	12.32	5,339	7.85	5,637	8.53							
Mid-West	283	88	139	6	7	16	0	0	0	172	42	79	12	11	20	0	0	0	473	15.56	148	4.61	254	7.46							
Northeast	219	75	148	18	20	37	0	0	1	160	60	104	16	24	28	0	1	0	413	10.15	180	4.30	318	7.32							
North	72	48	48	6	2	7	0	0	0	49	24	39	7	2	3	0	0	0	134	12.98	76	7.06	97	8.52							
Total	5,190	2,872	3,430	474	589	531	0	3	5	3,680	2,069	2,267	543	576	577	2	4	7	9,889	12.26	6,113	7.32	6,817	8.28							
(% total)	32.99	17.10	20.00	1.65	1.98	1.82	0.00	0.10	0.18	38.70	20.28	22.43	2.93	2.90	2.80	0.05	0.10	0.19													

Turnover (%)⁽¹⁾⁽²⁾ GRI 401-1

Region	Women															Men					Total 2016 ⁽¹⁾										
	Under 30					Aged 30 to 50					Over 50					Under 30						Aged 30 to 50					Over 50				
	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾		2014 ⁽²⁾	2016 ⁽¹⁾	2015 ⁽²⁾	2014 ⁽²⁾						
South	7.71	6.55	8.96	8.89	9.57	9.57	20.27	24.02	23.43	11.18	17.47	15.92	11.21	11.64	10.63	16.91	11.15	10.47	10.58												
Southeast	6.67	7.60	8.99	9.36	9.36	9.68	26.48	22.80	22.54	9.65	10.96	12.63	10.22	11.88	10.86	23.58	20.19	14.47	10.10												
Mid-West	9.42	7.89	8.65	13.39	10.89	9.08	29.68	19.10	20.22	14.53	13.24	19.71	15.14	12.78	14.41	26.35	16.40	12.15	14.01												
Northeast	9.11	8.24	11.88	9.82	8.55	10.54	20.38	14.38	15.20	12.53	13.29	17.12	9.97	12.22	14.70	10.98	10.29	6.49	10.41												
North	9.39	9.39	8.48	13.88	14.97	10.39	24.00	7.14	0.00	15.08	15.91	17.84	21.80	13.43	18.37	9.52	18.18	10.00	14.14												
Total	7.03	7.59	9.11	9.55	9.46	9.71	25.40	22.38	22.15	10.14	11.66	13.52	10.55	11.93	11.24	22.03	18.21	13.45	10.35												

(1) Calculations based on total terminations/(Total employees at the beginning of the period + Total employees at the end of the period)/2. Total employees at the end of the period considers employees at the beginning of the period plus the hiring of employees minus the employee terminations.

Companies considered: Itaú BMG Consig, Banco Itaú BBA, Banco Itaúcard, Icarros, Credicard Promotora, Fic Promotora, Hipercard, Itaú Adm Prev, Itaú BMG Gestão, Itaú Corretora de Valores, Itaú Seguros, Itaú Unibanco, Holding, Itaúseg Saúde, Kinea Investimentos, Luizacred, Marcep, Microinvest, Pro-Imovel, Provar Negócios, Redecard e Trishop. Including terminations due to resignation, retirement or death. Does not consider directors, interns, expatriates and retirees on disability.

(2) Calculations based on the number of terminations in each category by the number of total employees of the same category.

Until 2015, calculations were based on the number of terminations in each category by the number of total employees of the same category under management of the Human Resources department at the end of the year.

Social category

Employee health and safety

Contractors are responsible for controlling data from outsourced staff.

Health and safety by gender (%) GRI 403-2

Rate		2016			2015			2014		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
Work related injuries	Employees	2.59	2.02	2.36	2.23	1.60	1.98	1.69	1.15	1.47
Working days lost	Employees	1,050.66	689.97	908.44	890.73	596.05	773.55	400.04	247.01	336.59
Occupational Illness	Employees	2.23	1.72	2.03	1.72	1.32	1.56	1.59	1.10	1.39
Absenteeism ⁽¹⁾	Employees	1.35	0.76	1.11	1.73	0.95	1.42	1.34	0.83	1.13

(1) Calculation of absenteeism: Absenteeism = (total days of absence for health reasons in the period/total days worked by internal public in the same period) x 100.

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Employees' health and safety by region **GRI 403-2**

Region	Injury rate (TL)			Days lost rate (TDP)			Occupational illness rate (TDO)			Absenteeism rate (TA) ⁽¹⁾		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
South	3.72	2.53	2.11	2,530	2,070	918.63	3.36	2.29	1.97	1.01	1.15	0.84
Southeast	1.88	1.70	1.21	566	516	225.25	1.52	1.24	1.13	1.10	1.42	1.25
Mid-West	2.04	1.07	0.94	1,255	779	433.65	1.84	1.03	0.94	1.17	1.50	0.50
Northeast	9.16	6.60	4.88	3,977	2,833	998.82	8.96	6.24	4.83	1.47	1.85	1.30
North	1.89	1.45	0.93	1,073	801	230.54	1.74	1.05	0.93	0.96	1.06	0.89
Total (2016)	2.36	1.98	1.47	908.44	773.55	336.59	2.03	1.56	1.39	1.11	1.42	1.13

(1) Calculation of absenteeism: Absenteeism = (total days of absence for health reasons in the period/total days worked by internal public in the same period) x 100.

Deaths – absolute numbers⁽¹⁾ **GRI 403-2**

Category	2016				2015	
	Women		Men		Women	Men
Employees	1		0		1	1

(1) Death by accidents commuting to work.

Training

Training hours by functional level and gender **GRI 404-1**

Hierarchical level	Training hours								
	Women			Men			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Managers	93,706	186,816	228,745	104,162	173,647	233,437	197,868	360,463	462,182
Administrative	306,549	394,445	407,733	319,067	370,448	340,128	625,616	764,893	747,861
Commercial and operational	494,400	499,047	566,049	249,401	280,248	274,709	743,801	779,295	840,757
Trainees	9,914	6,134	7,151	16,703	14,410	11,879	26,616	20,544	19,030
Interns	58,366	59,186	144,713	45,297	47,691	72,894	103,664	106,877	217,607
Total	962,936	1,145,628	1,354,390	734,629	886,445	933,047	1,697,565	2,032,073	2,287,437

Hierarchical level	Average training hours per employee								
	Women			Men			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Managers	14	26	33	16	24	34	15	25	34
Administrative	22	28	26	26	31	25	24	29	26
Commercial and operational	18	18	21	18	19	22	18	18	21
Trainees	225	256	341	214	195	371	218	210	359
Interns	24	60	57	26	27	48	25	25	54
Total	18	22	26	21	25	27	19	23	26

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Diversity*

GRI 103-2 | 103-3 Diversity, equity and inclusion

Employees by functional level GRI 405-1

Functional level	2016	%	2015	%	2014	%
Directors	107	0.12	113	0.13	72	0.08
Managers	13,591	15.50	14,242	15.82	13,758	15.61
Administrative	26,007	29.65	26,365	29.29	29,066	32.99
Commercial and operational	40,928	46.66	42,773	47.52	39,431	44.75
Trainees	122	0.14	98	0.11	53	0.06
Apprentices	2,743	3.13	2,143	2.38	1,683	1.91
Interns	4,213	4.80	4,271	4.75	4,040	4.59
Total	87,711	100	90,005	100	88,103	100

Employees by gender GRI 405-1

Gender	2016	%	2015	%	2014	%
Female	52,597	59.96	53,667	59.63	52,896	60.04
Male	35,114	40.04	36,338	40.37	32,507	36.90
Total	87,711	100	90,005	100	88,103	96.94

Employees by functional level and gender – 2016⁽¹⁾ GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	13	0.02	94	0.27	107	0.12
Managers	6,938	13.19	6,653	18.95	13,591	15.50
Administrative	13,898	26.42	12,109	34.48	26,007	29.65
Commercial and operational	27,318	51.94	13,610	38.76	40,928	46.66
Trainees	44	0.08	78	0.22	122	0.14
Apprentices	1,925	3.66	818	2.33	2,743	3.13
Interns	2,461	4.68	1,752	4.99	4,213	4.80
Total	52,597	100	35,114	100	87,711	100

(1) Employees, by functional level and gender, divided by the total number of employees of the gender.

Employees by age group GRI 405-1

Age group	2016	%	2015	%	2014	%
Under 30	32,197	36.71	33,407	37.12	33,083	37.55
Aged 30 to 50	47,285	53.91	49,710	55.23	48,586	55.15
Over 50	8,229	9.38	6,888	7.65	6,434	7.30
Total	87,711	100	90,005	100	88,103	100

Employees by functional level and age group – 2016 GRI 405-1

Functional level	Under 30	%	Aged 30 to 50	%	Over 50	%	Total	%
Directors	0	0.00	84	78.50	23	21.50	107	100
Managers	978	7.20	10,612	78.08	2,001	14.72	13,591	100
Administrative	8,880	34.14	15,042	57.84	2,085	8.02	26,007	100
Commercial and operational	15,262	37.29	21,546	52.64	4,120	10.07	40,928	100
Trainees	122	100.00	0	0.00	0	0.00	122	100
Apprentices	2,743	100.00	0	0.00	0	0.00	2,743	100
Interns	4,212	99.98	1	0.02	0	0.00	4,213	100
Total	32,197	36.71	47,285	53.91	8,229	9.38	87,711	100

Employees by functional level and minority, blacks – 2014 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.0	0	0.0	0	0.00
Managers	2,938	3.3	2,538	2.8	5,476	6.22
Administrative	856	0.9	926	1.0	1,782	2.02
Commercial and operational	5,606	6.3	3,007	3.4	8,613	9.78
Trainees	1	0.0	2	0.0	3	0.00
Apprentices	506	0.5	213	0.2	719	0.82
Interns	701	0.8	357	0.4	1,058	1.20
Total	10,608	12.04	7,043	7.99	17,651	20.03

Employees by functional level and minority, blacks – 2015 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	885	0.98	956	1.06	1,841	2.05
Administrative	2,597	2.89	2,113	2.35	4,710	5.23
Commercial and operational	6,043	6.71	3,430	3.81	9,473	10.52
Trainees	3	0.00	2	0.00	5	0.01
Apprentices	584	0.65	228	0.25	812	0.90
Interns	725	0.81	403	0.45	1,128	1.25
Total	10,837	12.00	7,132	7.90	17,969	20.00

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Employees by functional level and minority, blacks – 2016⁽¹⁾ GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	902	1.03	947	1.08	1,849	2.11
Administrative	2,552	2.91	2,088	2.38	4,640	5.29
Commercial and operational	6,127	6.99	3,288	3.75	9,415	10.73
Trainees	5	0.01	5	0.01	10	0.01
Apprentices	780	0.89	296	0.34	1,076	1.23
Interns	708	0.81	384	0.44	1,092	1.24
Total	11,074	12.63	7,008	7.99	18,082	20.62

(1) Employees, by functional level, gender and minority, divided by the total number of employees.

Employees by functional level and minority – disabled – 2014 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	46	0.05	52	0.06	98	0.11
Administrative	754	0.86	917	1.04	1,671	1.90
Commercial and operational	1,221	1.39	1,012	1.15	2,233	2.53
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	1	0.00	0	0.00	1	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,022	2.27	1,981	2.23	4,003	4.54

Employees by functional level and minority – disabled – 2015 GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	56	0.06	61	0.07	117	0.13
Administrative	635	0.71	791	0.88	1,426	1.58
Commercial and operational	1,387	1.54	1,161	1.29	2,548	2.83
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	2	0.00	0	0.00	2	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,080	2.34	2,013	2.26	4,093	4.55

Employees by functional level and minority – disabled – 2016⁽¹⁾ GRI 405-1

Functional level	Women	%	Men	%	Total	%
Directors	0	0.00	0	0.00	0	0.00
Managers	62	0.07	62	0.07	124	0.14
Administrative	613	0.70	813	0.93	1,426	1.63
Commercial and operational	1,345	1.53	1,103	1.26	2,448	2.79
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,020	2.30	1,978	2.26	3,998	4.56

(1) Employees, by functional level, gender and minority, divided by the total number of employees.

Ratio of women's basic salary to men's – 2016 GRI 405-2

Functional level	Ratio
Directors	1
Managers	0.9
Administrative	0.9
Commercial and operational	1
Trainees	1
Apprentices	1
Interns	1

Unfair competition

Means of preventing unfair competition

No class actions alleging unfair competition, trust or monopoly practices were filed against us in 2016. [GRI 206-1](#)

Our legal department has specialized teams to address demands related to unfair competition and protection of intellectual property.

To preserve competition and prevent the occurrence of unfair practices, our Code of Ethics stipulates the principle of interdependence related to competitors, the need to respect intellectual property and not to use the competitor's information without their express consent.

Also, according to our Code of Ethics, it is unacceptable to make comments that could affect the image or contribute to the dissemination of rumors about our competitors.

Cases of discrimination

We did not register any condemnatory decision in respect to the occurrence of discrimination with clients or employees. For more details on our Complaint Channels, go to [page A-224](#) for employees (Internal Ombudsman) and [page A-227](#) for clients (External Ombudsman). [GRI 406-1](#)

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GRI 102-4	Location of operations	A-43	No
GRI 102-5	Ownership and legal form	We are a publicly traded corporation.	No
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GRI 102-52	Reporting cycle	A-14	Yes, A-294 to A-297
GRI 102-53	Contact point for questions regarding the report	A-14	No
GRI 102-54	Claims of reporting in accordance with the GRI Standards	A-284	No
GRI 102-55	GRI content index	A-284	No
GRI 102-56	External assurance	A-177	Yes, A-294 to A-297



Specific Disclosures		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Material theme: Efficiency						
GRI 103-1 Efficiency	-	A-179	-	-	-	Yes, A-294 to A-297
GRI 103-2 Efficiency	-	A-12	-	-	-	No
GRI 103-3 Efficiency	-	A-12	-	-	-	No
Topic: Economic Performance						
GRI 201-1	Direct economic value generated and distributed	A-203, A-231, A-240, A-241, A-242, A-250	-	-	-	Yes, A-294 to A-297
Material theme: Credit and insolvency						
GRI 103-1 Credit and insolvency	-	A-179	-	-	-	Yes, A-294 to A-297
GRI 103-2 Credit and insolvency	-	A-91	-	-	-	No
GRI 103-3 Credit and insolvency	-	A-91	-	-	-	No
Material theme: Diversification of revenue						
GRI 103-1 Diversification of revenue	-	A-179	-	-	-	Yes, A-294 to A-297
GRI 103-2 Diversification of revenue	-	A-46	-	-	-	No
GRI 103-3 Diversification of revenue	-	A-46	-	-	-	No
Material theme: Client satisfaction						
GRI 103-1 Client satisfaction	-	A-180	-	-	-	Yes, A-294 to A-297
GRI 103-2 Client satisfaction	-	A-226	-	-	-	Yes, A-294 to A-297
GRI 103-3 Client satisfaction	-	A-226	-	-	-	Yes, A-294 to A-297
Material theme: Ethics and transparency						
GRI 103-1 Ethics and transparency	-	A-180	-	-	-	Yes, A-294 to A-297
GRI 103-2 Ethics and transparency	-	A-102	-	-	-	No
GRI 103-3 Ethics and transparency	-	A-102	-	-	-	No
Topic: Anti-competitive Behavior						
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	A-283	-	-	-	Yes, A-294 to A-297
Material theme: Corporate governance						
GRI 103-1 Corporate governance	-	A-181	-	-	-	Yes, A-294 to A-297
GRI 103-2 Corporate governance	-	A-56	-	-	-	No
GRI 103-3 Corporate governance	-	A-56	-	-	-	No



Specific Disclosures		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Material theme: Attraction, retention and development						
GRI 103-1 Attraction, retention and development	-	A-181	-	-	-	Yes, A-294 to A-297
GRI 103-2 Attraction, retention and development	-	A-213	-	-	-	No
GRI 103-3 Attraction, retention and development	-	A-213	-	-	-	No
Topic: Employment						
GRI 401-1	New employee hires and employee turnover	A-27, A-279, A-280	-	-	-	Yes, A-294 to A-297
Topic: Training and Education						
GRI 404-1	Average hours of training per year per employee	A-281	-	-	-	Yes, A-294 to A-297
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	A-27, A-219, A-220	Transition programs to facilitate employability in case of shutdown or income retirement.	The information is currently unavailable.	We set up a pilot program in 2015, although we do not yet have sufficiently consolidated data for release in this report. In 2017, our focus is to improve the management so it can be reported.	Yes, A-294 to A-297
Material theme: Forecast of scenarios						
GRI 103-1 Forecast of scenarios	-	A-181, A-182	-	-	-	Yes, A-294 to A-297
GRI 103-2 Forecast of scenarios	-	A-4	-	-	-	No
GRI 103-3 Forecast of scenarios	-	A-4	-	-	-	No
Material theme: Information security						
GRI 103-1 Information security	-	A-182	-	-	-	Yes, A-294 to A-297
GRI 103-2 Information security	-	A-230	-	-	-	No
GRI 103-3 Information security	-	A-230	-	-	-	No
Topic: Customer Privacy						
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	A-230	The number of complaints about a breach of customer privacy.	The information is subject to specific restrictions of confidentiality.	Due to the sensibility of this matter we are not comfortable disclosing this information.	No
Material theme: Risk and capital management						
GRI 103-1 Risk and capital management	-	A-182, A-183	-	-	-	Yes, A-294 to A-297
GRI 103-2 Risk and capital management	-	A-88, A-90	-	-	-	No
GRI 103-3 Risk and capital management	-	A-88, A-90	-	-	-	No
Topic: Economic Performance						
GRI 201-2	Financial implications and other risks and opportunities due to climate change	A-255	-	-	-	Yes, A-294 to A-297
GRI 201-4	Financial assistance received from government	A-241	-	-	-	Yes, A-294 to A-297



Specific Disclosures		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Material theme: International operations						
GRI 103-1 International operations	-	A-183	-	-	-	Yes, A-294 to A-297
GRI 103-2 International operations	-	A-43	-	-	-	No
GRI 103-3 International operations	-	A-43	-	-	-	No
Material theme: Brand and reputation						
GRI 103-1 Brand and reputation	-	A-184	-	-	-	Yes, A-294 to A-297
GRI 103-2 Brand and reputation	-	A-29, A-102	-	-	-	No
GRI 103-3 Brand and reputation	-	A-29, A-102	-	-	-	No
Topic: Marketing and Labeling						
GRI 417-3	Incidents of non-compliance concerning marketing communications	A-227	-	-	-	Yes, A-294 to A-297
Material theme: Information technology						
GRI 103-1 Information technology	-	A-184	-	-	-	Yes, A-294 to A-297
GRI 103-2 Information technology	-	A-32, A-100	-	-	-	No
GRI 103-3 Information technology	-	A-32, A-100	-	-	-	No
Material theme: Compensation and incentives						
GRI 103-1 Compensation and incentives	-	A-184, A-185	-	-	-	Yes, A-294 to A-297
GRI 103-2 Compensation and incentives	-	A-27	-	-	-	No
GRI 103-3 Compensation and incentives	-	A-27	-	-	-	No
Topic: Training and Education						
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	A-219	-	-	-	No
Material theme: Combat of corruption and illegal activities						
GRI 103-1 Combat of corruption and illegal activities	-	A-185	-	-	-	Yes, A-294 to A-297
GRI 103-2 Combat of corruption and illegal activities	-	A-107, A-113, A-223, A-229, A-230	-	-	-	Yes, A-294 to A-297
GRI 103-3 Combat of corruption and illegal activities	-	A-107, A-113, A-223, A-229, A-230	-	-	-	Yes, A-294 to A-297
Topic: Anti-corruption						
GRI 205-2	Communication and training about anti-corruption policies and procedures	A-113, A-223	-	-	-	Yes, A-294 to A-297



Specific Disclosures		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Material theme: Management of suppliers and supply chain						
GRI 103-1 Management of suppliers and supply chain	-	A-185, A-186	-	-	-	Yes, A-294 to A-297
GRI 103-2 Management of suppliers and supply chain	-	A-231	-	-	-	No
GRI 103-3 Management of suppliers and supply chain	-	A-231	-	-	-	No
Topic: Supplier Environmental Assessment						
GRI 308-1	New suppliers that were screened using environmental criteria	A-233	-	-	-	No
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	A-234, A-236	-	-	-	No
Topic: Supplier Social Assessment						
GRI 414-1	New suppliers that were screened using social criteria	A-233	-	-	-	No
GRI 414-2	Negative social impacts in the supply chain and actions taken	A-231, A-232, A-234, A-236	-	-	-	No
Topic: Procurement Practices						
GRI 204-1	Proportion of spending on local suppliers	A-233, A-235	-	-	-	No
Material theme: Financial education and inclusion						
GRI 103-1 Financial education and inclusion	-	A-186	-	-	-	Yes, A-294 to A-297
GRI 103-2 Financial education and inclusion	-	A-205	-	-	-	Yes, A-294 to A-297
GRI 103-3 Financial education and inclusion	-	A-205	-	-	-	Yes, A-294 to A-297
Material theme: Innovation						
GRI 103-1 Innovation	-	A-186, A-187	-	-	-	Yes, A-294 to A-297
GRI 103-2 Innovation	-	A-172	-	-	-	No
GRI 103-3 Innovation	-	A-172	-	-	-	No
Material theme: Corporate citizenship						
GRI 103-1 Corporate citizenship	-	A-187	-	-	-	Yes, A-294 to A-297
GRI 103-2 Corporate citizenship	-	A-242	-	-	-	No
GRI 103-3 Corporate citizenship	-	A-242	-	-	-	No
Topic: Public Policy						
GRI 415-1	Political contributions	A-241	-	-	-	Yes, A-294 to A-297
Material theme: Ecoefficiency and environmental management						
GRI 103-1 Ecoefficiency and environmental management	-	A-187, A-188	-	-	-	Yes, A-294 to A-297
GRI 103-2 Ecoefficiency and environmental management	-	A-255	-	-	-	Yes, A-294 to A-297
GRI 103-3 Ecoefficiency and environmental management	-	A-255	-	-	-	Yes, A-294 to A-297



Specific Disclosures		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Topic: Materials						
GRI 301-1	Materials used by weight or volume	A-265	-	-	-	No
Topic: Energy						
GRI 302-1	Energy consumption within the organization	A-261	-	-	-	Yes, A-294 to A-297
GRI 302-4	Reduction of energy consumption	A-260	-	-	-	Yes, A-294 to A-297
Topic: Water						
GRI 303-1	Water withdrawal by source	A-259	-	-	-	Yes, A-294 to A-297
GRI 303-3	Water recycled and reused	A-258	-	-	-	No
Topic: Emissions						
GRI 305-1	Direct (Scope 1) GHG emissions	A-264	-	-	-	Yes, A-294 to A-297
GRI 305-2	Energy indirect (Scope 2) GHG emissions	A-264	-	-	-	Yes, A-294 to A-297
GRI 305-3	Other indirect (Scope 3) GHG emissions	A-264	-	-	-	Yes, A-294 to A-297
GRI 305-5	Reduction of GHG emissions	A-262	-	-	-	Yes, A-294 to A-297
Topic: Effluents and Waste						
GRI 306-2	Waste by type and disposal method	A-267, A-269	-	-	-	No
Material theme: Diversity, equity and inclusion						
GRI 103-1 Diversity, equity and inclusion	-	A-188, A-189	-	-	-	Yes, A-294 to A-297
GRI 103-2 Diversity, equity and inclusion	-	A-213, A-221, A-282	-	-	-	Yes, A-294 to A-297
GRI 103-3 Diversity, equity and inclusion	-	A-213, A-221, A-282	-	-	-	Yes, A-294 to A-297
Topic: Employment						
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	A-28, A-222	-	-	-	No
Topic: Diversity and Equal Opportunity						
GRI 405-1	Diversity of governance bodies and employees	A-282, A-283	-	-	-	Yes, A-294 to A-297
GRI 405-2	Ratio of basic salary and remuneration of women to men	A-27, A-61, A-283	-	-	-	Yes, A-294 to A-297
Topic: Non-discrimination						
GRI 406-1	Incidents of discrimination and corrective actions taken	A-224, A-283	We consider only condemnatory decision in the response of this indicator and not the total number of incidents of discrimination in 2016.	The information is subject to specific restrictions of confidentiality.	For legal reasons and due to the sensibility of this matter we are not comfortable disclosing this information.	Yes



Specific Disclosures	Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Material theme: Health, safety and well-being					
GRI 103-1 Health, safety and well-being	A-189	-	-	-	Yes, A-294 to A-297
GRI 103-2 Health, safety and well-being	A-153, A-216	-	-	-	No
GRI 103-3 Health, safety and well-being	A-153, A-216	-	-	-	No
Topic: Occupational Health and Safety					
GRI 403-1	Workers representation in formal joint management-worker health and safety committees A-217	-	-	-	No
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities A-280, A-281	-	-	-	No



Financial Services – Financial Services (Version G4)		Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Economic						
Economic Performance						
G4-DMA Economic Performance	-	A-231, A-240, A-242	-	-	-	Yes, A-294 to A-297
Social						
Local Communities						
G4-DMA Local Communities	-	A-242	-	-	-	No
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	A-31, A-32, A-205	-	-	-	Yes, A-294 to A-297
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	A-207, A-228	-	-	-	Yes, A-294 to A-297
Product and service labeling						
G4-DMA Product and service labeling (former FS15)	Policies for the fair design and sale of financial products and services	A-192, A-197, A-227, A-228	-	-	-	Yes, A-294 to A-297
G4-DMA Product and service labeling (former FS16)	Initiatives to enhance financial literacy by type of beneficiary	A-202, A-205	-	-	-	Yes, A-294 to A-297
Product portfolio						
G4-DMA Product portfolio (former FS1)	Policies with specific environmental and social components applied to business lines	A-195, A-196, A-200, A-201, A-202, A-205	-	-	-	Yes, A-294 to A-297
G4-DMA Product portfolio (former FS2)	Procedures for assessing and screening environmental and social risks in business lines	A-191, A-195, A-196, A-200, A-201, A-202, A-205	-	-	-	Yes, A-294 to A-297
G4-DMA Product portfolio (former FS3)	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	A-196	-	-	-	No
G4-DMA Product portfolio (former FS4)	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	A-196, A-202	-	-	-	Yes, A-294 to A-297
G4-DMA Product portfolio (former FS5)	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities	A-195, A-196, A-202	-	-	-	Yes, A-294 to A-297
G4-FS6	Percentage of the portfolio for business lines by specific region, size (e.g.micro/sme/large) and by sector	A-201, A-205, A-271, A-274, A-275, A-276, A-277	-	-	-	Yes, A-294 to A-297
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	A-36, A-204, A-205	-	-	-	Yes, A-294 to A-297
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	A-204	-	-	-	Yes, A-294 to A-297



Financial Services – Financial Services (Version G4)	Page Number (or Link)	Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
Audit					
G4-DMA Audit (former FS9)	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures A-58 , A-59 , A-77 , A-195 , A-200	-	-	-	Yes, A-294 to A-297
Active ownership					
G4-DMA Active ownership (former FS12)	Voting policy(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting A-203	-	-	-	Yes, A-294 to A-297
G4-FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues A-202	-	-	-	Yes, A-294 to A-297
G4-FS11	Percentage of assets subject to positive and negative environmental or social screening A-202	-	-	-	Yes, A-294 to A-297



Independent Auditor's Limited Assurance Report on the sustainability information in the 2016 Consolidated Annual Report presented in the "Sustainability" section and attachments to this report

To the Management and Stockholders of
Itaú Unibanco Holding S.A.
São Paulo – SP

Introduction

We have been engaged by Itaú Unibanco Holding S.A. ("Itaú Unibanco") to present our limited assurance report on (i) the compilation and fair presentation of sustainability information in the 2016 Itaú Unibanco Holding S.A. Consolidated Annual Report, presented in the "Sustainability" section and attachments to this report, for the year ended December 31, 2016, and (ii) the compliance with the principles defined in AA1000 AccountAbility Principles Standards 2008 ("AA1000APS") as regards the process of engaging stakeholders and defining materiality.

Management's responsibility

The management of Itaú Unibanco Holding S.A. is responsible for the compilation and fair presentation of the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, in accordance with the guidelines of the Global Reporting Initiative (GRI-Standards) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error, and is also responsible for complying with the principles defined in AA1000APS as regards the process of engaging stakeholders and defining materiality.

Independent auditor's responsibility

Our responsibility is to present our conclusion on the compilation and fair presentation of the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this 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 sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, taken as a whole, is free from material misstatement.

Our responsibility is also to present our conclusion on the process of engaging stakeholders and defining materiality, based on our limited assurance engagement conducted in accordance with AA1000 Assurance Standard ("AA1000AS") 2008 - Type 1, which establishes the following procedures:

- confirm the existence of a process for identification and participation of key stakeholders;
- confirm the existence of a transparent procedure for determining the materiality of significant issues; and
- confirm the existence of a communication process with key stakeholders, and also for the presentation of a well-defined structure in the Consolidated Annual Report, as regards the process of responsiveness to sustainability-related issues.



A limited assurance engagement conducted in accordance with NBC TO 3000, ISAE 3000 and AA1000AS consists mainly of making inquiries of management and other professionals of the entity involved in the preparation of the sustainability 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 sustainability information taken as a whole might present significant misstatements.

Main procedures performed

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, and other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report;
- (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 sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report;
- (d) comparing the financial indicators with the financial statements and/or accounting records; and
- (e) obtaining evidence about the most material GRI - Standards indicators included in the 2016 Consolidated Annual Report and presented in the "GRI Content Index".

The limited assurance engagement also included the application of procedures to assess compliance with the criteria and guidelines of the Global Reporting Initiative (GRI Standards) applied in the preparation of the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, and the verification of the compliance with the principles of AA1000APS in the process of engaging stakeholders and defining materiality.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, and the compliance with the principles of AA1000APS. Consequently, we were unable to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the issuance of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, or instances of non-compliance with the principles of AA1000APS. Therefore, we do not express an opinion on these matters.

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 such data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior years, nor future projections and goals.



Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe (i) that the sustainability information in the 2016 Consolidated Annual Report, included in the "Sustainability" section and attachments to this report, for the year ended December 31, 2016, has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI- Standards), and (ii) that the process of engaging stakeholders and defining materiality has not been performed in accordance with the guidelines established in the AA1000 AccountAbility Principles Standard.

São Paulo, April 20, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



Independence statement

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

São Paulo, April 20, 2017

In connection with our Independent Auditor's Limited Assurance Report on (i) the sustainability information in the 2016 Itaú Unibanco Holding S.A. Consolidated Annual Report, presented in the "Sustainability" section and attachments to this report, for the year ended December 31, 2016, and (ii) the compliance with the principles defined in AA1000 AccountAbility Principles Standards 2008 ("AA1000APS") as regards the process of engaging stakeholders and defining materiality, we confirm that PricewaterhouseCoopers Auditores Independentes is independent of Itaú Unibanco Holding S.A. and that there was no conflict of interest in the process of verification of the environmental and social data related to the sustainability information in accordance with the Code of Ethics for Professional Accountants of the International Federation of Accountants (IFAC), and local rule of the Federal Accounting Council (CFC), Resolution NBC PA 291(R1).

Yours faithfully,

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



Selected statistical information

The following information is included for analytical purposes and should be read in together with our [section Performance, item Financial Performance, Significant Accounting Policies, Assets and Liabilities and Item Consolidated Financial Statements \(IFRS\)](#).

The data included or referenced in this section are presented in accordance with IFRS, unless otherwise indicated.

Average balance sheet and interest rate data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities,

other assets and liabilities accounts, the related interest income and expense amounts and the average real yield/rate for each period.

We calculated the average balances using monthly book balances as we believe such balances are representative of our operations and it would be too costly to produce average balances using daily book balances in IFRS.

The majority of our business is comprised by operations with individuals and corporates, which have grown organically and without significant fluctuations over short periods. Non-accrual loans and leases are disclosed as a non-interest earning asset for the periods indicated in the following table:

Assets	2016			2015			2014		
	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
(In millions of R\$, except percentages)									
Interest-earning assets⁽¹⁾	1,151,430	161,495	14.0	1,070,450	147,789	13.8	955,416	120,115	12.6
Interbank deposits	26,914	678	2.5	29,489	1,628	5.5	24,019	1,286	5.4
Securities purchased under agreements to resell	252,737	34,162	13.5	204,362	27,572	13.5	170,327	17,929	10.5
Central Bank compulsory deposits	72,031	6,920	9.6	63,418	5,748	9.1	69,882	5,904	8.4
Financial assets held for trading	179,035	23,669	13.2	152,687	19,826	13.0	134,695	15,128	11.2
Available-for-sale financial assets	87,678	11,160	12.7	82,744	8,979	10.9	78,559	7,272	9.3
Held-to-maturity financial assets	41,384	3,788	9.2	38,295	3,758	9.8	24,317	2,347	9.7
Loan operations and lease operations (accrual)	438,081	80,118	18.3	445,583	79,392	17.8	403,447	69,248	17.2
Other Financial Assets	53,570	1,000	1.9	53,871	886	1.6	50,170	1,001	2.0
Non-interest-earning assets	159,779			115,596			97,526		
Cash and deposits on demand	21,204			19,159			17,038		
Central Bank compulsory deposits	3,782			3,797			4,025		
Derivatives	28,904			24,276			12,647		
Non-accrual loans	21,487			18,559			17,040		
Allowance for loan and lease losses	(28,902)			(24,526)			(21,655)		
Fixed assets, net	8,176			8,618			7,145		
Investments in unconsolidated companies	4,790			4,219			3,964		
Goodwill	6,286			2,011			1,798		
Intangible assets, net	8,336			6,225			6,019		
Tax assets	47,265			43,212			35,000		
Assets held for sale	570			341			137		
Other assets	37,881			9,706			14,369		
Total	1,311,209			1,186,046			1,052,942		

(1) For the net yield on total average interest-earning assets, see "Net Interest Margin and Spread".



Liabilities	2016			2015			2014		
	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate	Average balance	Interest	Average yield/rate
(In millions of R\$, except percentages)									
Interest-bearing liabilities	969,461	95,125	9.8	875,904	75,064	8.6	793,069	72,977	9.2
Interest-bearing deposits	244,121	14,701	6.0	236,315	13,587	5.7	233,999	12,064	5.2
Savings deposits	106,838	7,501	7.0	114,500	7,720	6.7	111,473	6,905	6.2
Deposits from banks and time deposits	137,283	7,200	5.2	121,815	5,867	4.8	122,527	5,159	4.2
Securities sold under repurchase agreements	339,416	45,932	13.5	297,509	32,879	11.1	266,527	26,771	10.0
Interbank market debt and Institutional market debt	240,563	16,596	6.9	219,463	15,999	7.3	183,981	25,099	13.6
Interbank market debt	144,968	8,347	5.8	134,637	7,970	5.9	113,522	14,404	12.7
Institutional market debt	95,595	8,249	8.6	84,826	8,030	9.5	70,459	10,695	15.2
Reserves for insurance and private pension and Liabilities for capitalization plans	144,387	17,790	12.3	121,856	12,557	10.3	107,880	8,987	8.3
Other interest-bearing liabilities	974	106	10.9	761	42	5.5	682	56	8.2
Non-interest bearing liabilities	214,024			203,376			169,247		
Non-interest bearing deposits	61,895			54,148			43,840		
Derivatives	29,752			29,488			13,107		
Other non-interest-bearing liabilities	122,377			119,740			112,300		
Total stockholders' equity attributed to the owners of the parent company	117,844			105,034			89,458		
Non-controlling interests	9,880			1,732			1,168		
Total	1,311,209			1,186,046			1,052,942		

Changes in interest income and expenses – volume and rate analysis

the following table sets forth the allocation of the changes in our interest income and expense in terms of average volume and changes in the average yields/rates for the periods indicated below. Volume balance and rate variations have been calculated based on variations of average balances over the period and changes in average interest yield/rates on interest earning assets and interest-bearing liabilities from one period to the other.

	Increase/(decrease) due to changes in:								
	2016-2015			2015-2014			2014-2013		
	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾	Volume ⁽¹⁾	Yield/rate ⁽²⁾	Net change ⁽³⁾
(In millions of R\$, except percentages)									
Interest-earning assets	10,158	3,547	13,706	15,027	12,647	27,674	9,533	16,455	25,988
Interbank deposits	(131)	(819)	(950)	301	41	342	142	561	703
Securities purchased under agreements to resell	6,539	52	6,591	4,001	5,641	9,642	602	4,697	5,299
Central Bank compulsory deposits	813	358	1,171	(733)	578	(156)	550	1,041	1,590
Financial assets held for trading	3,477	366	3,843	2,166	2,532	4,698	(302)	4,570	4,268
Available-for-sale financial assets	559	1,622	2,181	403	1,303	1,707	(417)	2,623	2,206
Held-to-maturity financial assets	181	(151)	30	1,371	40	1,411	1,909	(48)	1,861
Loan and lease operations (accrual)	(1,275)	2,000	726	7,434	2,710	10,144	6,973	2,729	9,702
Other Financial Assets	(5)	119	114	83	(198)	(115)	77	282	359
Interest-bearing liabilities	9,342	10,719	20,060	11,420	(9,333)	2,087	2,717	23,898	26,615
Interest-bearing deposits	446	669	1,114	276	1,247	1,523	1,030	1,231	2,261
Saving deposits	(572)	354	(219)	191	624	815	1,083	807	1,890
Interbank deposits	(138)	659	521	485	(115)	370	(43)	435	392
Time deposits	1,156	(344)	812	(400)	738	338	(11)	(11)	(21)
Securities sold under repurchase agreements	5,032	8,020	13,053	3,279	2,829	6,109	718	9,188	9,906
Interbank market debt and Institutional market debt	1,308	(711)	596	6,595	(15,695)	(9,100)	568	8,315	8,883
Interbank market debt	586	(208)	377	3,444	(9,878)	(6,434)	620	7,539	8,159
Institutional market debt	722	(503)	219	3,151	(5,816)	(2,666)	(52)	777	724
Reserves for insurance and private pension and Liabilities for capitalization	2,542	2,691	5,233	1,262	2,307	3,569	387	5,163	5,551
Other Interest-bearing liabilities	14	50	64	8	(22)	(14)	14	-	14

(1) Volume change has been computed as the change in the average interest-earning assets or interest-bearing liabilities from one period to the other multiplied by the average yield/rate in the earlier period.

(2) Yield/rate change has been computed as the change in the yield/rate in the period multiplied by the average interest-earning assets or interest-bearing liabilities in the earlier period.

(3) We allocated the net change from the combined effects of volume and yield/rate proportionately to volume change and yield/rate change, in absolute terms, without considering positive and negative effects.



Net interest margin and spread

the following table sets forth our average interest-earning assets, total average interest bearing liabilities, net interest income and the comparative net interest margin and net interest spread for the periods indicated below.

	2016	2015	2014
(In millions of R\$, except percentages)			
Total average interest-earning assets	1,151,430	1,070,450	955,416
Total average interest-bearing liabilities	969,461	875,904	793,069
Net interest income ⁽¹⁾	66,370	72,725	47,139
Average yield on average interest-earning assets ⁽²⁾	14.0%	13.8%	12.6%
Average rate on average interest-bearing liabilities ⁽³⁾	9.8%	8.6%	9.2%
Net interest spread ⁽⁴⁾	4.2%	5.2%	3.4%
Net interest margin ⁽⁵⁾	5.8%	6.8%	4.9%

(1) Is the sum of total interest income less total interest expense.

(2) Total interest income divided by total average interest-earning assets.

(3) Total interest expense divided by total average interest-bearing liabilities.

(4) Difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(5) Net interest income divided by total average interest-earning assets.

Return on equity and assets

The following table sets forth certain data with respect to return on equity and assets for the periods indicated below.

	2016	2015	2014
(In millions of R\$, except percentages)			
Net income attributable to owners of the parent company	23,263	25,740	21,555
Average total assets	1,311,210	1,186,046	1,052,942
Average stockholders' equity	117,844	105,034	89,458
Net income as a percentage of average total assets ⁽¹⁾	1.8%	2.2%	2.0%
Net income as a percentage of average stockholder's equity ⁽¹⁾	20.1%	24.8%	24.3%
Average stockholder's equity as a percentage of average total assets	9.0%	8.9%	8.5%
Dividend payout ratio per share ⁽²⁾	44.6%	28.9%	31.1%

(1) Attributable to owners of the parent company.

(2) Dividend and interest on stockholders' equity per share divided by basic earnings per share. Please refer to [section Our profile, item In numbers](#), Selected Financial Data for additional information on the computation of both dividend and interest on shareholders' equity and basic earnings per share.

Exchange rates

Currently, the Brazilian foreign exchange system allows the purchase and sale of foreign currency and the performance of international transfers in *reais* by any individual or legal entity, subject to certain regulatory procedures.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law allows the government to impose these restrictions whenever there is a serious imbalance in

Brazil's balance of payments or there are reasons to foresee a serious imbalance. We cannot predict whether the Brazilian government will impose remittance restrictions in the future. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

Please refer to [section Our risk management, item Risk factors, Macroeconomic risks](#), item Instability of foreign exchange rates may negatively affect us, for further details.

As of April 18, 2017, the U.S. dollar-*real* exchange rate (PTAX) was R\$3.0958 to US\$1.00.



The following table sets forth information on the selling rate for U.S. dollars and euro as reported by the Central Bank for the periods and dates indicated.

Year	Exchange Rate of Brazilian Currency per US\$1.00				Exchange Rate of Brazilian Currency per €1.00			
	Low	High	Average ⁽¹⁾	Year-End	Low	High	Average ⁽¹⁾	Year-End
2012	1.7024	2.1121	1.9588	2.0435	2.2465	2.7633	2.5277	2.6954
2013	1.9528	2.4457	2.1741	2.3426	2.5347	3.2682	2.8947	3.2265
2014	2.1974	2.7403	2.3599	2.6562	2.8900	3.4320	3.1113	3.2270
2015	2.5754	4.1949	3.3876	3.9048	2.9080	4.7209	3.7358	4.2504
2016	3.1193	4.1558	3.4500	3.2591	3.3879	4.5032	3.8043	3.4384
2017 (through April 18, 2017)	3.0510	3.2729	3.1226	3.0958	3.2455	3.4424	3.3388	3.3144

Source: Ecomatrica System.

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

Month	Exchange Rate of Brazilian Currency per US\$1.00				Exchange Rate of Brazilian Currency per €1.00			
	Low	High	Average ⁽¹⁾	Month-End	Low	High	Average ⁽¹⁾	Month-End
October 2016	3.1193	3.2359	3.1858	3.1811	3.3879	3.6251	3.5106	3.4811
November 2016	3.2024	3.4446	3.3420	3.3967	3.5326	3.7392	3.6000	3.6002
December 2016	3.2591	3.4650	3.3523	3.2591	3.4042	3.7127	3.5333	3.4384
January 2017	3.1270	3.2729	3.1966	3.1270	3.3383	3.4424	3.3944	3.3759
February 2017	3.0510	3.1479	3.1042	3.0993	3.2455	3.3846	3.3060	3.3753
March 2017	3.0765	3.1735	3.1279	3.1684	3.2723	3.4013	3.3447	3.3896
April 2017 (through April 18, 2017)	3.0923	3.1463	3.1213	3.0958	3.2967	3.3392	3.3222	3.3144

Source: Ecomatrica System.

(1) Represents the average of the closing exchange rates of each day during the relevant period.

Considerations for ADS holders

Risks related to our ADSs

Before investing in our shares and ADSs, it is important for the investor to know that, in addition to the risks related to our business, which may impact the value of our securities and our ability to perform certain obligations, including the payment of dividends and interest in equity, the investor will be exposed to additional risks, as described below. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us and/or ADS holders.

The relative price volatility and limited liquidity of the Brazilian capital markets may significantly limit the ability of our investors to sell the preferred shares underlying our ADSs, at the price and time they desire.

The investment in securities traded in emerging markets frequently involves a risk higher than an investment in securities of issuers from the United States or other developed countries, and these investments are generally considered more speculative. The Brazilian securities market is smaller, less liquid, more concentrated and can be more volatile than markets in the United States and other countries. Thus, an investor's ability to sell preferred shares underlying ADSs at the price and time the investor desires may be substantially limited.

The preferred shares underlying our ADSs do not have voting rights, except in specific circumstances.

Pursuant to our Bylaws, the holders of preferred shares and therefore of our ADSs are not entitled to vote in our general stockholders' meetings, except in specific circumstances. Even in such circumstances, ADS holders may be subject to practical restrictions on their ability to exercise their voting rights due to additional operational steps involved in communicating with these stockholders, as mentioned below.

According to the provisions of the ADSs deposit agreement, in the event of a general stockholders' meeting, we will provide notice to the depositary bank, which will, to the extent practicable, send such notice to ADS holders and instructions on how such holders can participate in such general stockholders' meeting, and ADS holders should instruct the depositary bank on how to vote in order to exercise their voting rights. This additional step of instructing the ADS depositary bank may make the process for exercising voting rights longer for ADS holders.

Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares.

We may not be able to offer the U.S. holders of our ADSs preemptive rights granted to holders of our preferred



shares in the event of an increase of our share capital by issuing preferred shares unless a registration statement relating to such preemptive rights and our preferred shares is effective or an exemption from such registration requirements of the Securities Act is available. As we are not obligated to file a registration statement relating to preemptive rights with respect to our preferred shares, we cannot assure that preemptive rights will be offered to you. In the event such registration statement is not filed or if the exemption from registration is not available, the U.S. holders of our ADSs may not receive any value from the granting of such preemptive rights.

The surrender of ADSs may cause the loss of the ability to remit foreign currency abroad and of certain Brazilian tax advantages.

While ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian for our preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into foreign currency and remit the proceeds abroad, the availability and requirements of such electronic certificate may be adversely affected by future legislative changes.

If an ADS holder surrenders the ADSs and, consequently, receives preferred shares underlying the ADSs, such holder will have to register its investment in the preferred shares with the Central Bank of Brazil either as (i) a Foreign Direct Investment, subject to Law No. 4131/62, which will require an electronic certificate of foreign capital registration, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) as a Foreign Investment in Portfolio, subject to Resolution CMN No. 4373/14, which among other requirements, requires the appointment of a financial institution in Brazil as the custodian of the preferred shares and legal representative of the foreign investor in the Electronic Declaratory Registration of Portfolio (RDE – Portfolio). The failure to register the investment in the preferred shares as foreign investment under one of the regimes mentioned above (Eg. RDE – IED or RDE – Portfolio) will impact the ability of the holder to dispose of the preferred shares and to receive dividends. Moreover, upon receipt of the preferred shares underlying the ADSs, Brazilian regulations require the investor to enter into corresponding exchange rate transactions and pay taxes on these exchange rate transactions, as applicable.

The tax treatment for the remittance of dividends and distributions on, and the proceeds from any sale of, our preferred shares is less favorable in case a holder of preferred shares obtains the RDE-IED instead of the RDE-Portfolio. In addition, if a holder of preferred shares attempts to obtain an electronic certificate of foreign capital registration, such holder may incur expenses or

suffer delays in the application process, which could impact the investor's ability to receive dividends or distributions relating to our preferred shares or the return of capital on a timely manner.

The holders of ADSs have rights that differ from those of stockholders of companies organized under the laws of the United States or other countries.

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may have legal principles that differ from those that would apply if we were incorporated in the United States or in another country. Under Brazilian Corporate Law, the holders of ADSs and the holders of our preferred shares may have different rights with respect to the protection of investor interests, including remedies available to investors in relation to any actions taken by our Board of Directors or the holders of our common shares, which may be different from what is provided in U.S. law or the law of another country.

Taxation for ADS holders

This summary is based upon tax laws of Brazil and the United States in effect as of the date hereof, and contains a description of the main Brazilian and U.S. federal income tax considerations regarding the acquisition, ownership and disposition of our preferred shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to these matters, considering that laws are subject to change and to differing interpretations (possibly with retroactive effect). Although there is no income tax treaty between Brazil and the United States in place, the tax authorities of the two countries have agreed in applicable provisions of reciprocal tax treatment as to compensation of tax withheld at the source country in the residence country. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect a U.S. Holder (as defined below) of our preferred shares or ADSs.

Prospective purchasers of our preferred shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our preferred shares and ADSs, including, in particular, the effect of any non-U.S., non-resident, state or local tax laws.

Brazilian tax considerations

The following discussion summarizes the main Brazilian tax consequences related to the acquisition, ownership and disposition by Non-Resident Holders of our ADSs.



Non-resident holders resident or domiciled in tax haven jurisdictions

In accordance with Brazilian law, as regulated by Article 1 of Normative Ruling No. 1,037 of June 4th, 2010, as amended, a “tax haven” is defined as a country or location: (a) that does not impose any income tax or where the maximum income tax rate is 20% , or 17% as further detailed below; or (b) where the local legislation imposes restrictions on disclosure regarding shareholder composition or investment ownership. A list of current tax haven jurisdictions has been published per such Normative Ruling. Non-Resident Holders resident or domiciled in tax haven jurisdictions may be subject to withholding tax in Brazil at higher rates than Non-Resident Holders not resident or domiciled in tax havens, as described below.

Additionally, on June 24, 2008, Law No. 11,727 introduced the concept of “privileged tax regime,” which is defined as a tax regime that (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax benefits to non-resident entities or individuals (a) without the requirement to carry out substantial economic activity in the country or dependency or (b) contingent to the non-exercise of substantial economic activity in the country or dependency; (iii) does not tax or that taxes income generated abroad at a maximum rate of lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of assets and rights or economic transactions carried out.

On November 28, 2014, the Brazilian tax authorities issued Ordinance No. 488, which decreased these minimum thresholds from 20% to 17% in certain cases. Under Ordinance No. 488, the 17% threshold applies only to countries and regimes aligned with international standards of fiscal transparency, in accordance with rules to be established by the Brazilian tax authorities.

Notwithstanding the above, we recommend that you consult your own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Ruling No. 1,037 and of any related Brazilian tax law or regulation concerning tax havens and privileged tax regimes.

Taxation of dividends

Payment of dividends derived from profits generated after January 1, 1996, including dividends paid in kind, are not subject to withholding tax in Brazil. Payment of dividends derived from profits generated before January 1st, 1996 may be subject to Brazilian withholding tax at varying rates, according to the year when the profits have been generated.

Taxation of interest on net equity

Law No. 9,249, dated December 26, 1995, as amended, allows a Brazilian corporation, such as ourselves, to also make payments of interest on net equity in addition to dividend distributions. Please refer to [section Our risk management, item Regulatory environment, Taxation](#) for further information. Currently, payments of interest on net equity are subject to withholding tax at a general rate of 15%, or 25% in the case of a Non-Resident Holder that is resident or domiciled in a tax haven jurisdiction.

Taxation of gains

(a) Sales or other dispositions of ADSs

Arguably, gains realized outside Brazil by a Non-Resident Holder from the sale or other disposition of ADSs to another Non-Resident Holder are not subject to Brazilian taxation. However, according to Law No. 10,833, dated December 29, 2003, as amended, the disposition of assets located in Brazil by a Non-Resident Holder may be subject to Brazilian withholding tax at a 15% flat rate or progressive rate may vary from 15% to 22.5% depending on the kind of investment made into Brazil and the location where the Non-Resident Holder is resident or domiciled (also, a 25% rate may apply if the foreign beneficiary is resident or domiciled in a jurisdiction deemed to be a tax haven for Brazilian tax purposes).

Although the referred Law is not completely clear with respect to what is considered to be an asset located in Brazil, ADSs generally should not be considered to be assets located in Brazil for purposes of such Law because they represent securities issued and negotiated in an offshore exchange market. It is important to note that even if ADSs were considered to be assets located in Brazil, Non-Resident Holders not resident or domiciled in tax haven jurisdictions may still apply for exemption from capital gains tax according to Article 81 of Law No. 8,981, dated January 20, 1995, as amended.

(b) Conversion of our preferred shares into ADSs

The deposit by a Non-Resident Holder of our preferred shares with the depository for conversion into ADSs may be subject to Brazilian capital gains tax, if such Non-Resident Holder is resident or domiciled in a tax haven jurisdiction or if such preferred shares have not been registered under the Central Bank according to CMN Resolution No. 4,373, dated September 29, 2014, effective as of March 30, 2015 (former CMN Resolution No. 2,689, dated January 26, 2000, and CMN Resolution No. 1,927, dated May 18, 1992), as amended. In those cases, the difference between the acquisition cost of such preferred shares or the amount otherwise previously registered under the Central Bank and the average price of such preferred shares, according



to the mentioned CMN Resolution No. 4,373/14), may be considered taxable capital gain, and may be subject to income tax. Please refer to [section Our risk management, item Regulatory environment, Funds of foreign investors](#), for further details. Non-Resident Holders that are resident or domiciled in tax haven jurisdictions may be subject to capital gain tax at a 25% rate on sale or transfer of shares out of the financial markets upon such a conversion. On the other hand, when Non-Resident Holders that are not resident or domiciled in tax haven jurisdictions deposit preferred shares registered according to CMN Resolution No. 4,373/14 in exchange for ADSs, such deposit should not be subject to capital gain tax.

- (c) Sales or other dispositions of our preferred shares Non-Resident Holders not resident or domiciled in tax haven jurisdictions that register their portfolio according to CMN Resolution No. 4,373/14 benefit from a special tax treatment according to which any capital gain arising from the sale of securities within Brazilian stock exchanges is exempt from income tax. On the other hand, sale of shares not registered according to CMN Resolution No. 4,373/14 or made outside of Brazilian stock exchanges is generally subject to 15% capital gain tax.

Such special treatment is not applicable to Non-Resident Holders resident or domiciled in tax haven jurisdictions, who are subject to general taxation rules applicable to Brazilian residents on the sale of their investments in the financial markets, including stock exchanges and over-the-counter markets. The taxation rate is then generally of 15%. If such Non-Resident Holders sell shares outside of the financial markets, the income taxation rate will instead be of 25%. Any exercise of preemptive rights related to our preferred shares (and in connection with the ADS program) will not be subject to Brazilian taxation. The gains from the sale or assignment of preemptive rights will be subject to the Brazilian income tax according to the same rules applicable to disposition of shares or ADSs.

Tax on financial transactions IOF/Exchange (IOF/FX) and IOF/Securities

According to Decree No. 6,306/2007, and further amendments, Tax on Financial Transactions may levy some foreign exchange transactions. Please refer to [section Our risk management, item Regulatory environment, Taxation](#), for further details about Tax on financial transactions.

The acquisition of ADSs is not subject to IOF tax. As of December 24, 2013, pursuant to Decree No. 8,165, the IOF/Securities tax levied on the assignment of shares traded in the Brazilian stock exchange market in order to permit the issuance of depositary receipts to be negotiated overseas has been reduced to 0% rate.

Other Brazilian taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the transfer of ownership or title (ownership without beneficial interest) of our preferred shares or ADSs or the vesting of free beneficial interest of such shares or ADSs outside Brazil by a Non-Resident Holder, except for gift, inheritance and legacy taxes that are levied by some states of Brazil if bestowed in such states of Brazil or abroad when the receiver is resident or domiciled in these states of Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable to Non-Resident Holders of our preferred shares or ADSs.

Investors are strongly advised to consult their own tax advisors as to Brazilian. Federal, state and local tax considerations relating to the purchase, ownership and disposition of our preferred shares or ADSs in light of their particular circumstances, as well as the effect of any non-Brazilian tax laws.

U.S. federal income tax considerations

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of our preferred shares or ADSs by U.S. Holders (as defined below) who hold such preferred shares or ADSs as capital assets within the meaning of section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders that hold our preferred shares or ADSs as part of a "straddle," "hedging," "conversion" or other integrated transaction, U.S. Holders that mark their securities to market for U.S. federal income tax purposes, U.S. Holders that have a functional currency other than the U.S. dollar, U.S. Holders that own (or are deemed to own) 10% or more (by voting power) of our shares or U.S. Holders that receive our preferred shares or ADSs as compensation. In addition, this discussion does not address the effect of any U.S. state, local or non-U.S. tax considerations or any U.S. estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or subject to differing interpretations. This discussion also assumes that



each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, the term “U.S. Holder” means a beneficial owner of our preferred shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes invests in our preferred shares or ADSs, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of such preferred shares or ADSs.

Investors are strongly advised to consult their own tax advisors as to the U.S. federal, state and local tax considerations relating to the purchase, ownership and disposition of our preferred shares or ADSs in light of their particular circumstances, as well as the effect of any non-U.S. Tax laws.

Except where specifically described below, this discussion assumes that we are not and will not be a passive foreign investment company (a PFIC), for U.S. federal income tax purposes. Please see the discussion under “Passive Foreign Investment Company Considerations” below.

Treatment of ADSs

A U.S. Holder of ADSs generally will be treated for U.S. federal income tax purposes as the owner of such U.S. Holder’s proportionate interest in our preferred shares held by the depositary (or its custodian) that are represented and evidenced by such ADSs. Accordingly, any deposit or withdrawal of our preferred shares in exchange for ADSs generally will not result in the realization of gain or loss to such U.S. Holder for U.S. federal income tax purposes.

Distributions

A U.S. Holder that receives a distribution with respect to our preferred shares (whether held through ADSs or

directly), including payments of interest on net equity as described above under “– Brazilian Tax Considerations – Taxation of Interest on Net Equity,” generally will be required to include the amount of such distribution (without reduction for any Brazilian withholding tax with respect thereto) in gross income as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) on the date such U.S. Holder (or the depositary, in the case of ADSs) actually or constructively receives such distribution, and will not be eligible for the dividends received deduction allowed to corporations. A distribution on our preferred shares (whether held through ADSs or directly) in excess of current and accumulated earnings and profits generally will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s basis in such preferred shares or ADSs, as the case may be, and thereafter as gain from the sale or exchange of such preferred shares or ADSs (which will be treated in the same manner described below under “Sale, Exchange or Other Disposition of Preferred Shares or ADSs”). We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder may need to include the entire amount of any such distribution in income as a dividend.

The U.S. dollar value of any distribution on our preferred shares made in Brazilian *reais* generally should be calculated by reference to the exchange rate between the U.S. dollar and the Brazilian *real* in effect on the date of receipt of such distribution by the U.S. Holder (or the depositary, in the case of ADSs), regardless of whether the *reais* so received are in fact converted into U.S. dollars. Such U.S. Holder generally will have a basis in such *reais* equal to the U.S. dollar value of such *reais* on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such *reais* by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Distributions treated as dividends that are received by certain non-corporate U.S. persons (including individuals) in respect of shares of a non-U.S. corporation (other than a corporation that is, in the taxable year during which the distributions are made or the preceding taxable year, a PFIC) that is readily tradable on an established securities market in the United States generally qualify for a 20% reduced maximum tax rate (and potentially additional tax discussed below under “Medicare Tax”) so long as certain holding period and other requirements are met. Since the ADSs will be listed on the NYSE, unless we are treated as a PFIC with respect to a U.S. Holder, dividends received by such a U.S. Holder in respect of the ADSs should qualify for the reduced rate. Based on existing guidance, it is not entirely clear whether dividends received by such a U.S. Holder of our preferred shares in respect of such shares will qualify for the reduced rate, because our preferred



shares are not themselves listed on a United States exchange. Special rules apply for purposes of determining the recipient's investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax advisor regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Sale, exchange or other Disposition of Preferred Shares or ADSs

Upon a sale, exchange or other disposition of our preferred shares or ADSs, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on such sale, exchange or other disposition and such U.S. Holder's adjusted tax basis in such preferred shares or ADSs. Any gain or loss so recognized generally will be long-term capital gain or loss if such U.S. Holder has held such preferred shares or ADSs for more than one year at the time of such sale, exchange or other disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

A U.S. Holder that receives Brazilian *reais* from the sale, exchange or other disposition of our preferred shares generally will realize an amount equal to the U.S. dollar value of such *reais* on the settlement date of such sale, exchange or other disposition if (i) such U.S. Holder is a cash basis or electing accrual basis taxpayer and our preferred shares are treated as being "traded on an established securities market" or (ii) such settlement date is also the date of such sale, exchange or other disposition. Such U.S. Holder generally will have a basis in such *reais* equal to the U.S. dollar value of such *reais* on the settlement date. Any gain or loss on a subsequent conversion or other disposition of such *reais* by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of receiving *reais* from the sale, exchange or other disposition of our preferred shares in cases not described in the first sentence of this paragraph.

Foreign tax credit considerations

Distributions on our preferred shares (whether held through ADSs or directly), including payments of interest on net equity as described above under "– Brazilian Tax Considerations – Taxation of Interest on Net Equity," that are treated as dividends, before reduction for any Brazilian withholding taxes with respect thereto, will generally be included in the gross income of a U.S. Holder. Thus, such U.S. Holder may be required to report income for

such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Distributions treated as dividends generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income." Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a U.S. foreign tax credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. Under current law, gain resulting from a sale or other disposal of our preferred shares or ADSs may be subject to Brazilian income or withholding taxes. A U.S. Holder's use of a foreign tax credit with respect to any such Brazilian income or withholding taxes could be limited, as such gain generally will constitute income from sources within the United States. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for a taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes paid or accrued by such U.S. Holder in such taxable year. Foreign currency exchange gain or loss generally will constitute income from sources within the United States. The rules relating to foreign tax credits are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Passive foreign investment company considerations

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of certain subsidiaries, either: at least 75% of its gross income is "passive income", or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties, gains from the disposition of passive assets and gains from commodities transactions.

The application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The United States Internal Revenue Service (IRS), has issued a notice, and has proposed regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank, also known as the Active Bank Exception. The IRS notice and proposed regulations have different requirements for qualifying as a foreign bank, and for determining the banking



income that may be excluded from passive income under the Active Bank Exception. Moreover, the proposed regulations have been outstanding since 1994 and will not be effective unless finalized.

Based on estimates of our current and projected gross income and gross assets, we do not believe that we will be classified as a PFIC for our current or future taxable years. The determination of whether we are a PFIC, however, is made annually and is based upon the composition of our income and assets (including income and assets of entities in which we hold at least a 25% interest), and the nature of our activities (including our ability to qualify for the Active Bank Exception).

Because final regulations have not been issued and because the notice and the proposed regulations are inconsistent, our status under the PFIC rules is subject to considerable uncertainty. While we conduct, and intend to continue to conduct, a significant banking business, there can be no assurance that we will satisfy the specific requirements for the Active Bank Exception under either the IRS notice or the proposed regulations. Accordingly, U.S. Holders could be subject to U.S. federal income tax under the rules described below.

If we are treated as a PFIC for any taxable year during which a U.S. Holder owns our preferred shares or ADSs, any gain realized on a sale or other taxable disposition of such preferred shares or ADSs and certain "excess distributions" (generally distributions in excess of 125% of the average distribution over the prior three-year period, or if shorter, the holding period for such preferred shares or ADSs) will be treated as ordinary income and will be subject to tax as if (i) the excess distribution or gain had been realized ratably over the U.S. Holder's holding period for such preferred shares or ADSs, (ii) the amount deemed realized in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at such U.S. Holder's regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

We do not expect to provide information that would allow U.S. Holders to avoid the foregoing consequences by making a "qualified electing fund" election.

If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs ("Subsidiary PFICs"), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in any such Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder

could incur liability for the deferred tax and interest charge described above if either (i) we receive a distribution from, or dispose of all or part of our interest in, any such Subsidiary PFIC or (ii) such U.S. Holder disposes of all or part of our preferred shares or ADSs.

A U.S. holder of shares in a PFIC (but possibly not a Subsidiary PFIC, as discussed below) may make a "mark-to-market" election, provided the PFIC shares are "marketable stock" as defined under applicable Treasury regulations (i.e., "regularly traded" on a "qualified exchange or other market"). Under applicable Treasury regulations, a "qualified exchange or other market" includes (i) a national securities exchange that is registered with the U.S. Securities and Exchange Commission or the national market system established under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (ii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in applicable Treasury regulations. The ADSs are traded on the NYSE and the preferred shares are traded on the BM&FBovespa. The NYSE constitutes a qualified exchange or other market. Although the IRS has not addressed whether the BM&FBovespa meets the requirements to be treated as a qualified exchange or other market, we believe that the BM&FBovespa should be so treated. PFIC shares traded on a qualified exchange or other market are regularly traded on such exchange or other market for any calendar year during which such shares are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. We cannot assure U.S. Holders that our preferred shares or ADSs will be treated as "marketable stock" for any taxable year.

The tax consequences that would apply if we were a PFIC would be different from those described above if a "mark-to-market" election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder's holding period. If such an election were made, such U.S. Holder generally would (i) include in gross income, entirely as ordinary income, an amount equal to the excess, if any, of the fair market value of our preferred shares or ADSs as of the close of each taxable year and such U.S. Holder's adjusted tax basis in such preferred shares or ADSs, and (ii) deduct as an ordinary loss the excess, if any, of such U.S. Holder's adjusted tax basis in such preferred shares or ADSs over the fair market value of such preferred shares or ADSs at the end of the taxable year, but only to the extent of the net amount previously included in gross income as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of our preferred shares or ADSs in a taxable year in which we were a PFIC would be treated as ordinary income, and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously



included in income) and thereafter as capital loss. A U.S. Holder's adjusted tax basis in such preferred shares or ADSs would increase or decrease by the amount of the gain or loss taken into account under the mark-to-market regime. Even if a U.S. Holder is eligible to make a mark-to-market election with respect to our preferred shares or ADSs, however, it is not clear whether or how such election would apply with respect to the shares of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC shares might not be marketable stock. The mark-to-market election is made with respect to marketable stock in a PFIC on a shareholder-by-shareholder basis and, once made, can only be revoked with the consent of the IRS. Special rules would apply if the mark-to-market election is not made for the first taxable year in which a U.S. Holder owns any equity interest in us while we are a PFIC.

A U.S. Holder who owns our preferred shares or ADSs during any taxable year that we are treated as a PFIC generally would be required to file an information return with respect to us and any Subsidiary PFIC in which the U.S. Holder holds a direct or indirect interest. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our preferred shares or ADSs and the availability and advisability of making a mark-to-market election should we be considered a PFIC for any taxable year.

Medicare tax

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their income arising from a distribution with respect to a preferred share or ADS and net gain from the sale, exchange or other disposition of a preferred share or ADS.

Backup withholding and information reporting

Backup withholding and information reporting requirements generally apply to certain U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of our preferred shares or ADSs. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules generally will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished by the U.S. Holder to the IRS.

Disclosure requirements for specified foreign financial assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include our preferred shares or ADSs if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this filing requirement.

Disclosure requirements for certain U.S. holders recognizing significant losses

A U.S. Holder that claims significant losses in respect of our preferred shares or ADSs for U.S. federal income tax purposes (generally (i) US\$10 million or more in a taxable year or US\$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) US\$2 million or more in a taxable year or US\$4 million or more in any combination of taxable years for all other taxpayers, or (iii) US\$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be required to file Form 8886 for "reportable transactions." U.S. Holders should consult their own tax advisors concerning any possible disclosure obligation with respect to our preferred shares or ADSs.

US Foreign Account Tax Compliance Act (FATCA)

Please refer to [section Our Risk Management, item Regulatory Environment, Taxation, U.S. Foreign Account Tax Compliance Act \(FATCA\)](#) for more clarification on FATCA.

Controls and Procedures

(a) Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer ("CEO"), and our chief financial officer ("CFO"), of the effectiveness of our "disclosure controls and procedures" (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) as required by paragraph (b) of the Exchange Act Rules 13a-15 or 15d-15, as of December 31, 2016.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute,



assurance that the control system's objectives will be met. Therefore, our management does not expect that the controls will prevent all errors and all fraud.

Based upon the evaluation performed, our CEO and CFO have concluded that as of December 31, 2016, our disclosure controls and procedures were effective to provide reasonable assurance that material information relating to us and our consolidated subsidiaries is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officers, to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or a decline in the level of compliance with policies or procedures may occur.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria set forth in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2016, has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm.

(c) Attestation Report of the Independent Registered Public Accounting Firm

The report of PricewaterhouseCoopers Auditores Independentes, our independent registered public accounting firm, dated April 20, 2017, on the effectiveness of our internal control over financial reporting as of December 31, 2016 is presented with our consolidated financial statements.

Please refer to [Performance, item Consolidated Financial Statements \(IFRS\)](#) for further details about our independent registered public accounting firm.

(d) Changes in Internal Control Over Financial Reporting

In connection with the evaluation required by the Exchange Act Rule 13a-15(d), our management, including our CEO and CFO, concluded that the changes that occurred during the year ended December 31, 2016 have not materially affected, and are not reasonably likely to materially affect, our internal control over financial reporting.

Sustainability

Sustainability is incorporated into our corporate strategy through a consolidated governance structure that is integrated into our business, which allows us to incorporate social and environmental issues into daily activities and processes throughout the Itaú Unibanco Group. Long-term strategic decisions on sustainability are discussed on an annual basis by our Board of Directors, at an annual meeting of the Strategy Committee (composed of Board of Directors members) and twice a year at meetings of our Executive Committee. Since 2011, our sustainability activities have been based on three strategic focuses: (i) social and environmental risks and opportunities, (ii) financial education and (iii) dialogue and transparency.

Our management of social and environmental risk is based on the identification, measurement, mitigation and monitoring of risks. We know that the increasing societal consciousness of the environmental and social challenges we face makes these issues more material to our operations, products and services. By integrating social and environmental risks and opportunities into our strategy, governance, processes, management policies, products and services, we are creating a virtuous circle that can help society to prosper. In the last 15 years, we developed and participated in various initiatives to reduce environmental and social risks and seize opportunities to address those risks. Over that period, we have created strategies, routines, processes and products,



adopted specific policies and adhered to voluntary commitments such as PRI (Principles for Responsible Investments), EP (Equator Principles), CDP (Carbon Disclosure Project), Principles for Sustainable Insurance (PSI) and Global Compact that guide our business and institutional practices. We have developed specific social and environmental guidelines applicable to our lending processes (lending and financing), insurance, investments and suppliers. Our main social and environmental guidelines include: (i) a list of restricted activities (firearms, ammunition and explosives; extraction and production of wood and the production of firewood and charcoal extracted from native forests; fishing activities; extraction and industrialization of asbestos; and abattoirs and beef packaging plants), (ii) a list of prohibited activities (prostitution; illegal use of child labor; and work under conditions similar to slavery), (iii) compliance with environmental licensing, (iv) the inclusion of social and environmental contractual clauses, and (v) specific rules for providing real estate collateral.

In 2015, we published a paper on our Social and Environmental Risks and Opportunities strategy that discusses our practices and the challenges we see for enhancing sustainability. We regularly monitor the development of our goals for 2020, published in this document. You can [access here](#).

Further, in 2016, we carried out a study on financial regulatory risks associated with climate change issues and improved our performance on human rights by structuring a multidisciplinary working group and governance on diversity, sponsored by the People Area, which reports to the People Committee and the Sustainability Committee.

As part of Financial Education initiative, in 2015, we issued a study called “Choices and Money” to answer the questions “How to help people make better use of their money? How to help people accomplish their goal”. The study traces the influences of economic and social past on our financial behavior and discusses how they shape the choices we make when it comes to money. To access the study in Portuguese [click here](#).

Based on the outcomes of this study, we have decided to adopt an approach to generate a broader identification and, in 2016, we launched the “Real Life” campaign, a webseries telling real histories and sharing financial knowledge applied to day-to-day life. The four episodes show people and families in different moments of life, exploring their dilemmas and how they deal with money, providing financial guidance to help them achieve their goals. This series had over 42 million views.

In 2016, we signed up to a partnership with the Family School program of the State of São Paulo, which opens the state schools during the weekends for activities guided by four pillars: culture, work, sports and health. Through the end of 2016, we trained the vice-principals of 751 schools in Greater São Paulo, who trained 73 volunteers, impacting 12,468 people.

Our dialogue and transparency efforts focused on developing our reporting processes with the goal of consolidating the integration of communications. Since 2004, sustainability information has been disclosed based on the Global Reporting Initiative criteria, and is integrated into our annual report, which includes both financial and sustainability information. Additionally, in 2013, we entered into a partnership with the International Integrated Reporting Council (IIRC), to prepare a concise piece of communication focused on our ability to create value for stakeholders over time. Visit our 2016 Integrated Report at www.itau.com.br/annual-report.

The management of sustainability issues has contributed to our access to funding through development agencies, and to our presence in sustainability indexes. We are the only Latin American bank to be included in the Dow Jones Sustainability Index since the inception of the index in 1999, and we also integrate the Business Sustainability Index and the Carbon Efficient Index, both of the São Paulo stock exchange. Also noteworthy are our partnerships with the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC), and the Brazilian Development Bank (BNDES), which participate with us in lending or joint performance on specific projects.

Glossary

A

- ABEL – *Associação Brasileira de Empresas de Leasing* (Brazilian Association of Leasing Companies)
- Aberje – *Associação Brasileira de Comunicação Empresarial* (Brazilian Association of Corporate Communication)
- ABRASCA – *Associação Brasileira de Companhias Abertas* (Brazilian Association of Public Companies)
- ADS – American Depositary Shares
- ANBIMA – *Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* (Brazilian Association of Stock and Financial Markets Entities)
- APIMEC – *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais* (Association of Capital Markets Analysts and Investment Professionals)
- ATM – Automatic Teller Machine



B

- Banco Itaú Argentina – Banco Itaú Argentina S.A.
- Banco Itaú Chile – Banco Itaú Chile S.A.
- Banco Itaú Paraguay – Banco Itaú Paraguay S.A.
- Banco Itaú Uruguay – Banco Itaú Uruguay S.A.
- BCBA – Buenos Aires Stock Exchange
- BCBS – Basel Committee on Banking Supervision
- BIS – Bank for International Settlements
- BM&FBovespa – *Bolsa de Valores, Mercadorias e Futuros S.A.* (Securities, Commodities and Futures Exchange)
- BNDES – *Banco Nacional de Desenvolvimento Econômico e Social* (Brazilian Social and Economic Development Bank)
- BNY Mellon – The Bank of New York Mellon
- Brazilian Corporate Law – Law No. 6,404, of December 15, 1976, as amended (including by Law No. 11,638)
- Brazilian Payment System – encompasses the institutions, the systems and the procedures related to the transfer of funds and of other financial assets, among the diverse economic agents of the Brazilian market, or that involve the processing, the clearing and settlement of payments in any of its forms.

C

- CADE – *Conselho Administrativo de Defesa Econômica* (Administrative Council for Economic Defense)
- CCR – Counterparty Credit Risk
- CDC – *Código de Defesa do Consumidor* (Consumer Protection Code)
- CDI – *Certificado de Depósito Interbancário* (Interbank Deposit Certificate)
- CEDEAR – Argentine Certificates of Deposits
- Central Bank – *Banco Central do Brasil* (Brazilian Central Bank)
- CFC – *Conselho Federal de Contabilidade* (Federal Accounting Council)
- CGRC – Risk and Capital Management Committee
- Cia E. Johnston – *Companhia E. Johnston de Participações*
- CMN – *Conselho Monetário Nacional* (National Monetary Council)
- CNSP – *Conselho Nacional de Seguros Privados* (National Council of Private Insurance)
- COAF – *Conselho de Controle de Atividades Financeiras* (Financial Activities Control Council)
- COSO – Committee of Sponsoring Organizations of the Treadway Commission
- COFINS – *Contribuição Para o Financiamento da Seguridade Social* (Social Security Financing Contribution)
- CONSIF – *Confederação Nacional do Sistema Financeiro* (National Association of the Financial System)
- CSB – Corporate Site Branch
- CSC – Superior Credit Committee
- CSCCA – Superior Wholesale Credit and Collection Committee
- CSCCV – Superior Retail Credit and Collection Committee
- CSLL – *Contribuição Social Sobre o Lucro Líquido* (Social Contribution on Profits)

- CSP – Superior Products Committee
- CSRML – Superior Market Risk and Liquidity Committee
- CSRO – Superior Operational Risk Management Committee
- CTAM – Model Assessment Technical Committee
- CVM – *Comissão de Valores Mobiliários* (Brazilian Securities and Exchange Commission)

D

- DJSI – Dow Jones Sustainability Index

F

- FATF – Financial Action Task Force
- FEBRABAN – *Federação Brasileira de Bancos* (Brazilian Federation of Banks)
- Fed – U.S. Federal Reserve System
- FGC – *Fundo Garantidor de Crédito* (Credit Insurance Fund)

I

- IASB – International Accounting Standards Board
- IBEF – *Instituto Brasileiro de Executivos de Finanças* (Brazilian Institute of Finance Executives)
- IBRACON – *Instituto de Auditores Independentes do Brasil* (Institute of Independent Auditors of Brazil)
- IBRI – *Instituto Brasileiro de Relações com Investidores* (Brazilian Investor Relations Institute)
- ICAAP – Internal Capital Adequacy Assessment Process
- IFRS – International Financial Reporting Standards
- IOF – *Imposto Sobre Operações Financeiras* (Tax on Financial Transactions)
- IRPJ – *Imposto de Renda da Pessoa Jurídica* (Corporate Income Tax)
- IRS – U.S. Internal Revenue Service
- ISE – *Índice de Sustentabilidade Empresarial* (Corporate Sustainability Index)
- ISSQN – *Imposto sobre Serviços de Qualquer Natureza* (Service Tax)
- Itaú BBA Colombia – Itaú BBA Colombia S.A. Corporación Financiera
- Itaú BBA International – Itaú BBA International plc
- Itaucard – Banco Itaucard S.A.
- Itaú Holding Financeira – Itaú Holding Financeira S.A.
- Itaú Unibanco Group – Itaú Unibanco Holding S.A. and all its subsidiaries and affiliates
- Itaúsa – Itaú Investimentos S.A.
- IUPAR – Itaú Unibanco Participações S.A.

L

- LCR – Liquidity Coverage Ratio



N

- NRF – Risk and Financial Policies Committee
- NSFR – Net Stable Funding Ratio
- NYSE – New York Stock Exchange

P

- PEP – Politically Exposed Person
- PFIC – Passive Foreign Investment Company
- PIS – *Programa de Integração Social* (Social Integration Program)

R

- RAET – *Regime Especial de Administração Temporária* (Temporary Special Administration Regime)
- RMCCI – *Regulamento de Mercado de Câmbio e Capitais Internacionais* (Regulation of Exchange and Capital Markets)

S

- SEC – U.S. Securities and Exchange Commission
- SELIC – *Sistema Especial de Liquidação e de Custódia* (Special Clearing and Settlement System)

- SISBACEN – *Sistema do Banco Central do Brasil* (the Brazilian Central Bank System): a database that collects information provided by financial institutions to the Central Bank
- SOX – The Sarbanes-Oxley Act of 2002
- STF – *Superior Tribunal Federal* (Brazilian Federal Supreme Court)
- STJ – *Superior Tribunal de Justiça* (Brazilian Superior Court of Justice)
- SUSEP – *Superintendência de Seguros Privados* (Superintendency of Private Insurance)

T

- TR – *Taxa Referencial* (Brazilian benchmark interest rate)

U

- Unibanco – *União de Bancos Brasileiros S.A.*

V

- VaR – Value at Risk



List of foreign subsidiaries (as of December 31, 2016)

Company	Country	Company	Country
Banco Itaú Argentina S.A.	Argentina	Corpbanca Investment Trust	Colombia
FC Recovery S.A.U.	Argentina	Helm Comisionista	Colombia
Itaú Asset Management S.A. Sociedad Gerente de Fondos Comunes de Inversión	Argentina	Helm Corredor de Seguros	Colombia
Itaú Valores	Argentina	Helm Fiduciaria S.A.	Colombia
Ittrust Servicios Inmobiliarios S.A.C.I.	Argentina	Itaú BBA Colombia S.A. Corporación Financiera	Colombia
Itaú Bahamas Directors Ltd.	Bahamas	Itaú Asia Securities Ltd.	Hong Kong
Itaú Bahamas Nominees Ltd.	Bahamas	Itaú Japan Asset Management Limited	Japan
Itaú Bank & Trust Bahamas Ltd.	Bahamas	Itaú Unibanco S.A. Tokyo Branch	Japan
Itaú Unibanco S.A. Nassau Branch	Bahamas	Itaú Europa Luxembourg S.A.	Luxembourg
Karen International Limited	Bahamas	Itaú BBA México, S.A. de C.V.	Mexico
Bicsa Holdings Ltd.	Cayman Islands	Proserv – Promociones y Servicios S.A. de C.V.	Mexico
Bie Cayman, Ltd.	Cayman Islands	CIFI ⁽¹⁾	Panamá
Itaú Bank & Trust Cayman Ltd.	Cayman Islands	Helm Bank	Panamá
Itaú Bank, Ltd.	Cayman Islands	Helm Casa de Valores	Panamá
Itaú BBA International (Cayman) Ltd.	Cayman Islands	Albarus S.A.	Paraguay
Itaú Cayman Directors Ltd.	Cayman Islands	Bancard Sociedad Anonima	Paraguay
Itaú Cayman Nominees Ltd.	Cayman Islands	Banco del Paraná S.A.	Paraguay
Itaú Global Asset Management	Cayman Islands	Banco Itaú Paraguay S.A.	Paraguay
Itaú Unibanco Holding Cayman Branch	Cayman Islands	Afinco Americas Madeira, Sgps, Soc. Unipessoal Ltda.	Portugal
Itaú Unibanco S.A. Cayman Branch	Cayman Islands	IPI – Itaúsa Portugal Investimentos, SGPS Ltda.	Portugal
ITB Holding Ltd.	Cayman Islands	Itaúsa Europa – Investimentos, SGPS, Ltda.	Portugal
MCC Securities Inc.	Cayman Islands	Banco Itaú (Suisse) S.A.	Swiss
Topaz Holding Ltd.	Cayman Islands	Banco Itaú International	U.S.A.
Uni-Investment International Corp.	Cayman Islands	Corpbanca New York Branch	U.S.A.
CGB II SpA	Chile	Corpbanca Securities Inc.	U.S.A.
Corpbanca Administradora General de Fondos	Chile	Itaú BBA USA Securities, Inc.	U.S.A.
Corpbanca Corredora de Seguros S.A.	Chile	Itaú International Investment Llc	U.S.A.
Corpbanca Corredores de Bolsa S.A.	Chile	Itaú International Securities Inc.	U.S.A.
Corplegal S.A.	Chile	Itaú Unibanco S.A. New York Branch	U.S.A.
Itaú Asesorías Financieras S.A.	Chile	Itaú USA Asset Management Inc.	U.S.A.
Itaú BBA Corredor de Bolsa Limitada	Chile	Jasper International Investment Llc.	U.S.A.
Itaú Chile Administradora General de Fondos S.A.	Chile	Itaú BBA International Plc.	UK
Itaú Chile Compañía de Seguros de Vida S.A.	Chile	Itaú UK Asset Management Ltd.	UK
Itaú Chile Corredora de Seguros Limitada	Chile	Itaú Middle East Limited	United Arab Emirates
Itaú Chile Inversiones, Servicios y Administracion S.A.	Chile	Aco Ltd.	Uruguay
Itaú Corpbanca S.A.	Chile	Banco Itaú Uruguay S.A.	Uruguay
MCC Asesorías Ltda.	Chile	C.U.M.P.S.A. ⁽¹⁾	Uruguay
MCC S.A. Corredores de Bolsa	Chile	Mundostar S.A.	Uruguay
Recaudaciones y Cobranzas S.A.	Chile	Nevada Woods S.A.	Uruguay
Recuperadora de Creditos Ltda.	Chile	Oca Casa Financiera S.A.	Uruguay
SMU Corp S.A.	Chile	Oca S.A.	Uruguay
Banco Corpbanca Colombia	Colombia	Rias Redbanc ⁽¹⁾	Uruguay
		Unión Capital AFAP S.A.	Uruguay

(1) Minority shareholder.

