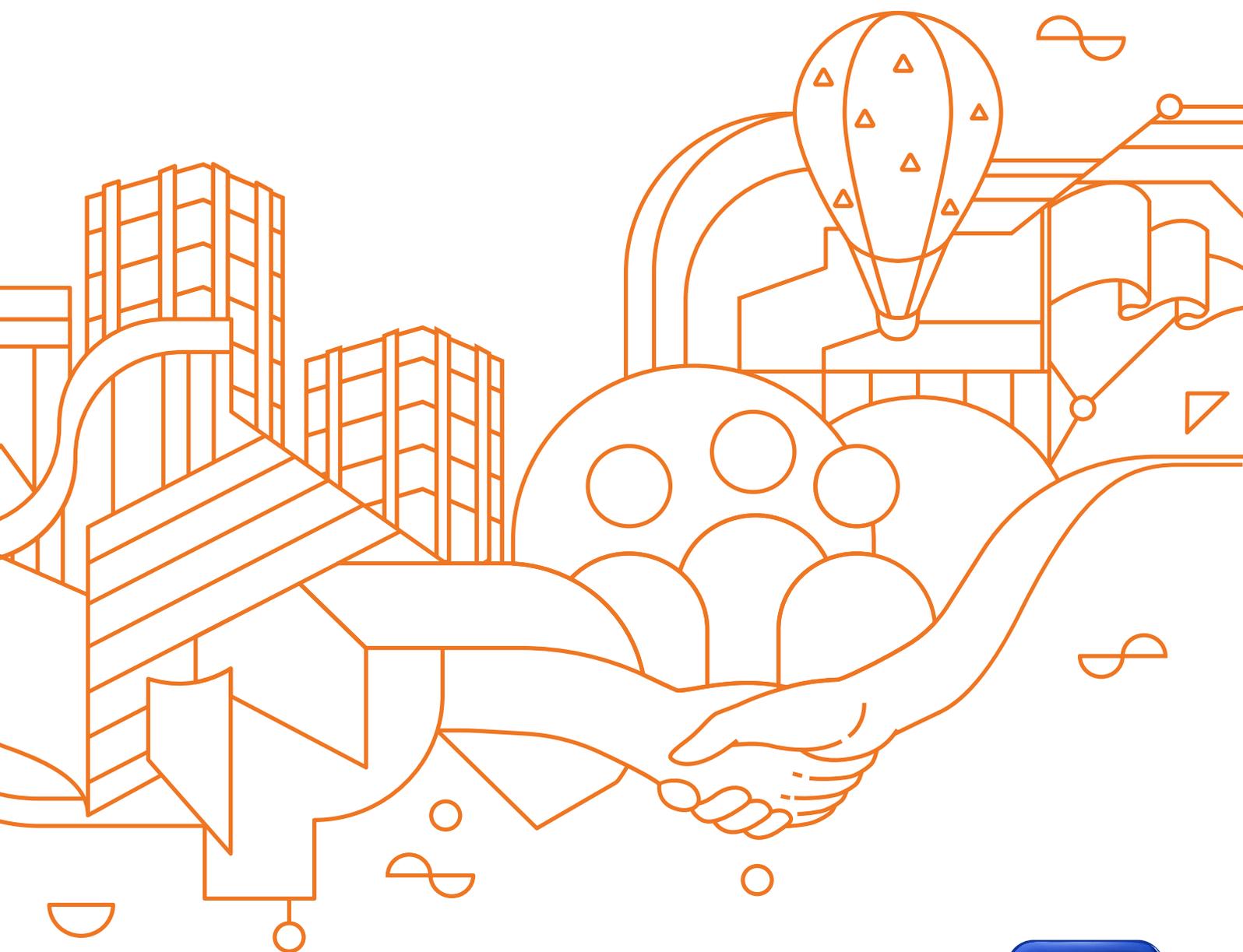


Integrated Report

2017



Itaú Unibanco Holding S.A.



Welcome!

A bank with a purpose

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

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

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

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

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

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

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

We are people who move people.

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



Message

“An efficient and transparent management, with customer centrality, ruled by strong governance mechanisms and performed by people prepared for current challenges.”

Dear readers,

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

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

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

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

We strongly believe that our goals will not be reached unless we address people management, since it is the foundation for a great power of transformation, as people are what makes us advance, ensure sustainable results and make our capacity to create value to society and Brazil come into being. Therefore, we face the challenge of becoming increasingly attractive to all generations and engaging, developing and retaining talents. That is why we have consistently invested in the disclosure of our goals and of what we call Our Way, that is, a strong culture based on cooperation, ethics and the utmost and unrelenting respect.

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

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

Finally, we invite you to read the Itaú Unibanco 2017 Integrated Report.

Cordially,



Candido Botelho Bracher
Executive President & CEO



Pedro Moreira Salles



Roberto Egydio Setubal

Co-chairmen of the Board of Directors

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

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

(3) Common Equity Tier I.

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

About this report

The transparent dialogue has always been an important pillar of our strategy. For this reason, we have always sought a continuous relationship with our stakeholders, guided by ethics and our social responsibility, to inspire and boost the transformation power of people and our business.

The integrated report is an important tool to exercise the transparent dialogue with our stakeholders. We use the integrated report to respond to our financial capital providers how we create and share value on a sustainable basis.

This report presents the progress of business towards the vision of being the leading bank in sustainable performance and customer satisfaction. It is the summary of our strategies, our business, products and services, particularly of the way we generate value in the short, medium and long terms.

Financial information presented in this report is in accordance with the International Financial Accounting Standards (IFRS) and local accounting practices (BRGAAP) applicable to our operations. Industry data, economic projections and other performance indicators are managerial information internal or external to the bank. (bank's in-house or off-site information).

This report has been assured by:

PricewaterhouseCoopers Auditores Independentes (PwC) and comprises the fiscal years 2017 to 2015.



<IR> International Framework

This report is in compliance with the Framework technical guidelines.

These are the legends of our capitals:



Global Reporting Initiative (GRI)

This reports a basic level in accordance with the GRI Standard and provides an image of how we create value on a sustainable way.



Sustainable Development Objectives (SDO)

This report presents the main SDOs impacted by our business and the way they are related to our priority strategies.

We present the SDO legend:



Our stakeholders



Consolidated Annual Report

Access the Consolidated Annual Report to obtain a complete report on our business and operations.



Index

5 Who we are	15 Context	21 Our capitals	44 Business sustainability	51 Governance and management
-----------------	---------------	--------------------	-------------------------------	---------------------------------

Who we are

Material themes



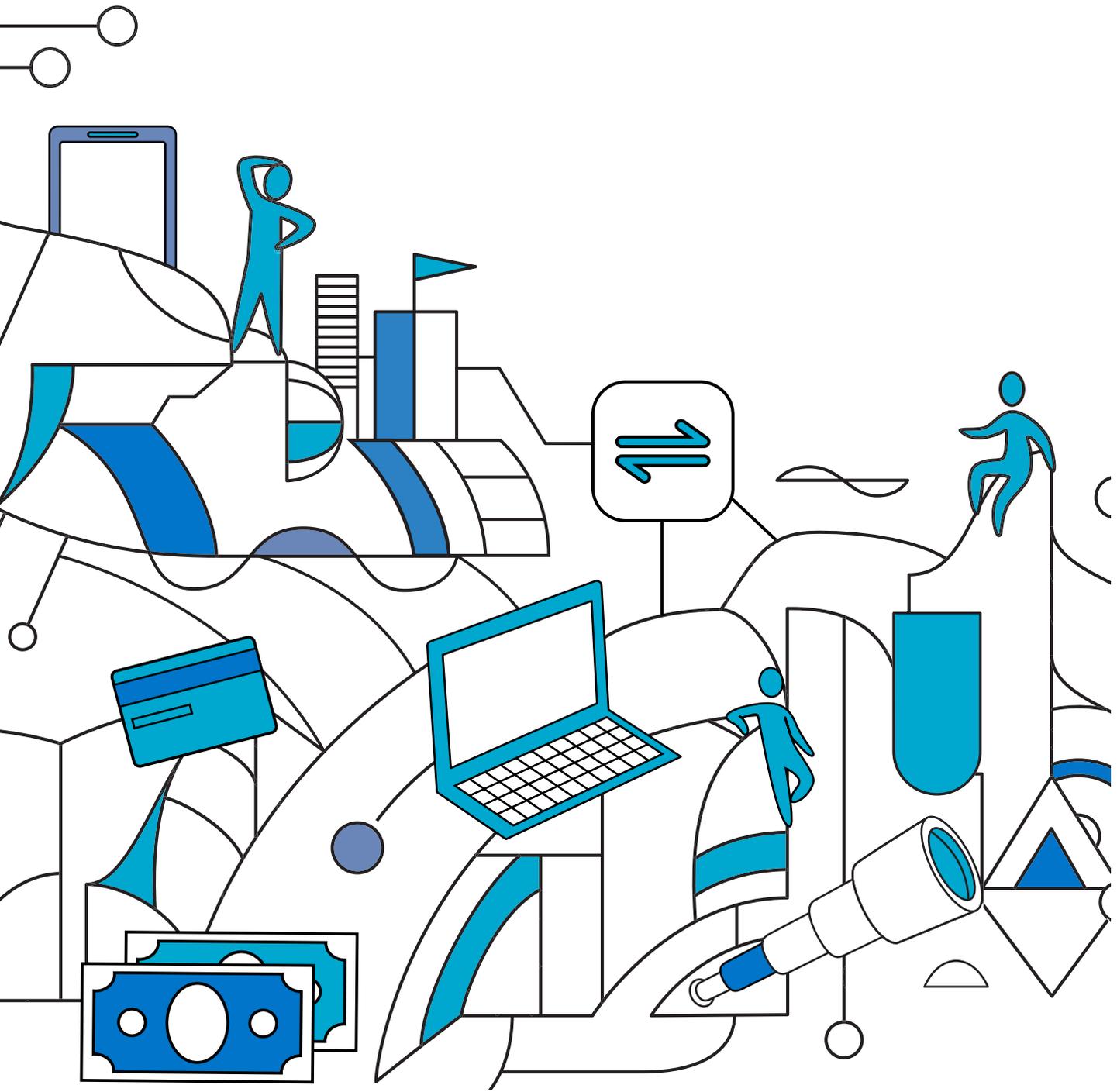
Brand and reputation



International operations



Diversification of revenue



Our profile

Our history dates back to 1924, when Casa Moreira Salles (first corporate name of Unibanco), received its first license to operate as a bank correspondent. Itaú, on the other hand, was originated in 1945, with the foundation of Banco Central de Crédito, in the city of São Paulo.

In 2008, these two organizations got together to give rise to the largest Brazilian bank and one of the largest banks in the world. This merger was not limited to the business union, instead, it was the union of two mindsets that completed each other and shared characteristics in common, such as growth based on mergers and acquisitions, ethics, transparency, compliance with law, close relationship with clients and employees, and expansion with adequate financing.

We are a publicly-listed financial holding company that, together with associates and subsidiaries, operate in the banking industry and in all types of activities authorized by local and international regulators.

Our brand

We seek to be a leading bank in sustainable performance and customer satisfaction. The purpose of our brand is to promote positive changes in the lives of people and society.

Our products and services seek to meet the needs of our clients, reflecting our continuous efforts to provide the best experience to everyone who interacts with us. We encourage people to have a good relationship with money, making better choices and planning their investments on a more effective way.

The responsibility for the development of the nation is the core of our brand and encourages us to invest and work for great causes, such as culture, education, sports and urban mobility.

In 2017, the brand Itaú Unibanco was once again classified at the top of the Interbrand ranking of the most valuable Brazilian brands, with a market value estimated at R\$28.2 billion.

The analysis considers primarily our capacity to generate financial results, influence the client selection process and ensure long-term demand.

Action pillars of our purpose

For us, **ethics** comes before results. It drives our growth on a sound path, with no shortcuts. For us, ethics is non-negotiable.

There are **people** behind everything we do. People who are in the core of our business and give sense to our purpose. These are the people who inspire us to change the world every day.

To do better each day, with **excellence**. This is the purpose for taking care of our client, for creating and reinventing our business to offer the best experience to people that make us a bank different from all the others.

To grow is also to **update** and adapt to present and future challenges, keeping the essence and vision that inspired our leaders in the past. We work to innovate and always be one step ahead.

Our Way (Culture)

This is how #wedoandmakeithappen

It is only good for us if it is good for the client – We are people serving people, with passion and excellence. We work with the client and for the client because they are the greatest reason of everything we do.

Performance fanatics – The generation of sustainable results is in our DNA. The constant challenge of seeking leadership in performance brought us here and will continue to guide our company towards our goals.

People are everything to us – Everything we accomplish is by means of people. Talented people, who enjoy working in an environment of cooperation, meritocracy and high performance.

The best argument is what counts – We cultivate a challenging environment, opened to questioning and constructive debate. To us, the hierarchy that counts is that of the best idea.

Simple, always – We believe that simplicity is the best route to efficiency. For this reason, we struggle so that depth is not taken for complexity and so that simplicity is not taken for oversimplification.

We think and act as owners – We always think as owners of the company, leading by example and placing collective goals above personal ambition.

Ethics are non-negotiable – We do what is right, not seeking ways around things, no shortcuts. We exercise our leadership in a transparent and responsible manner, fully committed to society and the best governance and management practices.



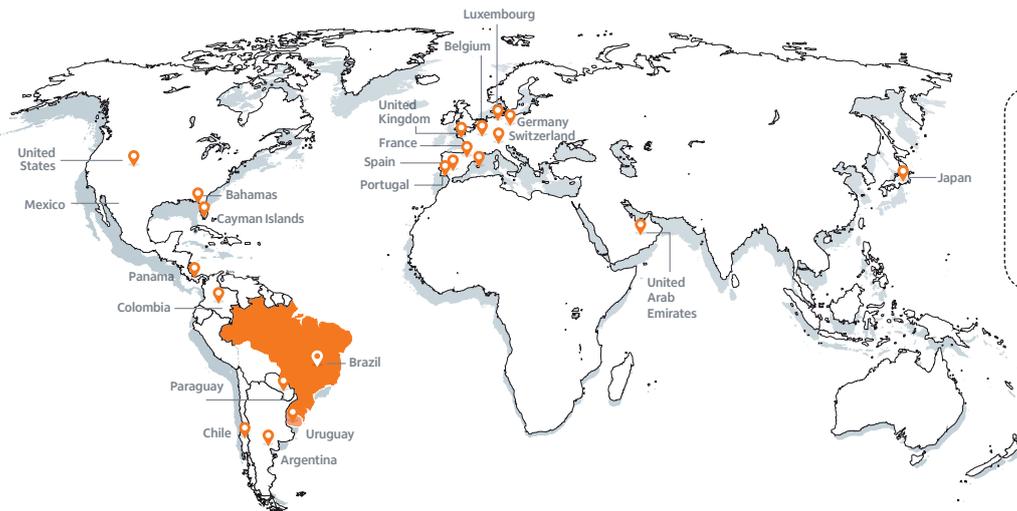
Operation

Leading position

We offer a wide range of financial products and services to our clients through our businesses, which are divided in three operational segments, in units strategically located in Americas, Europe and Asia.

Our international presence creates important synergies, particularly in the financing of foreign trade, in the placement

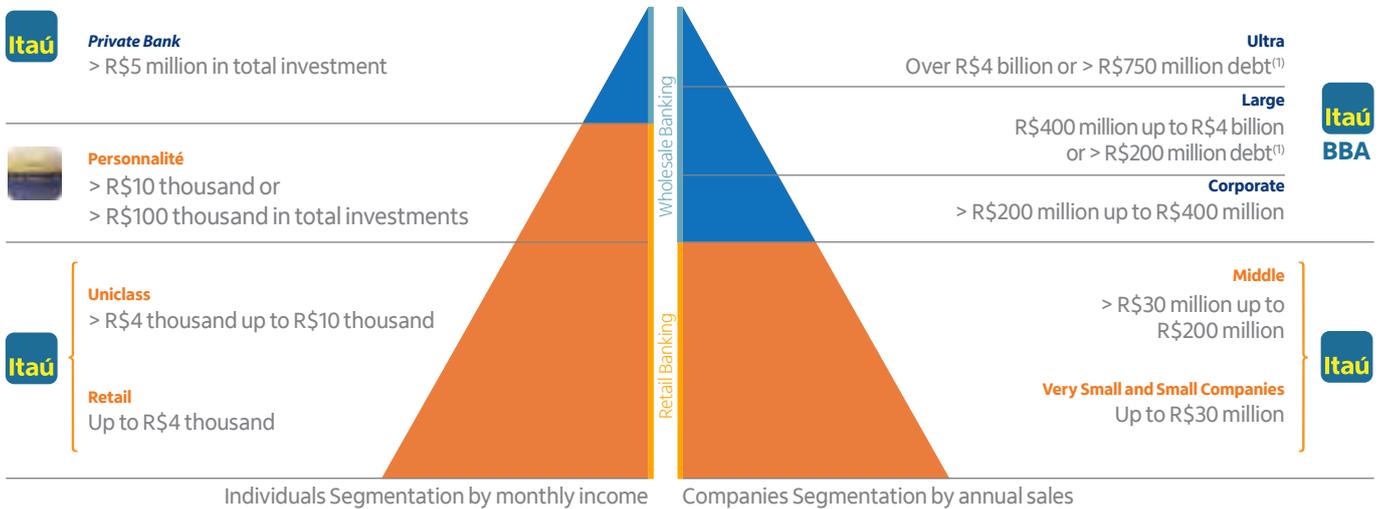
of Eurobonds and in the offer of more sophisticated financial transactions to all of our clients. Latin America is a priority in our international expansion strategy due to the geographical and cultural proximity of its countries with Brazil. Our objective is to be recognized as the “Latin American Bank”,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



+80 subsidiary companies abroad
 Access the complete [list of subsidiaries.](#)

Business structure

Our business structure is segmented in accordance with our clients' profile and main transactions carried out.



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

Retail bank

In addition to operations of Personalité, Uniclass, Retail, Very Small and Small Companies, it includes financing transactions, offer of credit and credit card outside the branch network and payroll loans.

Wholesale bank

In addition to operations with corporations, it includes the Latin America units and activities of Itau BBA, responsible for the operations with large companies and Investment Bank.

Activities with the Market and Corporations

This segment evidences the financial margin with the market, the Treasury operational cost, the equity in earnings of unconsolidated companies and the interest in Porto Seguro. It also reflects the result arising from capital surplus, subordinated debt surplus and management of tax credits and debits.

Main brands and commercial partnerships



In these 93 years of history, we reached the position of largest bank in the country, the most valuable brand in Brazil, among other important recognitions. These achievements are the result of the way we conduct our business, always placing ethics ahead of results, in constant search for innovation and excellence.



Itaú Asset Management is the internal area of Itaú specialized in managing clients' assets. It is the largest private manager of funds in Brazil, with over 270 professionals focused on investment strategies.

R\$610 billion
Assets under management



Itaucard operates with investment, loan, financing and investment and lease portfolios, as well as issue and management of own or third parties' credit cards, establishment and management of payment arrangements and management of securities portfolio.

38.2%
Share in the market card in Brazil



Itaú BBA is the largest corporate & investment bank of Latin America. We serve institutional investors and companies with the highest revenue in the group. Due to the complexity of business of these clients, we know that our operation should be customized.

10 consecutive years
The best bank in Asset Management



Porto Seguro, a company in which we hold a 30% interest, acts in all lines of personal and property insurance, which are supplemented by other business. We are referring to over 50 products, among which are consortiums, financial solutions and services such as protection and monitoring, mobile phone services, occupational health, among others.

11.2%
Share in the insurance market in Brazil



Rede is one of the leading companies in the domestic market of electronic payment methods, responsible for accreditation, capture, transmission, processing and financial settlement of transactions with credit and debit cards.

32.8%
Share in the merchant acquirer market in Brazil



Itaú CorpBanca

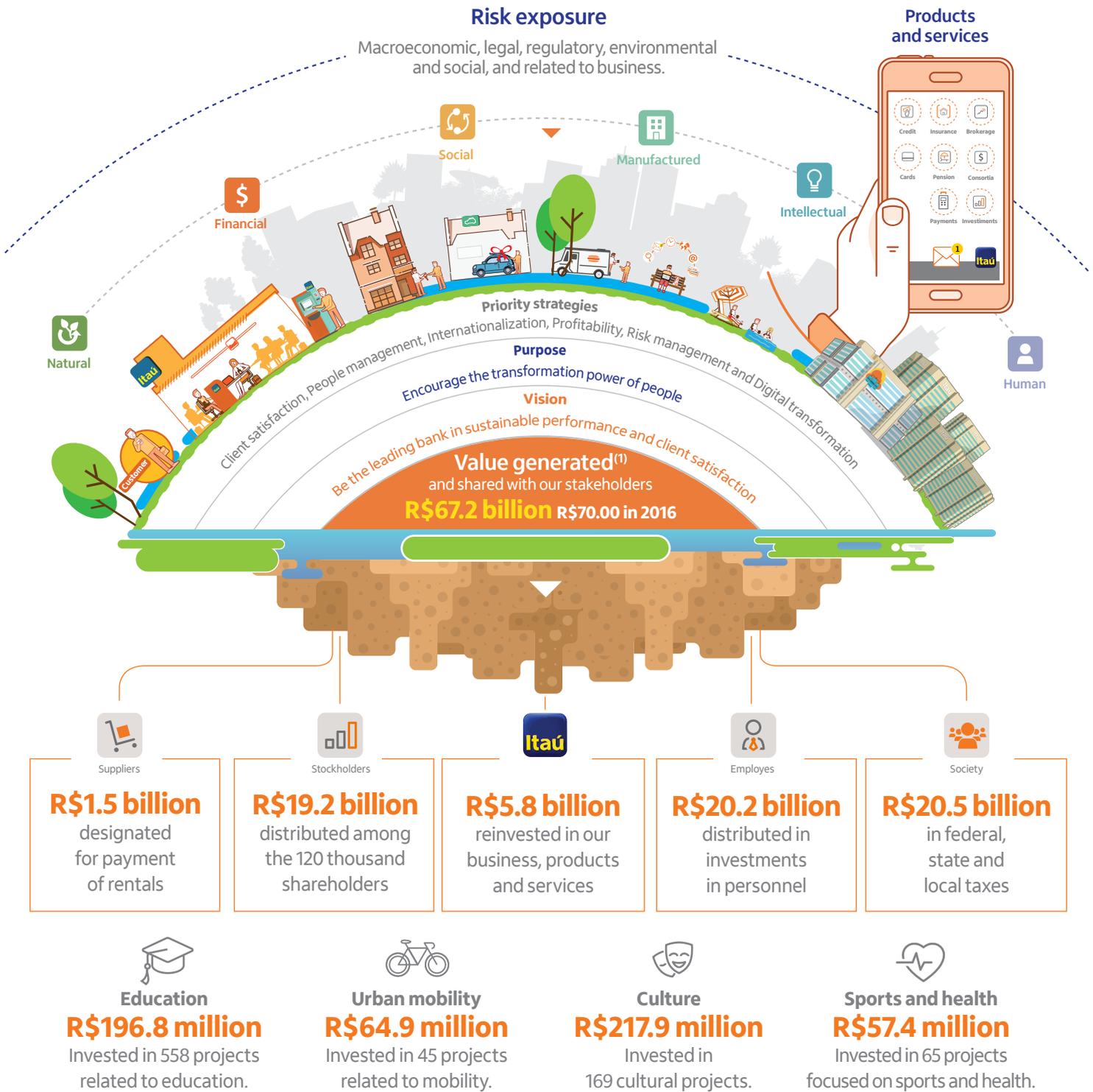
Itaú CorpBanca is a commercial bank based in Chile, with operations also in Colombia and Panama. Focused on large and middle-market companies and individuals.

4th largest
Private bank in Chile (in total loan portfolio)

Business model

We offer a wide range of products and services to our clients, through our traditional channels – physical branches, bankline and ATMs – and our digital channels – internet, mobile and digital branches. We are an increasingly digital bank, and it is no coincidence that over 80% of transactions are carried out in our digital channels.

Our business model is structured in 3 operational segments: Credit, Pension Plan, and Services and Trading. These segments add value to business and are differentiated because they have specific risks and capital requirements.



(1) The Statement of Value Added (SVA) is a financial statement which purpose is to evidence the wealth generated by an organization in a period of time and the way it was distributed among various sectors involved in the process. As it is a financial statement, required by local regulatory bodies, its information is extracted from the respective financial statements, based on the accrual basis. The SVA is calculated from the difference between the value produced by the bank and goods and services produced by third parties, used in the production process. For DVA purposes, we consider the recurring net income calculated according to the standards established by BACEN – BRGAAP, and reclassification of tax effects of hedging foreign investments for the financial margin.

Dimension of impacts in society

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, 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 corporate 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

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. Due to the data macroeconomic nature and guidelines of the engaged consulting company, we opted for not updating this study in 2017.

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).

Others impacts

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

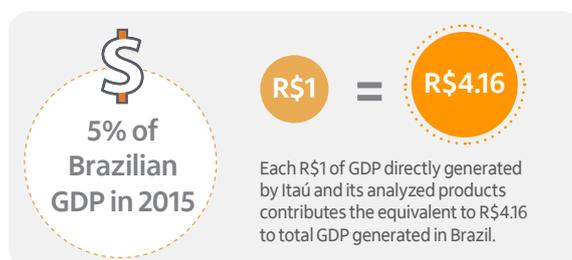
- **Direct impacts:** financial margin, taxes, purchases and sectors of suppliers, production and even number of workers.
- **Indirect impacts:** how this disseminates to the different sectors, particularly in the supply chain, such as tier 1, 2, 3, etc., suppliers.
- **Induced impacts:** household consumption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

In 2016, the nominal Brazilian GDP reached the amount of R\$6.0 trillion. The working population, in turn, was approximately 89 million people.

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	119 billion	175 billion	294 billion

Jobs (in numbers of jobs)

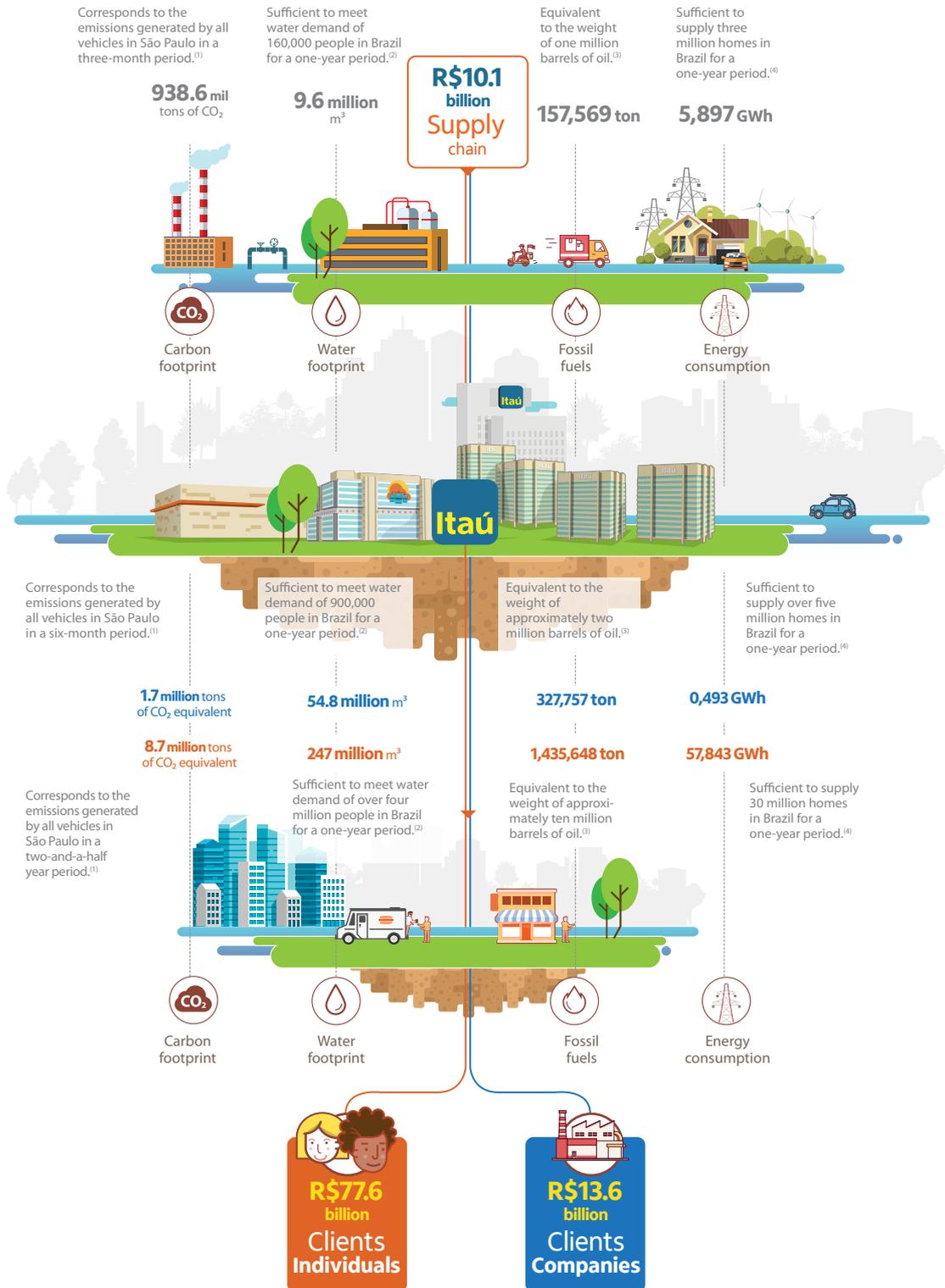
Direct impacts (Number of employees)	83,481	-	83,481
Indirect impacts (Supply chain)	175,512	2,287,591	2,463,103
Induced impacts (Household consumption of families and public spending)	860,905	1,932,889	2,793,794
Total	1,119,898	4,220,480	5,340,378



Externalities

In 2016, we conducted a first study to expand knowledge about our social and economic impacts in Brazil. In 2017, we created a work group to foster recurring discussions, to map and measure social, economic and environmental externalities of the bank.

Based on these advances, we started an internal survey of priority externalities that have initiatives linked to the core business and that generate and/or mitigate direct, indirect and induced impacts, be them positive and/or negative.



(1) Source: <http://emissoes.energiaambiente.org.br/graficos>.

(2) Source: <https://exame.abril.com.br/brasil/onde-mais-se-consome-agua-no-brasil>.

(3) Source: <https://goo.gl/uvxMkc>, "Fuels and Oils".

(4) Source: <http://g1.globo.com/economia/noticia/2015/07/consumo-de-energia-eletrica-no-pais-caiu-22-em-maio-diz-epe.html> (2015).

Priority strategies

In 2017, we disclosed our purpose, pointing out the values that are part of our essence and that have brought us here. We noted an opportunity to streamline efforts and ensure a discussion and more effective results, having clearer objectives, a better structured mechanics to develop initiatives and well-defined roles and responsibilities.

To keep track of the challenges of our business and continue leading in the market, we elected six strategic priorities that will guide our actions in the next few years. To define the actions to be performed, we developed a comprehensive analysis that steered our planning.

Know the initiatives that will guide our growth strategy in the next few years.

1

Customer centricity

Customer centricity is to understand the change process the society is undergoing and adapt to it, delivering what clients actually need and developing products and services with them and for them.

We encourage our employees to be engaged with the improvement of clients' experience, by means of a culture in which each employee can put himself in the client's shoes, in any situation. Our objective is to be a benchmark bank in client satisfaction, transforming the organization's culture, so that the client is in the center of everything.

2

People management

People management is to provide the best experience to the employee, so that they are able of promoting their development and stimulate autonomy and mobility of people, so that they can increasingly feel owners of the business and of their own career. It means to deepen the employee's experience and support diversity fronts; to discuss new incentive models, revisit and improve our capacity to attract and retain talents in this new digital reality.

3

Internationalization

To internationalize is to ensure the same quality of operations in Brazil and abroad, considering the differences of each country. It means to improve the offer of financial products and services and ensuring that our position in the foreign market is in line with our objectives. It is to pay attention to business opportunities to serve our clients wherever they are, sharing experiences among countries, talents, cultures and areas. It is to invest in business expansion and to serve our clients where they are, by means of our branches, ATMs, business offices and Itaú Digital.

4

Profitability

Profitability is to optimize the allocation and management of funds, essential to dream big, achieve, grow and exceed in every sense. It means revising pricing models for products and services, mapping in-house processes and ensure efficiency rates that lead us to an even more differentiated performance, considering the client's experience as the crucial point of this equation, in Brazil and abroad.

5

Risk management

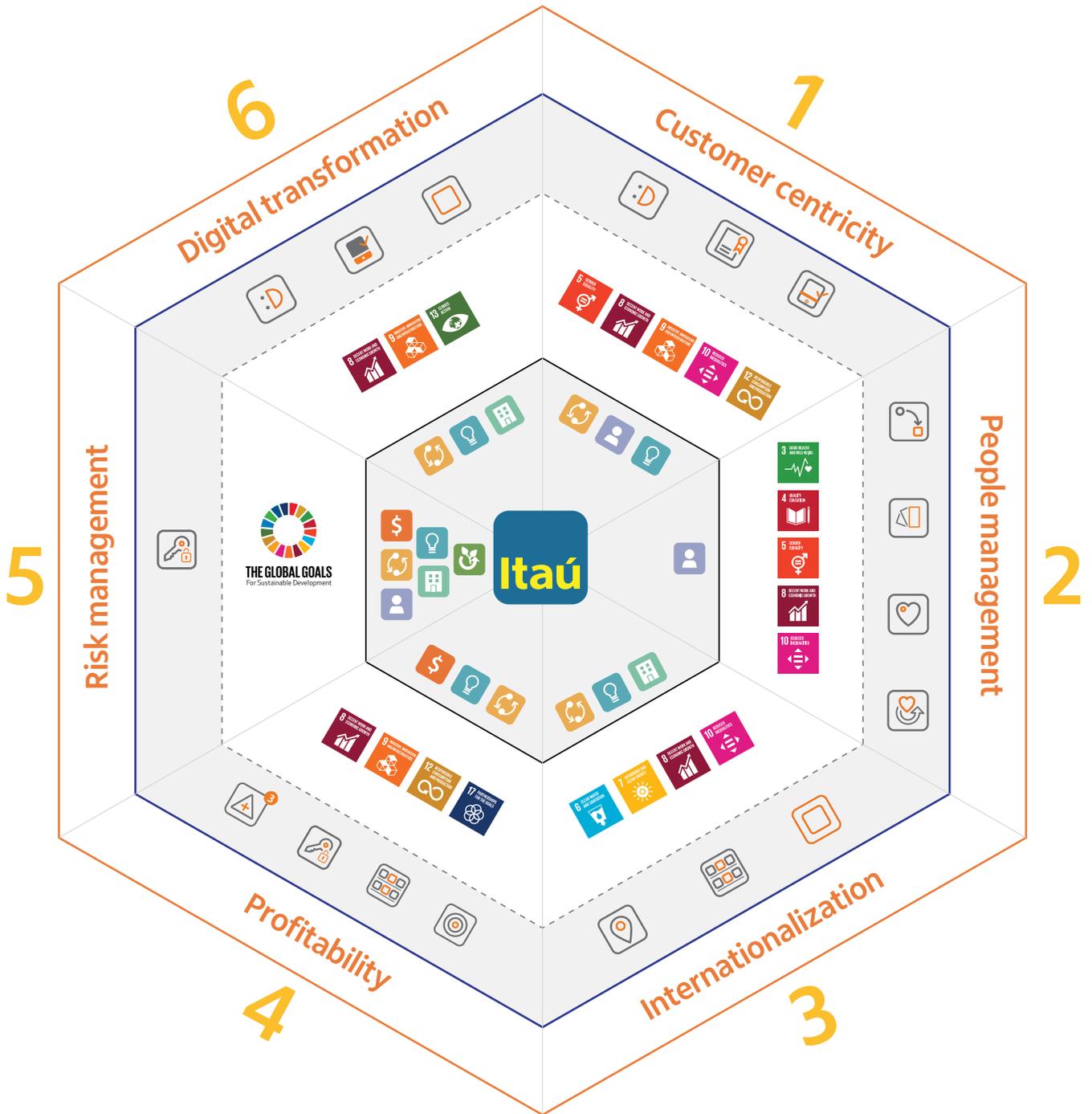
Risk management is to acknowledge, map and mitigate risks in the whole organization and encourage employees to become coparticipants on this process, creating a protection network that enables the bank to advance seamlessly towards the objectives of each business. That is how we act on risks related to our business, mapping opportunities and optimizing the existing initiatives to work in synergy.

6

Digital transformation

A digital from the inside out that provide even more digital experiences to our clients, intensifying our employees' learning in methodologies such as "Lean", "Ágil" and "Design Thinking". Digital transformation permits a higher volume of experimental projects, intensifying the use of data in business and evolving the technology platform to a modern architecture that permits to automate our BackOffice activities.

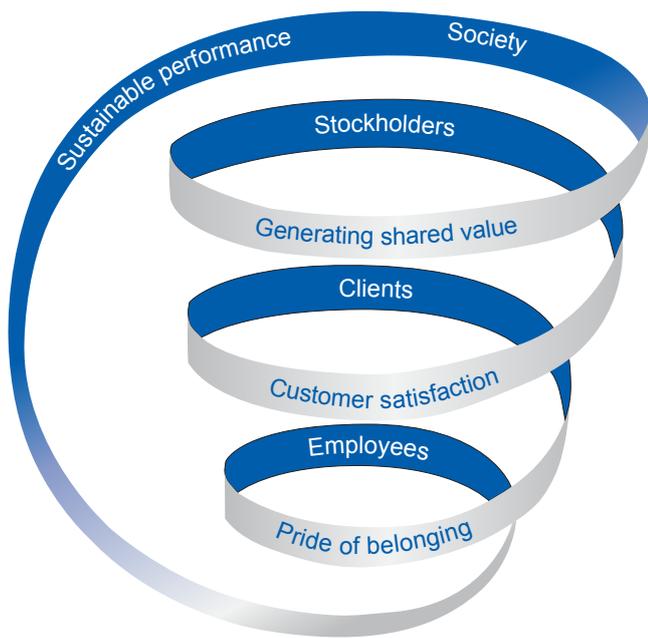
We present below our priority strategies and material themes directly related to them. We also point out the Sustainable Development Goals most exposed to our strategic drivers and respective allocated capitals, aiming at business sustainability.



- Priority strategies
- Related material themes
- - SDGs impacted
- Allocated capitals

[Click here](#) to view a complete list of our material themes and their relevance to our key audiences. 

Sustainable performance



The progress towards our vision is the fruit of our ethical and collaborative relations that involve our employees, customers, stockholders, suppliers, the government and society.

We believe that challenging career plans, governed by meritocracy, generate in our employees the pride of belonging to the organization. Engaged employees, in turn, provide services more aligned with the clients' expectations. More satisfied clients tend to be loyal to the bank, establishing long-lasting relationships that generate value to stockholders.

The values thus generated enable us to positively contribute to the development of the country and encourage people's transformation power.

Sustainability strategy

Our strategy was defined based on an in-depth analysis of our vision, Our Way, corporate policies, commitments and volunteer agreements, researches and meetings with our stakeholders to understand material matters.

This analysis led us to create the Sustainability Map that establish three strategic focuses for our activities: Dialogue and Transparency, Financial Education, and Environmental and Social Risks and Opportunities, supported by four fronts: Governance and Management, Efficiency, Incentives and Culture.

The Map guides our operational and business units as they incorporate sustainability values into their decision making processes and trend tracking.

To formalize our commitment to sustainable development, we have a Policy for Sustainability and Social and Environmental Responsibility. This Policy is reviewed annually and approved by the Audit Committee and subsequently by the Board of Directors.

In 2017, we understood that our position reached the desired maturity, and we started a process to review the sustainability strategy. The moment is even more appropriate with the disclosure of our purpose, priority strategies, and the context of digital transformation and progress of sustainable development agendas.

The strategy review process is divided into three main phases:

- (1) Theme Evolution, comprising the timely analysis of the concept of corporate sustainability in the world;
- (2) Internal Diagnostic, aiming at capturing how our operation is realized by our stakeholders and the bank's top management; and
- (3) Strategy Building, consisting in the development of a new position and strategic model more connected with the core business and based on the impact we want to generate.

The new strategy is scheduled to be completed and disseminated in 2018.

Voluntary Commitments

We highlight the main engagement initiatives and volunteer commitments that guide our sustainable performance:



Context

Material theme



Forecast of scenarios



Social and economic

We are a financial holding operating in several countries and businesses. We are part of an environment with a number of external factors capable of affecting the way we do business, and, consequently, the capacity to create value on a sustainable basis. Understanding the context of business helps us to manage risks on a more effective way, to take advantage of opportunities and to overcome challenges.

Global Environment

The global economy revamped in 2017, in view of the adversities of the last international financial crisis.

The North American economy continues recovering and posts positive growth perspectives for the next few years. The Federal Open Market Committee (FOMC) – one of the most important commissions that make up the central banks systems in the U.S.A. – announced a reduction in the security portfolio of the American Treasury and debt securities of government agencies.

The European Union has recovered at a more moderate pace. Tax reforms and the more conservative monetary policy of the European Central Bank increased trust and financial conditions of that region.

The Chinese economy is more balanced and posts moderate growth perspectives for 2018. External risks decreased due to the strengthening of exports and less exposure to speculative foreign capital. The smaller volume of capital outflows and improvement in economic activity favor the appreciation of the Chinese currency.

In accordance with the Global Competitiveness Report 2017-2018 disseminated by the World Economic Forum, the main hindrances to the global economic development reflect the political uncertainty, government bureaucracy, labor laws, taxes and fiscal regulations, deficiencies in infrastructure and corruption.

Additionally, negotiations for exit of the United Kingdom from the European Union (Brexit) and population flows are matters that can affect the global economy and our business, decreasing the investors' interest in Brazilian and foreign assets.

In 2016, there was a high outflow of funds from emerging economies, which started to return gradually in 2017, boosted by the stabilization of commodity prices and improved economic bases.

Brazil and Latin America

The economic conditions continue favorable for assets from Latin American countries, except for Venezuela. We expect a higher growth and stronger currencies in Latin America in 2018. The economic activity is recovering on a more visible way. The price of commodities is higher and basic interest rates are lower. Exchange rates, in turn, contributed to keep inflation at lower levels, except for Argentina, favoring an environment of monetary flexibility, even with negative production gaps.

The Brazilian economy has post signs of recovery in 2017. The inflation rate dipped as compared to the previous year, primarily influenced by the reduction of free prices. Expectations for 2018 continue well anchored and with relative clearance in relation to the goal established by the Brazilian government.

In 2017, the public sector posted a primary deficit of R\$111 billion, against a goal of R\$163 billion. To exceed this goal, the government made a significant effort in terms of extraordinary revenue, restrictions on discretionary spending and revision of mandatory expenses. The social security and other structural reforms are essential to assure that the expense limit continue feasible over the next years, but the approval in the Brazilian Congress is uncertain.

The Monetary Policy Committee of the Central Bank of Brazil (Copom) decided to reduce the basic interest rate (Selic rate) in 2018, continuing the monetary flexibilization policy started in 2016. This reduction reached a record low/decrease level and signals the intention of interrupting the cycle of fall in interest rate.

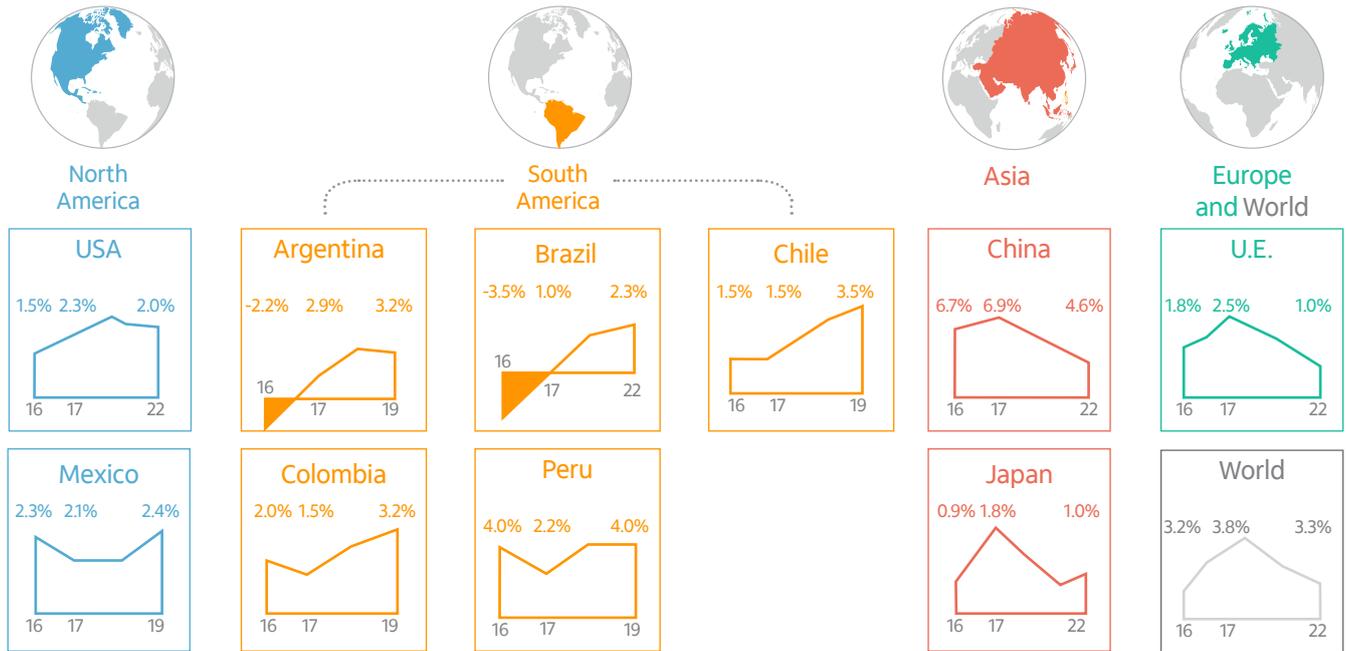
The Brazilian government expects a slight reduction in the unemployment rates for the next years, reflecting a reduction in the participation rate of the economically active population in the work market. The reduction in the economic rate is increasingly dependent on the volume of new formal jobs created.

The international context has been favorable for the Brazilian risk assets. The weakened dollar in relation to different currencies, among which is the Real, is a reflex of aversion to global risk.

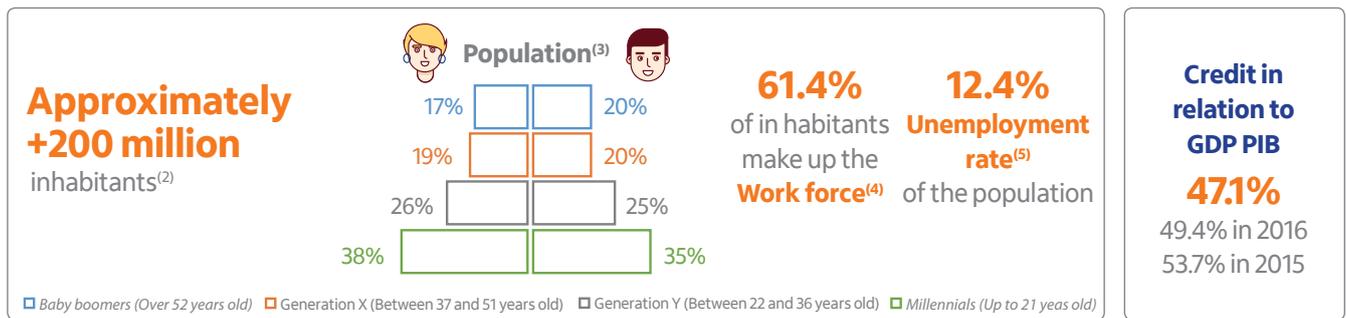
The current account deficit (net balance of sales of goods and services and international transfers) totaled 0.5% of GDP in 2017. Brazil maintained its external solvency, with US\$382 billion in international reserves and US\$310 billion in external debt in December 2017.

GDP real growth⁽¹⁾

We present the economic growth rates and projections of the countries where we operate.



BRAZIL - 2017



(1) Source: Respective Central Banks of each country presented, and to the World, source: BBA Economic Outlook March 2018.
 (2) Source: <https://www.ibge.gov.br/estatisticas-novoportal/sociais/populacao/9171-pesquisa-nacional-por-amostra-de-domicilios-continua-mensal.html?=&t=resultados>.
 (3) Pyramid of generations estimated based on the population pyramid of Census 2010. Source: https://censo2010.ibge.gov.br/sinopse/webservice/frm_piramide.php.
 (4) Percentage estimate of people employed and unemployed in the reference week. Source: Monthly Pnad (National Household Sample Survey), February 2018.
 (5) Unemployed rate is the number of unemployed employees divided by the workforce. Source: BBA Economic Outlook March 2018.
 (6) CDI: Interbank deposit certificate is the rate used in short-term transactions between banks. Source: BBA Economic Outlook March 2018.
 (7) Selic: is the basic interest rate of the Brazilian economy. Source: BBA Economic Outlook March 2018.
 (8) IPCA: Extended National Consumer Price Index is the official indicator of the Federal Government to measure inflation targets. Source: BBA Economic Outlook March 2018.
 (9). Accumulated rates for the period: positive figures mean depreciation of the Brazilian Real. Source: BBA Economic Outlook March 2018.

Climate Changes

Concern about climate change and its effects on the reorientation of the world economy is a matter that interests everyone. Addressed as something distant from people's everyday life, the consequences of global heating are much more closer to society and companies that one can imagine.

The path to the solution is everyone's responsibility: individuals, companies, governments and NGOs. Private initiative has, among its commitments, the measurement of risks and opportunities linked to climate change and promotion of a low-carbon economy, the so-called new economy. The financial and capital sector has a significant role in this transition by financing, investing, insuring and offering products and services that contribute to this new reality. Financial institutions intermediate transactions, grant loans, make investments and insure assets. But what do this has to do with climate changes? If the real economy may be impacted and has to adapt to this new climate reality, banks also need to understand this impact on their portfolios of financing, investments and insurance, particularly considering physical and transition risks.

Physical risks, such as changes in the rain regime, extreme events of shortage of natural resources impact our branches, buildings and assets, in addition to the companies we insure, finance or invest in. Transition risks are originated to the extent that we have regulations such a pricing and/or restrictions in carbon emission, restrictions in high-impact technologies and incentive to new technologies or even changes in consumers' behavior. This means that the companies we finance or invest in have to adapt to this new reality and the financial sector has to incorporate such issues in its analysis of risks and opportunities.

In the traditional financial language, the climate risk impacts the analysis of credit, operating, reputation and market risks of financial institutions. By incorporating such variables also in its business strategy, the bank becomes more resilient for the forthcoming changes, understands the new opportunities of this transition to a low-carbon economy and influences its value chain, particularly its clients and suppliers.

In view of the impacts of climate changes already noted and of the studies, among which are those conducted by the Intergovernmental Panel on Climate Change (IPCC), countries of the whole world are mobilizing and establishing ways for volunteer action to meet international commitments to reduce greenhouse gas (GHG) emissions. The Brazilian government, by ratifying the Paris Agreement – global agreement on climate, entered into in 2016 – made the commitment to adopt absolute GHG reduction targets. These commitments will directly impact the sectors of real economy, and, indirectly, the financing, investment and insurance industries.

We seek to incorporate variables related to climate changes into our business model. Through risk management and knowledge of our social and environmental risk assessment team, we develop solutions that make easier our achievement of our goals for greenhouse gas emissions and adjustment of our operations to the best market practices. Climate changes are also addressed in our sustainability and social and environmental responsibility policies, and provide guidelines for the whole organization.

We believe in a clean, efficient and resilient global economy. In this context, the participation of the private & governmental sectors and of society is essential. We take part in multi-sector groups with organizations such as UNEP FI⁽¹⁾, CEBDS⁽²⁾, FEBRABAN⁽³⁾ and FGV⁽⁴⁾, to debate, mobilize and organize corporate leaderships about the possible impacts and respective climate change mitigating actions. Our purpose is to contribute to the development of new public policies related to the theme and of new products and services.

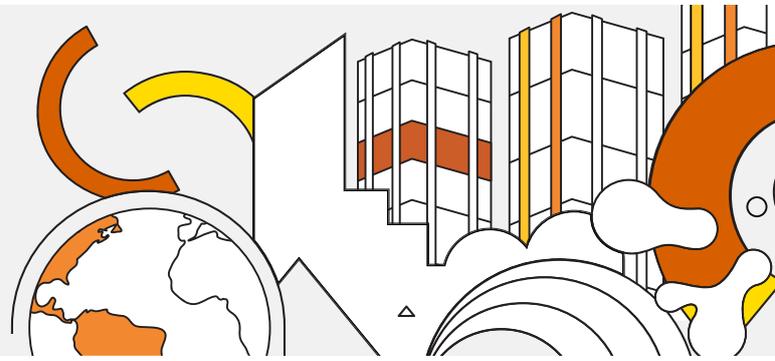
(1) UNEP FI - United Nations Environment Programme Finance Initiative.

(2) CEBDS - Conselho Empresarial Brasileiro Para o Desenvolvimento Sustentável.

(3) FEBRABAN - Federação Brasileira de Bancos.

(4) FGV - Fundação Getúlio Vargas.





Task Force on Climate-related Financial Disclosures (TCFD)

TCFD is a worldwide coalition composed of 32 members of the community of G20 from different economy sectors, led by the Financial Stability Board (FSB).

The initiative encourages the organization of a number of sectors to know physical climate, responsibility and transitions risks they are exposed to, and propose

volunteer and consistent financial disclosures related to climate, so as to guarantee higher transparency, enabling financiers, insurers and investors to make the best business decisions.

[We highlight our actions related to the TCFD strategic pillars](#)



Governance

The Board of Directors guides our Sustainability and Social and Environmental Responsibility policy for risks and opportunities related to climate.

Sustainability Governance addresses risk management and the identification of opportunities related to the climate changes agenda.

The Superior Committee on Ethics and Sustainability resolves on the institution's actions vis-à-vis the agenda of climate changes.

The theme is also discussed in the Sustainability Committee, the main Sustainability forum of the organization.

Strategy

Participation in multi-sector discussion groups, such as CEBDS, UNEP-FI, FEBRABAN and FGV.

A study on the impact of climate changes in our Loan portfolio for the corporation segment in the medium and long-term scenario has been conducted.

A study on Emission financed based on the Portfolio Carbon Initiative guidelines has been conducted. Participation in the UNEP-FI workgroup for implementation of TCFD recommendations considered different climate scenarios.

Risk management

Climate variables are considered in the analysis of the Social and Environmental Risk for the corporate segment and analysis of financing of big projects.

Itaú Asset Management considers Climate Changes themes in its ESG integration methodology in the analysis of investments.

We consider climate changes in the pricing of our insurance products (corporate).

Goals and metrics

Development of indicators and tools to strengthen the assessment and disclosure of risks and opportunities related to the climate change by means of workgroup of UNEP-FI about TCFD recommendations.

A study for identification of business risks and opportunities vis-à-vis changed in the climate global standards, with projections for 10 years, has been conducted.

Launch of Asset calculator to compare emissions of our portfolios with benchmarks.

Climate Change and its impacts

Access the study on climate change and its impacts prepared by Itaú Asset Management.



Competitiveness

In accordance with the Global Competitiveness Report 2017-2018 disseminated by World Economic Forum, the global economy starts to present recovery signs, promoted primarily by technological innovations, and political and global interventions that stimulate productivity.

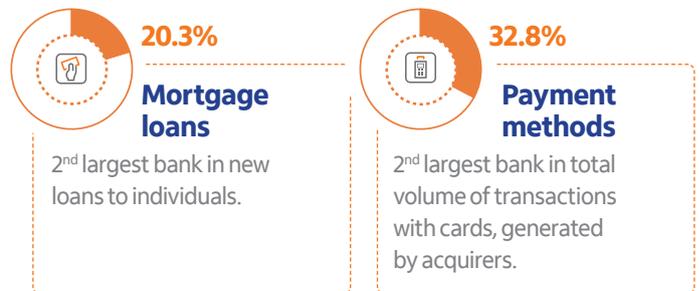
In 2017, Brazil moved up one place in the competitiveness ranking, and was in the 80th position among the 137 countries assessed. This improvement was primarily influenced by the control over inflation and government deficits, through efficiency improvements in the market of consumer goods and innovations in scientific researches.

Brazilian banking industry

Competition in the financial sector has become stiffer in the last few years. In September 2017, there were 135 financial conglomerates – commercial and multiple service banks, development banks and Caixa Econômica Federal – from a total of 1,396 financial institutions in Brazil (1,454 in 2016).

To continue as leaders in the banking market, we seek to invest in new technologies and innovations, implementing actions to speed up the Digital Transformation process, which includes more solid grounds, such as people, management, culture, risks, investments, technology, market, and finally, business model.

Participation indicators in the Brazilian market



Itaú
We are the leader in the Brazilian banking sector of total assets.



Brazilian banks in total assets | R\$ billion

Itaú	1st Itaú Unibanco Holding S.A.	1,384	16.8%
	2 nd Banco do Brasil S.A.	1,368	16.6%
	3 rd Caixa Econômica Federal	1,262	15.3%
	4 th Banco Bradesco S.A.	1,055	12.8%
	5 th BNDES ⁽¹⁾	861	10.4%
	6 th Banco Santander Brasil S.A.	675	8.2%
	Total	8,251⁽²⁾	100%

(1) Banco Nacional de Desenvolvimento Econômico e Social.
2) Source: Central Bank of Brazil (Top 50 Banks in Brazil) as of December 31, 2017, based on banking services, except insurance and pension funds.

Our capitals

Material themes



Credit and default



Efficiency



Ethics and transparency



Management of suppliers and supply chain



Customer satisfaction



Financial education and inclusion



Corporate citizenship



Diversity, equity and inclusion



Compensation and incentives



Attraction, retention and development



Occupational health, safety and well-being



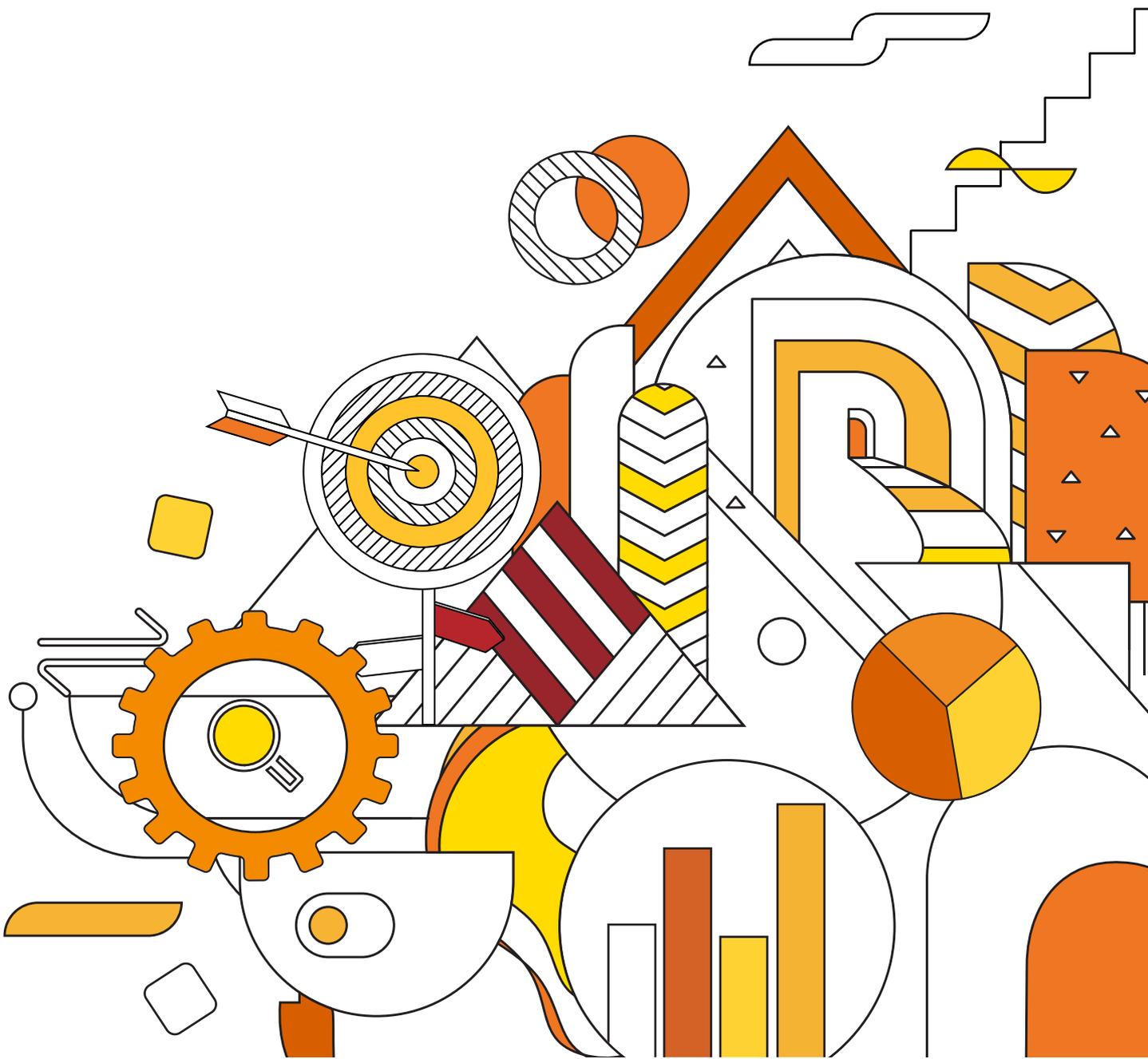
Innovation



Information technology



Eco-efficiency and environmental management



Capitals

For us, to create value is to obtain sustainable results. It is generating recurring net income higher than the cost of allocated capital that remunerate our investors and reflect business risks. We allocate a wide range of capital in our business, which that are related to raise funds and offer products and services, to achieve our goals as an organization and provide differentiation, while also increasing our own capitals. We present below a brief description of the capitals that are most relevant to our business model:

Financial

Composed of the financial resources available and allocated to businesses, our own or third parties, obtained in the form of financial products and services, such as: loan operations, financial investments, deposits and funding, investments, and insurance, pension and capitalization operations.



Social and relationship

Composed of the ethical and transparent relationship with our stockholders, clients, employees, the government, regulatory agencies, and suppliers – essential for maintaining business and our social license. This reflects the ability to share value and enhance individual and collective well-being.



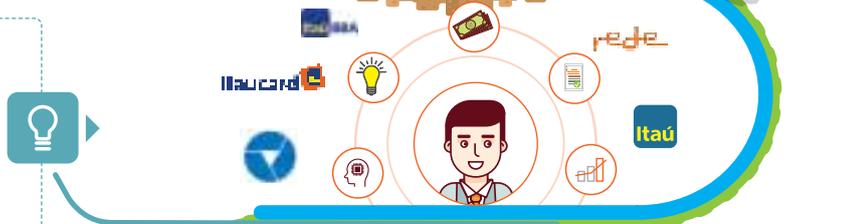
Human

Composed of our employees and their skills, experiences, motivations to innovate and develop better products and services, in an ethical and responsible way, by means of meritocracy, leadership and cooperation.



Intellectual

Composed of the reputation obtained by our brand, our intellectual property and by the ability to develop new technologies, products and services that generate competitive advantages for the continuity of business.



Manufactured

Composed of the equipment and physical facilities, such as branches, ATMs, applications and technology systems – our own, leased or under our control – used in the provision of products and services, and business management.



Natural

Composed of renewable and non-renewable environmental resources, consumed or affected for the prosperity of business. We are particularly talking about air, water, soil, ores, forests and biodiversity.





Financial capital

The financial capital is undoubtedly one of the most significant capitals in the banking sector. By means of the financial capital, banks are able to perform financial intermediation, raising funds in the market and granting loans to clients and society, attributing interest rates that remunerate business risks and their providers of financial capital.



Origin of financial capital

R\$ billion

Liabilities	2017	2016	2015
Funding from clients	402.9	329.4	292.6
Funding from the Market and Other	884.1	889.0	869.7
Own funds (stockholders)	148.0	134.8	114.1
Total liabilities	1,435.0	1,353.2	1,276.4

Allocation of financial capital

R\$ billion

Assets	2017	2016	2015
Loan operations	465.5	463.4	447.4
Financial investments	273.8	287.7	284.9
Financial assets	493.1	412.8	373.3
Investments and Other	195.3	181.2	162.3
Fixed assets (Manufactured)	7.3	8.1	8.5
Total assets	1,435.0	1,353.2	1,276.4

Main sources of funding

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

To fund our operations, we have intensified the use of the liquidity generated by savings and interbank deposits, debt in the interbank market and debt in the institutional market in recent years. Additionally, we use Brazilian debentures subject to repurchase as a source of funding. We also act as a financial agent in borrowing funds from BNDES and FINAME, and onlending such funds at a spread determined by the government to targeted sectors of the economy.

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

Working capital, raised and managed assets⁽¹⁾

R\$ billion

	2017	2016	2015
Account holders and institutional clients	519.6	517.2	480.7
Onlending	24.2	29.8	38.8
Funds from acceptance and issuance of securities abroad	969.9	814.3	765.1
Technical provisions of insurance, pension plan and capitalization	183.7	156.7	132.1
Total with clients	1,697.4	1,518.1	1,416.7
Interbank deposits	2.2	3.8	14.9
Foreign borrowings through securities	41.9	34.3	24.8
Total funds from clients + Interbank	1,741.5	1,556.2	1,456.4
Free funds and other liabilities	519.8	489.9	488.5
Total working capital, raised and managed assets	2,261.3	2,046.0	1,944.9

(1) Information under Brazilian accounting standards.

Financial funds allocated in our business

Loan operations, net

The composition of our loan portfolio reflects the diversification of our business and internationalization strategy, focused on products of lower risk and more guarantees. In 2017, our loan operations, net of losses, increased 0.5% from the previous year.



↑ **R\$465.5 billion**

R\$463.4 in 2016
R\$447.4 in 2015

Represents
32.4%
of total assets

34.2% in 2016
35.1% in 2015

Allowance for loan and lease losses

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

Composition of loan operations by segment



Individuals



Latin America



Corporate

Loan portfolio, net (in R\$ Billion)

R\$177.2

R\$168.9 in 2016
R\$172.5 in 2015

R\$132.0

R\$124.4 in 2016
R\$67.6 in 2015

R\$156.3

R\$170.1 in 2016
R\$207.3 in 2015

Allowance for losses (in R\$ billion)

R\$13.0

R\$14.3 in 2016
R\$14.7 in 2015

R\$4.1

R\$2.1 in 2016
R\$0.9 in 2015

R\$10.8

R\$10.6 in 2016
R\$11.3 in 2015

% of Allowance in relation to total loan

6.8%

7.8% in 2016
7.9% in 2015

3.0%

1.7% in 2016
1.3% in 2015

6.4%

5.9% in 2016
5.2% in 2015

Composition of loan portfolio by maturity

4%

Overdue as from 1 day
3% in 2016
4% in 2015

26%

Falling due in up to 3 months
27% in 2016
27% in 2015

24%

Falling due between 3 and 12 months
23% in 2016
23% in 2015

47%

Falling due after 1 year
47% in 2016
46% in 2015

Concentration of loans by debtors (R\$ Billion)

R\$4.1

Largest debtor
R\$3.5 in 2016
R\$4.6 in 2015

R\$20.4

10 Largest debtors
R\$21.6 in 2016
R\$27.2 in 2015

R\$50.1

50 Largest debtors
R\$53.0 in 2016
R\$64.0 in 2015

R\$69.4

100 Largest debtors
R\$72.4 in 2016
R\$85.2 in 2015

Portfolio quality | Internal risk rating (R\$ Billion)

Low
R\$368.3

R\$369.5 in 2016
R\$344.2 in 2015

Medium
R\$76.7

R\$69.8 in 2016
R\$83.4 in 2015

High
R\$18.4

R\$20.8 in 2016
R\$19.5 in 2015

Impairment
R\$30.0

R\$30.3 in 2016
R\$27.2 in 2015

Allocation of allowance for loans and lease losses

Potential 45%

Allowances for loan losses (expected) for Retail operations and allowances for loan losses (potential) for Wholesale operations.

45% in 2016
47% in 2015

Aggravated 27%

Provisions due to worsening of risk above the minimum required by the Central Bank of Brazil for overdue operations and also for provisions for renegotiated loan operations.

23% in 2016
21% in 2015

Overdue 28%

As required by the Central Bank of Brazil, it refers to the minimum provision required for loan operations.

32% in 2016
32% in 2015

Default

Coverage ratio | 90 days



Coverage ratio | 90 days

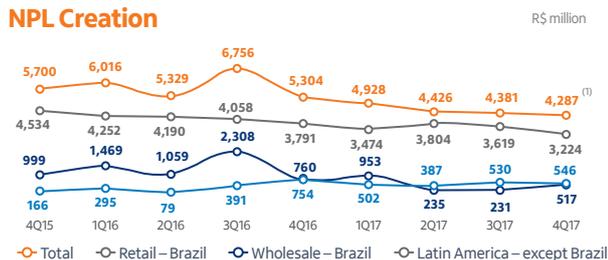


(1) Considering operations acquired from Citibank, the Total Coverage Rate would have been 245%, and Total - Brazil would have been 249%.

The coverage ratio is calculated by dividing the balance of total allowance by the balance of operations overdue for over 90 days. The expanded coverage ratio is calculated from the division of total allowance by the sum of 90 days overdue operations and of renegotiated loan portfolio excluding the double counting of 90 days overdue renegotiated loans.

The balance of total allowance considers the allowance for loan and lease losses and the provision for financial guarantees provided, which in December 2017 totaled R\$1,950 million and is recorded in a liability account pursuant to National Monetary Council (CMN) Resolution No. 4,512/16.

NPL Creation



Note: NPL creation consists in the balance of loan operations that became overdue over 90 days in the quarter.

(1) Considering operations acquired from Citibank, estimated Total NPL Creation would have been R\$4,375 million and estimated Retail - Brazil would have been R\$3,312 million.

Our loan operations are basically exposed to credit and interest rate risks. As part of our risk-mitigating control, we have internal policies establishing guidelines and duties in connection with collateral requirements to increase our recovery capacity in operations exposed to credit risk, among others.

We also use operations with credit derivatives to mitigate the credit risk in our securities portfolios. Our strategy takes into account return rates, underlying risk level and liquidity requirements.

Vision of future (2018)

- Grow from 4% to 7% of our total loan portfolio;
- Maintain our cost of credit between R\$12 billion and R\$16 billion;
- Grow from 5.5% to 8.5% of our service fees and result from insurance; and
- Limit the growth of our non-interest expenses from 0.5% to 5%.



Financial assets



Our portfolio is composed of held-for-trading, available-for-sale and held-to-maturity financial assets and derivative financial instruments, and reflect our conservative management of assets, liabilities and liquidity in local currency. In 2017, our portfolio of financial assets grew 19.5% in relation to the previous year. This increase was basically due to the acquisition of held-for-trading securities and financial assets, which grew 32% in the period.

Composition of portfolio of financial assets (in R\$ billion)

Held for trading ⁽¹⁾	Available for sale	Held to maturity	Derivatives	Other financial assets
R\$271.9	R\$102.3	R\$36.5	R\$22.8	R\$59.6
R\$205.8 in 2016 R\$165.0 in 2015	R\$88.3 in 2016 R\$86.0 in 2015	R\$40.5 in 2016 R\$42.2 in 2015	R\$24.2 in 2016 R\$26.7 in 2015	R\$53.9 in 2016 R\$53.5 in 2015

(1) Includes financial assets designated at fair value through profit or loss.

Held for trading

These are assets recognized at fair value, acquired and accrued for the purpose of selling in the short term. In 2017, financial assets pledged as collateral in these operations totaled R\$30.6 billion (R\$13.0 billion in 2016), and accounted for 11.3% (6.3% in 2016) of total held-for-trading financial assets.

R\$ billion	2017		2016		2015	
	R\$	%	R\$	%	R\$	%
By type of asset						
Investment funds	3.2	1.2	1.2	0.6	1.1	0.7
Brazilian government securities	230.7	85.4	160.0	77.7	117.2	71
Brazilian external debt bonds	4.9	1.2	6.5	3.2	5.0	3.0
Government securities – abroad	4.0	1.5	3.7	1.8	1.1	0.7
Corporate securities	29.1	10.7	34.4	16.7	40.6	24.6
Total	271.9	100%	205.8	100%	165.0	100%

Current: 100% (Non-stated maturity: 4.7; Up to one year: 44.7; From one to ten years: 213.6; After ten years: 8.9).

Available for sale

These are assets that, according to management's understanding, may be sold in response to Market conditions and are classified as financial assets at fair value. In 2017, financial assets pledged as collateral in these operations totaled R\$33.7 billion (R\$17.4 billion in 2016) and accounted for 33.0% (19.8% in 2016) of total available-for-sale financial assets.

R\$ billion	2017		2016		2015	
	R\$	%	R\$	%	R\$	%
By type of asset						
Investment funds	0.3	0.3	-	-	0.2	0.2
Brazilian government securities	26.5	25.9	17.9	20.3	11.8	13.7
Brazilian external debt bonds	12.8	12.5	14.1	16.0	17.3	20.1
Government securities – abroad	24.4	23.9	14.5	16.4	9.9	11.5
Corporate securities	38.3	37.4	41.8	47.3	46.8	54.5
Total	102.3	100%	88.3	100%	86.0	100%

Current: 26%. Non-current: 74%.

Held to maturity

These are assets stated at amortized cost, with respect to which we have the intention and financial ability to hold to maturity. In 2017, financial assets pledged as collateral in these operations totaled R\$1 billion (R\$11.8 billion in 2016) and accounted for 2.7% (29.1% in 2016) of total held-to-maturity financial assets.

R\$ billion	2017		2016		2015	
	R\$	%	R\$	%	R\$	%
By type of asset						
Brazilian government securities	13.7	37.5	12.9	31.9	11.7	27.7
Brazilian external debt bonds	9.0	24.7	12.1	29.7	14.8	35.1
Government securities – abroad	0.5	1.4	0.5	1.3	-	-
Corporate securities	13.3	36.4	15.0	37.1	15.7	37.2
Total	36.5	100.0	40.5	100.0	42.2	100.0

Current: 28%. Non-current: 72%.

Derivatives

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

R\$ billion	2017			2016			2015		
	Assets (A)	Liabilities (L)	Fair Value (A-L)	Assets (A)	Liabilities (L)	Fair Value (A-L)	Assets (A)	Liabilities (L)	Fair Value (A-L)
By type of contract									
Futures	0.2	0.2	-	0.1	-	0.1	0.5	-	0.5
Swaps	9.2	13.7	(4.5)	10.5	13.2	(2.7)	9.1	16.3	(7.2)
Options	3.3	2.8	0.5	4.8	4.6	0.2	5.6	5.8	(0.2)
Forwards (onshore)	6.9	6.3	0.6	5.0	3.5	1.5	3.2	0.8	2.4
Credit derivatives	0.1	0.1	0.1	0.2	0.1	0.1	0.6	0.9	(0.3)
Forwards	3.0	3.7	(0.7)	3.4	2.8	0.6	3.4	3.1	0.3
Check of swap	-	-	-	0.1	0.4	(0.3)	0.4	0.5	(0.1)
Other derivative instruments	0.1	-	0.1	0.1	0.1	-	3.9	3.6	0.3
Total	22.8	26.8	(4.0)	24.2	24.7	(0.5)	26.7	31.0	(4.3)

Other financial assets

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

R\$ billion	2017		2016		2015	
	R\$	%	R\$	%	R\$	%
By type of operation						
Receivables from credit card issuers	32.1	53.8	26.1	48.5	25.2	47.0
Insurance and reinsurance operations	1.2	2.1	1.3	2.4	1.4	2.6
Escrow deposits	14.1	23.6	14.2	26.3	13.0	24.3
Negotiation and intermediation of securities	6.2	10.4	6.7	12.4	7.7	14.4
Receivables from services provided	2.8	4.8	2.5	4.6	2.5	4.7
Other operations	3.2	5.3	3.1	5.8	3.7	7.0
Total	59.6	100.0	53.9	100.0	53.5	100.0

Current: 78%. Non-current: 22%.

Financial investments

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



In 2017, financial investments pledges as collateral for B3 and BACEN operations totaled R\$3.7 billion (R\$4.3 billion in 2016) and accounted for 1.4% (1.5% in 2016) of total financial investments.

Our financial investments were internally assessed as lower risk. Regarding maturity, our financial investments are mostly short term.

R\$ billion	2017		2016		2015	
Interbank deposits	29.0	10.6%	22.6	7.9%	30.5	10.7%
Securities purchased under agreements to resell	244.7	89.4%	265.1	72.1%	254.4	89.3%
Total	273.7	100%	287.7	100%	284.9	100%

Maturity (current)

Securities purchased under agreements to resell
100%

Interbank deposits
97%

Cash equivalents

Securities purchased under agreements to resell
20.1%

Interbank deposits
52.4%

Other assets

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



R\$ billion	2017		2016		2015	
	R\$	%	R\$	%	R\$	%
Central Bank deposits	98.8	56.4	85.7	52.4	66.6	43.4
Tax assets	41.9	23.9	44.3	27.1	52.1	34.0
Cash and cash equivalents (cash and current accounts)	18.7	10.7	18.5	11.3	18.5	12.1
Other assets	10.5	6.0	10.0	6.1	11.7	7.6
Investments in associates and joint ventures	5.2	3.0	5.1	3.1	4.4	2.9
Other assets	175.1	100.0	163.6	100.0	153.3	100.0

Central Bank deposits

The central banks of the countries where we operate impose a number of compulsory deposit requirements to financial institutions. These requirements are applicable to a wide range of banking operations and activities, such as demand, savings, and terms deposits.

**Non-interest
R\$4.8 billion**

R\$3.0 in 2016
R\$3.8 in 2015

Tax assets

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

R\$ billion	2015	2016	Realization	Recognition in tax liabilities	2017
Recorded in income	48.9	47.9	(16.2)	14.5	46.2
Recorded in stockholders' equity	4.3	3.0	(1.1)	0.1	2.0
Total	53.2	50.9	(17.3)	14.6	48.2

Investments in associates and joint ventures

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

R\$ billion	2017		2016		2015	
	Ownership %	Investment amount	Ownership %	Investment amount	Ownership %	Investment amount
Porto Seguro Itaú Unibanco Holding Participações S.A.	42.9	2.8	42.9	2.6	42.9	2.8
BSF Holding S.A.	49.0	1.6	49.0	1.7	49.0	1.6
IRB – Brasil Resseguros S.A.	11.2	0.4	15.0	0.5	11.2	0.1
Other		0.4		0.3		0.3
Total		5.2		5.1		4.8
Assets		21.5		20.8		20.2
Liabilities		11.1		11.3		11.5
Results		2		1.5		1.8

Exposure of our financial capital to main risks related to business

Our credit risk is submitted to an independent assessment by the main credit rating agencies. They assess our credit quality based on reviews of a wide variety of financial and business attributes. Some of these attributes are risk management processes and procedures, capital strength, profit, financing, liquidity, accounting and governance, in addition to support of the government or group.

Credit Risk

Credit ratings/in April 2018	Fitch Ratings	S&P Global	Moody's
Itaú Unibanco Holding S.A.			
Short term	B	B	NP
Long term	BB	BB-	(P) Ba3
Outlook	Stable	Stable	Stable
Itaú Unibanco S.A.			
Short term	B	B	NP
Long term	BB	BB-	(P) Ba2
Outlook	Stable	Stable	Stable
Itaú BBA International plc			
Short term	-	-	P-2
Long term	-	-	A3
Outlook	-	-	Negative

Quality of financial assets:

- **89.0% of Loan Operations** and other financial assets are categorized as low probability of default in accordance with our internal rating.
- Only **4.8% of the total Loans Operations** is represented by overdue credits not impaired.
- **6.1% of the total Loans Operations** are overdue loans impaired.

Learn more about the credit ratings.

Market Risk

The distribution expected for profit and losses (P&L's – Profit and loss statement) of a portfolio over time may be estimated based on the historical behavior of market risk factors of this portfolio. We call this statistic tool of Itaú Unibanco Consolidated VaR.

In 2017, Average Total VaR in historical simulation represented 0.28% of total stockholders' equity.

VaR by Risk Factor Group	Average			Minimum			Maximum			VaR Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
Interest rates	721.0	482.5	363.5	583.6	323.7	314.2	1.311.9	607.4	606.4	764.7	607.4	347.1
Currencies	20.4	18.4	47.1	6.5	6.8	11.3	50.2	33.2	118.6	11.9	17.0	12.3
Shares	45.4	45.2	16.9	38.5	34.0	6.9	54.9	63.3	57.2	46.4	44.3	46.9
Commodities	1.5	1.7	1.8	0.7	0.7	0.8	4.0	4.0	8.5	0.8	0.8	2.1
Effect of Diversification	-	-	-	-	-	-	-	-	-	(451.5)	(339.7)	(204.4)
Total Risk	409.9	236.6	207.0	304.8	155.1	152.3	874.0	341.5	340.7	372.3	329.8	204.0

Liquidity Risk

Pursuant to instructions provided by BACEN Circular Letter Circular No. 3,775, of July 14, banks with total assets over R\$100 billion have sent to BACEN, on a monthly basis, since October 2015, a standardized indicator of short-term liquidity (LCR, i.e. "Liquidity Coverage Ratio"). It is reported on a consolidated basis for financial institutions that are part of the Prudential Conglomerate. The calculation of this indicator follows the methodology established by BACEN, and is in line with the Basel international guidelines.

Information on Short Term Liquidity Ratio (LCR)	2017	2016
	Total adjusted value ⁽¹⁾	
Total High-Quality Liquid Assets ⁽²⁾	187,090	180,957
Total potential cash outflows ⁽³⁾	98,356	85,018
LCR (%)	190.2%	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.



Social and relationship capital

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.

These ethical principles are also expressed 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.

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 and, in combination with *Nosso Jeito (Our Way)*, helps us in our business, activities and in the decisions we make in the relationship with our main stakeholders:

Our stakeholders



Clients



Stockholders



Employees



Society



Suppliers

The Code reflects our attitudes towards the development of a set of values, corporate culture, beliefs and attitudes adopted at all times by all our employees and management members. Our Code of Ethics is approved by the Board of Directors and applies to all directors, officers and employees of our conglomerate in Brazil and abroad. The Code is also available to all suppliers, service providers and subsidiaries of Itaú Unibanco.

Our Code of Ethics is divided into four basic principles:

Identity

What distinguishes us from the other companies

Interdependence

The engine of social coexistence

Good faith

Trust building trust

Excellence

Continuous search for the highest levels of quality

The role of financial services in society



The financial sector plays a key role for society, serving persons, families, companies, governments and civic institutions. The banking industry performs essential functions, such as economy and investment, protection against risks and support to the creation of new jobs and companies on a sustainable way.

In 2013, the World Economic Forum launched a multi-sector initiative to supplement the regulatory reform process of the financial system, already ongoing, bringing together a wide range of professionals from the financial system, including leaders of financial institutions, economics, academics, executives from commercial companies that depend on financial services and representatives of civil society, including consumer protection bodies and unions.

The purpose was to seek a common vision about what the financial system should offer to society:



Promote financial and economic resilience;



Safeguard savings and integrity of financial contracts;



Facilitate efficient allocation of capital to support economic growths;



Provide broad access to financial products and services;



Enable smoothing of cash flows and consume over time;



Enable payment methods;



Provide financial protection, risk transfer and diversification;



Collect, analyze, and distribute information to improve the economic decision-making process; and



Provide effective markets.

Access the study "The role of the financial services in society", disseminated by the World Economic Forum.



Main stakeholders

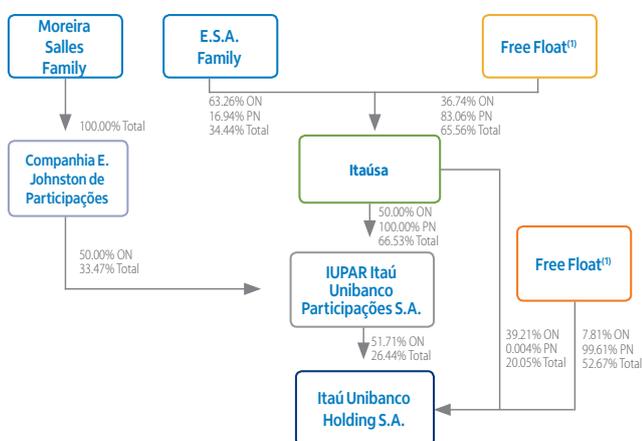
Stockholders



Our capital stock is comprised of common shares (ITUB3) and preferred shares (ITUB4), both traded on B3 (Brasil, Bolsa, Balcão). In the United States, our preferred shares are traded on the New York Stock Exchange (NYSE), as receipts (American Depositary Receipts or “ADSs”).

Our capital is represented by 6,550,514,438 book-entry shares with no par value, divided into:

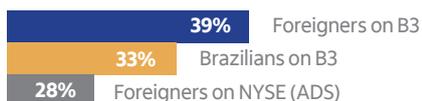
- Common – 3,319,951,112 shares that entitle their holders to one vote in general meetings; and
- Preferred – 3,230,563,326 shares that are nonvoting, but confer the holder priority in the receipt of mandatory dividends and tag-along rights in the event of sale of the controlling stake.



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

Outstanding Preferred Shares

Free Float – at 12/31/2017



Stock Exchange	Ticker	Governance level
	ITUB3	Level 1
	ITUB4	
	ITUB (ADS)	Level 2

Main channels of engagement

Conference Call	In 2017, we held four teleconferences to present the quarterly results.
Apimec	In 2017, we held 16 meetings with the Association of Analysts and Investment Professionals of the Capital Markets (Apimec).
Others	E-mail: relacoes.investidores@itau-unibanco.com.br Investor relations website: www.itau.com.br/investor-relations

Suppliers



We recognize that our suppliers are essential to our business and, therefore, we value and reinforce healthy partnerships, building long-term sustainable relationships.

In 2017, we disseminated new internal policies and restructured the management process of our suppliers and third parties. The purpose was to obtain higher operating efficiency, satisfaction of the departments served, transparency, discipline and improved risk.



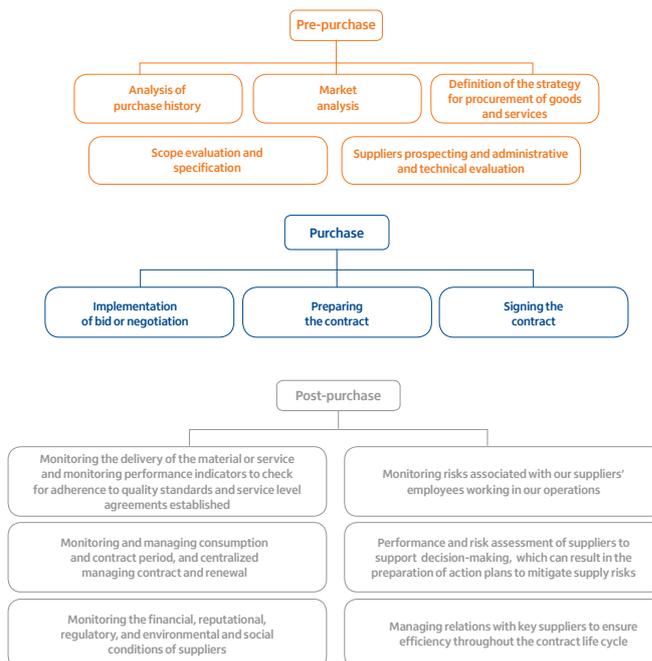
* As a result of the New Procurement Model used, we reviewed the administrative evaluation process focusing on improving the analysis of suppliers and streamlining the process for the involved parties. Upon this review, in which the approval validity is eliminated and the risk of these suppliers is periodically monitored, the volume of approved suppliers ranged by 4,205.

Procurement of goods and services

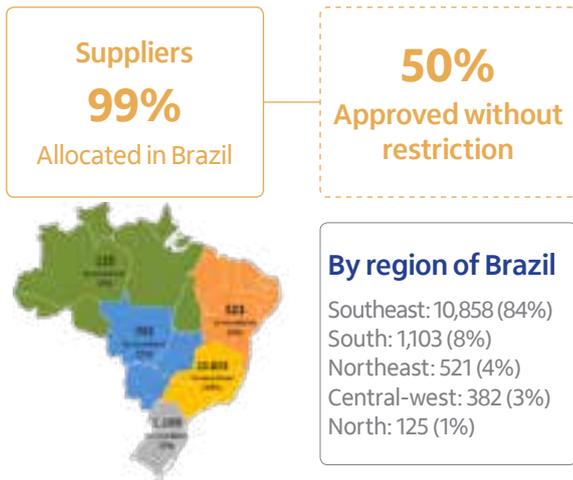
The process for purchasing goods and services is conducted on a centralized basis by the Procurement department, with the involvement of the Contracting and Legal department, among other supporting departments.

The purpose of the Procurement department is to structure the procurement department, aligned with each type of business, and ensure consistent relationship with our suppliers.

This process is composed of three phases: Pre Purchase, Purchase and Post Purchase.



Profile of our suppliers



Suppliers by activity sector

Maintenance	29%
Marketing and Telecommunications	16%
Legal	11%
Training and benefits	11%
Information Technology	10%
Other	23%
Total	100%

Contractual formalization, breaches and penalties

Our supplier contracts include specific clauses about the proper monitoring of environmental and social issues.

In the event of identification of irregularities, action plans can be developed to help a supplier solve the problem or, in certain situations, penalties are applied and they may lead to suspension or termination of the respective contract.

Main engagement channels

Communication channels	Specific website and e-mail for suppliers Reporting channel: aims at ensuring an ethical and transparent relationship with our suppliers
------------------------	---

Clients



In a world permeated by continuous digital transformation, our challenge is to monitor changes and meet our clients' needs.

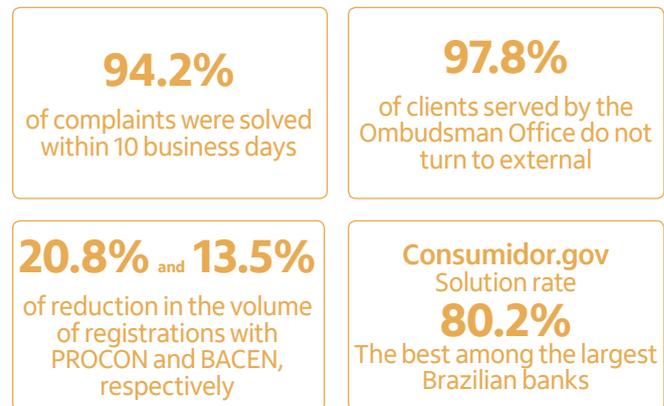
Total clients

○ Internet ● Mobile



Complaint management

The Ombudsman's Office acts as the highest level to solve complaints that were not resolved in our regular channels, with the purpose of finding a definitive solution for them, contributing to a long-lasting and balanced relationship.



Products and services focused on clients

Microcredit

The focus of microcredit operations is to act to increase opportunities of stable jobs and improvement of microentrepreneurs's work conditions. In addition, it is a product that includes clients who were outside the traditional financial system, and it may contribute to strengthen citizenship and wellbeing of the community as a whole.

Itaú Women Entrepreneurs Program

The purpose of this program is to empower the women entrepreneurs in Brazil, so that they can develop their businesses and encourage the power of transformation of people and society.

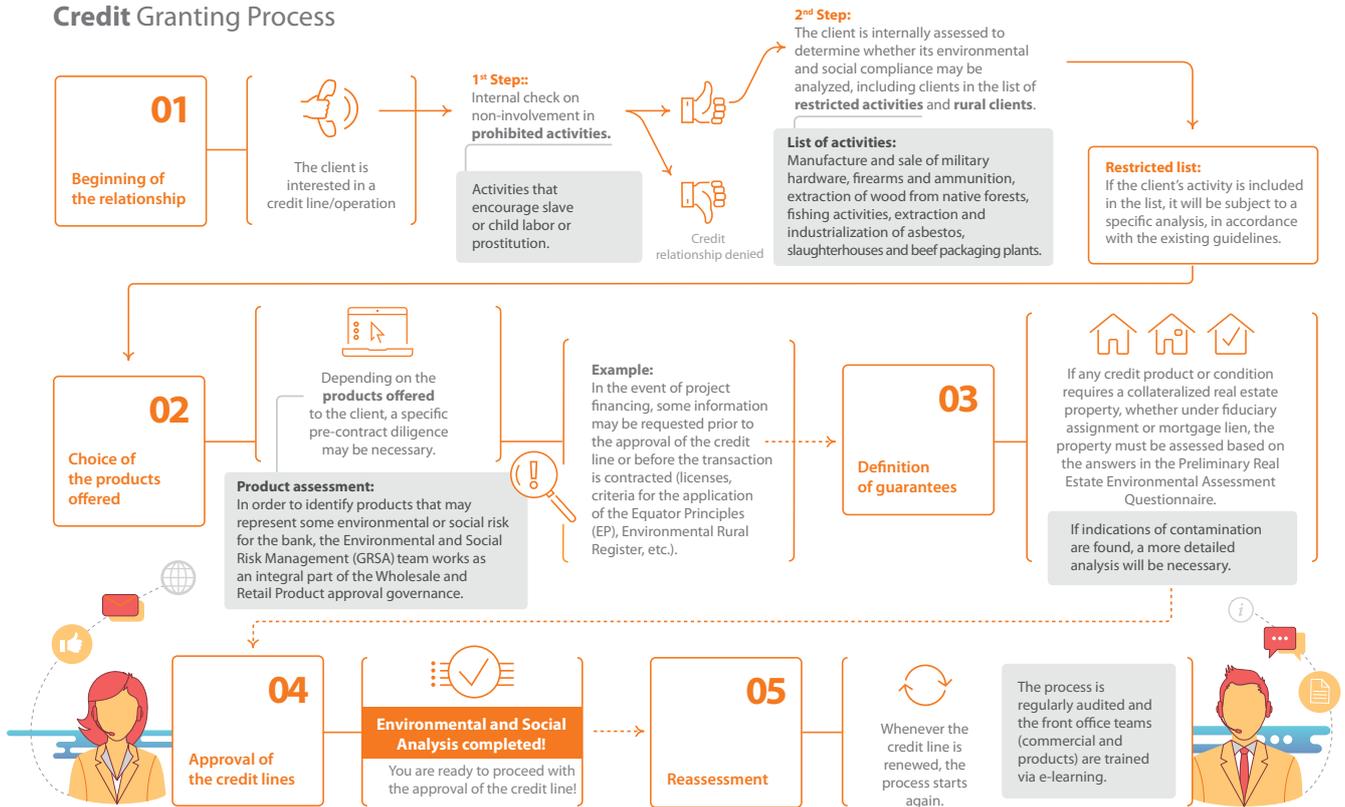
We offer solutions to train, inspire and connect women entrepreneurs in Brazil.

In 2017, we held intensive workshops on financial guidance, in addition to an event to inspire women entrepreneur, broadcasted for over 1,600 viewers.

Representation of women in the corporate client basis

- 54.0%** Microcredit (formalized companies or not formalized with annual revenue of up to R\$120 thousand)
- 38.32%** Companies (annual revenue of up to R\$1.2 million)
- 32.61%** Companies (annual revenue of up to R\$8 million)
- 26.69%** Companies (annual revenue of up to R\$30 million)

Credit Granting Process



Society



Our strategy relates to social development actions, such as financial education, culture, and urban mobility, which are taken to all communities where we operate. The same actions are extended to the media, opinion makers, the market and a number of social organizations.

We also work together with various levels of government to improve public policy models in the numerous countries where we operate.

Private social investment

Our social investments are aligned with our purpose and are primarily focused on education, health, culture, sports and urban mobility.

R\$547.4 million

Invested in 880 social projects

In 2016, R\$473.2 invested in 620 projects
In 2015, R\$547.6 invested in 532 projects

In 2017, we formalized in an internal policy the ruling that all of the investments made by the bank should aim to contribute to the Sustainable Development Goals (SDGs), reaffirming our commitment to the global agenda adopted during the United Nations Sustainable Development Summit in 2015.

Education



Through Fundação Itaú Social, Instituto Unibanco, and partnerships with other Institutes, foundations and civil society organizations, we contribute to improve the quality of Brazilian public education.

In 2017, Fundação Itaú Social started a process to review its organizational structure in search for more effectiveness, thus reinforcing the mission of developing, implementing and sharing social technologies that contribute to the improvement of Brazilian public education.

Approximately 1.5 million people were benefited with these initiatives.

Instituto Unibanco also acts to improve public education in Brazil, focused on Secondary School. To do so, it develops and implements management solutions in the public school system to get better results in youth education.



Culture

Instituto Itaú Cultural acts to map, support and disseminate art and culture in the country, making available an intensive free-of-charge cultural program.

The project reached 30 years and celebrated the landmark of over 9 million of people impacted.

Espaço Itaú de Cinema acts to provide different views of the movies, to develop audiences, and leave a legacy to society, always supporting projects that value and reinforce our commitment to democratization of culture.

We received over 3 million people in our movie theatres.



Urban mobility

Our focus is to promote the bicycle as an active transportation means to improve urban mobility, reduce traffic and emissions of greenhouse gases, and, as a result, improve the quality of life of society.

The bicycle sharing system reached the landmark of 16 million trips and over 2 million registered users.

Escolinha "Bike" (School) aiming at teaching children to ride safely in urban centers.

Over 4,000 young cyclists (2 to 7 years old) formed.



Health and well-being

Associação Itaú Viver Mais (Live Longer) is a non-profit association focused on people over 55 years old. Our purpose to contribute to the quality of life of these people, by providing cultural, physical and social activities in partnership with a supermarket, clubs, shopping malls, and movie theaters.



In 2017, Associação Itaú Viver Mais impacted approximately 4,692 people in 37 places.

Human rights

Our commitment is to protect the fundamental rights inherent to each individual counting on specialized partnerships, incorporation of the best market practices and instructions from bodies that determine social responsibility, such as Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, and the International Labor Organization (ILO).

Financial education

A way of contributing to the development of society is to understand people's needs and to offer knowledge and suitable financial solutions to enable people to have a more balanced relationship with money.

We know that changes come from individual behavior, but we believe that it is our role to guide employees, clients, suppliers, and society. We offer tools for them to make the most suitable financial decisions for their moments in life, and products that permit actual achievements.

Conscious use of money

The purpose of the program is to share knowledge of financial education with youth and adults. In total, it has already impacted over 6,300 people in NGOs and schools all over the country, and involved approximately 1,100 acting volunteers since 2015.

Financial education program for corporate clients

We offer content, videos and talks free of charge to employees of more than 500 corporate clients that have customer site branches (CSBs). Since 2014, the program has impacted more than 24,000 clients and 533 lectures were given throughout Brazil.

Financial Education Integrated with Preventive Action

We focus on credit clients who need financial guidance. With the program, we understand their needs, so we can provide instruction and offer the correct products to reorganize their credit according to their income.

Program for People in Debt

With the purpose of helping people to become free from high indebtedness, we developed solutions that have the power to enable people to recover the balance of their financial lives. In 2017, we integrated part of the offer of financial education courses into an exclusive renegotiation process, using the financial guidance approach.

Government

We seek to work in direct contact with government entities, with the purpose of cooperating with the construction of public policies consistent with the interests of society and the organization.

In terms of strengthening the institutional causes, we made contributions of financial support over 2017, to support projects and activities linked to public organizations and other government institutions.

In compliance with the Brazilian laws and regulations, in 2017 we did not make any donation of funds to political parties or candidates designated for elections.

Tax and fiscal obligations

They refer basically to income tax and social contribution. Tax and fiscal obligations consider, for calculation purposes, the respective bases in accordance with legislation in force for each charge, which, for Brazilian operations, are applicable to all periods presented:

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

Current obligations approximate taxes to be paid or recovered in the applicable period. Deferred obligations represent the differences between the accounting and tax calculation bases of assets and liabilities at the end of each year.

R\$ billion	2017	2016	Varição (%)
Current	3.2	1.7	88.24%
Deferred	0.4	0.6	-33.33%
Others	4.2	3.4	23.53%

Contingent liabilities and legal, tax and social security obligations

As a result of the ordinary course of our business, we may be a part to legal lawsuits of labor, civil and tax nature. The criteria to quantify contingencies are adequate to the specific characteristics of civil, labor and tax lawsuits portfolios, as well as other risks.

Civil lawsuits arise from claims related to the revision of contracts and compensation for damages and pain and suffering. Labor claims arise from lawsuits in which alleged labor rights specific of the category are discussed, such as: overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement, among others.

Tax and social security lawsuits are those 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.

R\$ billion	Civil	Labor	Tax and Social Security	Other	Total
Provisions, contingencies and other commitments					
2017	5.3	7.3	7.0	0.1	19.7
2016	5.2	7.2	8.2	0.3	20.9
2015	5.2	6.1	7.5	0.1	18.9
Off-balance provisions for possible loss at 12/31/2017					
2017	3.5	0.1	19.5	-	23.1
Escrow deposits					
2017	1.4	2.2	5.2	-	8.8



Human capital

Our management model is built by people who are essential for the sustainability of our assets and business. We support diversity and development of skills and competences focused on quality, innovation and client satisfaction, which will contribute to sustainable performance and long-lasting results.

Profile of our diversity



Total employees
↑ 99,332

94,779 in 2016
 90,320 in 2015



Abroad
↑ 13,795

13,908 in 2016
 6,839 in 2015



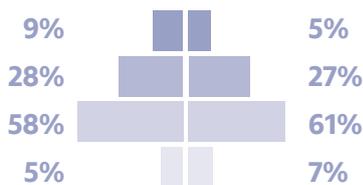
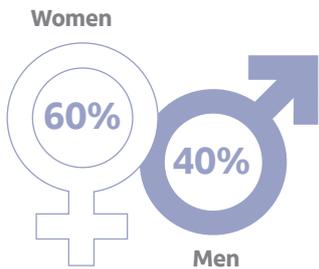
In Brazil
↑ 85,537

80,871 in 2016
 83,481 in 2015

By regions of Brazil – 2017

- 1. South **8%**
- 2. Southwest **82%**
- 3. Central-west **4%**
- 4. Northeast **5%**
- 5. North **1%**

Profile by generation



- Baby boomers (over 52 years old)
- Generation X (between 37 and 51 years old)
- Generation Y (between 22 and 36 years old)
- Millennials (up to 21 years old)



Representation by position and genre⁽¹⁾



13%	15	Executive Board	103	87%
51%	7,084	Management	6,699	49%
53%	14,355	Administrative	12,825	47%
67%	27,860	Commercial and Operational	13,878	33%
45%	62	Trainees	77	55%
58%	2,739	Interns	2,004	42%
71%	1,750	Apprentices	732	29%
60%	53,865	Total ⁽¹⁾	36,318	40%

More diversity



Afro-descendant
↑ 22%
 21% in 2016
 20% in 2015



With visual impairment
0.4%



With reduced mobility
2.7%



With other limitations
1.2%

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

Our profile of diversity

We believe diversity has the power to boost the organization's competitiveness. Having a staff with diversified genders, races, origins, opinions and cultures in the company means broadening perspectives and viewpoints in the decision-making process. We seek to value diversity in our organization by means of specific guidelines, policies, seminars, training and in-house communication.

Diversity, Equity and Inclusion

Women

We conducted actions to incorporate gender issues into the organization's strategy, with the purpose of understanding the women's perception of their own topic. We currently have as guideline to encourage women's career development in the organization, so as to balance their representativeness along our pyramid.

Afro-descendants

We understand how important it is to proceed with the strategy of bringing this topic to open debates in formal forums. Our purpose is focused on boosting the share of black people in the organization staff. In 2017, we held seminars, workshops and meetings with external recruiters to identify trends related to this topic.

People with Disabilities (PWD)

We seek to provide our employees with the best possible accessibility and compatibility resources, according to their respective professional profiles. Our purpose is offering conditions for development with equal opportunities.

Lesbians, Gays, Bisexuals and Transgenders (LGBT)

Our purpose is encouraging an environment of security and respect, where people are free to openly talk about their sexual orientation without fear. In 2017, those in charge of our Governance held a meeting with different audiences to discuss about the LGBT theme, an initiative for exchange of experiences, background and perceptions.

People Management

Attraction, retention and development

The career of our employees is monitored by the Personnel Department, which aims at disseminating the organizational culture, attract, retain and develop the organization's talents, seeking professionals who, besides having the necessary competencies for developing their

activities, are committed to increasing client satisfaction and becoming leaders of the organization in the future.

Our governance carries out actions based on the strategic guidelines determined by the Personnel Committee, which is composed of members of the Board of Directors.

Leadership training

Our strategy for training leaders seeks to ensure the sustainable performance of our business. We believe that a manager with well-developed leading skills can strengthen the team engagement with the bank.

We started comprehensive digital training with national and international instructors. We understand that our leaders must be prepared and sensitized to focus on the bank's sustainability and future. Our program also covers topics such as communication, clients and banking business, and includes lectures with the bank's executives that talk about what is being done internally in each work front.

In addition to corporate training, we offer specific training events aligned with each executive's career stage and customized for the Individual Development Plan.

Itaú Unibanco Business School

Itaú Unibanco Business School works to build learning solutions aligned with Our Way and our strategies, by offering specific training programs covering technical and behavioral topics, through a number of methodologies and media.

We devote ourselves to deepening our understanding about different behaviors and how the financial issue may influence our employees' health and productivity.

Meritocracy

Meritocracy is our way of managing people and differentiating them on the basis of their relative performance. The employee performance evaluation is aimed at evaluating the employee's performance during the year. The deliveries of each employee are evaluated considering the way results were obtained. The grades related to these evaluations are consolidated, so as to relativize the employees' performance in relation to their peers, on a collegiate basis. The offer development opportunities adjusted to the needs of each employee and their role in the continuous search for better opportunities are part of this exercise.



Investment in Personnel

R\$23.3 billion

R\$22.4 in 2016
R\$19.6 in 2015

2017

Compensation	R\$9.2 billion	39.5%
Profit sharing	R\$3.8 billion	16.3%
Benefits	R\$3.4 billion	14.5%
Charges	R\$2.8 billion	12.1%
Other	R\$4.1 billion	17.6%



Training

Approximately
23 hours
by employee

2017

93.7% Employees adhesion rate	+7 thousand Scholarships granted to employees	169 thousand In-person training	977 thousand Distance training
--	---	--	---



Turnover

9.1%
10.4% in 2016
10.6% in 2015

2017

6.9% Voluntary	14,145 Hirings	9,454 Dismissals	1.5 Hiring/ dismissal ratio
2.2% Involuntary	9,889 in 2016 6,113 in 2015	10,570 in 2016 9,023 in 2015	

Health and well-being 2017



1 thousand
Nutritional
appointments



9 thousand
Employees
enrolled
at the gym



2 thousand
Adhesions to the
pregnant mothers
support policy



1 thousand
Adhesions to
paternity leave



57 thousand
Flu prevention
vaccine



Absenteeism⁽¹⁾
1.2 em 2017
1.1 in 2016
1.4 in 2015

Fale Francamente (Speak Frankly)

86%
(92% of adhesion)

80% (89% of adesão)
82% (88% of adesão)

Adherence to the Code of Ethics

57 terminations
11 written warnings
77 notices

Ombudsman

773⁽²⁾
complaints

853 in 2016
921 in 2015

39% disrespect
29% noncompliance
with rules
13% intimidation
9% lack of management
effectiveness
10% other

(1) Calculation of absenteeism: (total days of absence due to sick leave in the period / total days worked by the internal audience in the same period) x 100.

(2) 43% Legitimate, 44% Illegitimate and 13% Inconclusive.

Ombudsman

To strengthen our commitment to ethics, we have an Internal Ombudsman channel in place – the Internal Ombudsman’s Office. Its purpose is to help employees resolve interpersonal conflicts and conflicts of interest in the work environment, ethical misconduct and nonconformities with related institutional policies, working with confidentiality, neutrality and independence.

In 2017, the channel completed its 10th anniversary and started working also as the Risk channel under the Risk Culture Program. In order to guide and discipline employees who have not complied with the principles of the Company’s Code of Ethics and rules and to minimize related risks, the Internal Ombudsman’s Office recommends and monitors the implementation of guiding/disciplinary measures to those involved in the complaints investigated and considered legitimate.

Pesquisa Fale Francamente (Speak Frankly Survey)

Conducted annually with all employees in Brazil and International Units, the survey measures the level of staff satisfaction with the organizational environment and people management.

Combating corruption

Based on the best global practices, our purview of corruption covers illegal acts between public and private agents, as well as those involving private agents only.

Our Corruption Prevention Corporate Policy reinforces our commitment to cooperate proactively with local and international initiatives to prevent and combat all forms of corruption. It also sets guidelines for the conception, execution and continuous improvement of the Integrity and Ethics Corporate Program aimed at the development of corruption prevention, monitoring and combating practices, using reporting channels and promoting corruption prevention awareness campaigns and training programs.

In 2017, we maintained the continuous education program particularly for the departments most sensitive to the corruption risk that have contact with the government and suppliers. The percentage of adherence to distance training by employees and Top Management came up to 93% in 2017.

Compensation and incentives

The purpose of fixed compensation is to recognize a professional’s competence and seniority. The variable compensation, in turn, acknowledges the level of dedication, the results achieved and its short, medium and long-term sustainability.

Several benefits are offered to our employees under collective bargaining agreements entered into with labor unions, covering all our employees, with the respective unions of each category. These benefits include meal and food vouchers, monthly staples packages, day-care/nanny costs, transportation vouchers, among others.

Health, safety and well being

We have a specific department for managing, running and developing activities that make an ongoing contribution to occupational safety, and establishes institutional guidelines for issues involving occupational health.

The Internal Accident Prevention Committee (local acronym CIPA) and safety representatives establish the responsibilities and necessary actions to ensure compliance with Ordinances of the Ministry of Labor and Employment.

Occupational health and safety issues are also addressed at collective bargaining agreements with labor unions and the Occupational Safety and Health Sub-Commission of FEBRABAN.

Vision of future (2018)

- Reach 95% of adherence to the instrument of acknowledgement of corporate integrity policies;
- Train 85% of employees on ethics (seminars on ethics for top management);
- Work themes from the customized educational grid with managers of the branch network;
- Develop new online capabilities for employees; and
- Increase employees’ digital engagement in themes involving financial guidance.





Intellectual capital

In a world permeated by continuous digital transformation, our challenge is to monitor changes and meet our clients' needs. An essential part of this transformation is the increasing usage of mobile devices with access to the Internet, which directly reflects on the exponential growth in the use of mobile banking.

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

Maintenance of a solid capital base

We adopt a forward-looking approach regarding capital management, which has enabled us to reach a high capitalization ratio and therefore a greater capacity to provide returns to stockholders. Our capitalization strategy, which is based on diversified sources of revenues, an adequate credit policy and a focus on corporate governance, is reflected in our capital ratios, which provide evidence of our effective loss-absorbing capacity and business continuity-focused planning.

Focus on income from commissions and fees, and results from insurance and less exposure to credit risk

In recent years, we have improved our credit risk management models, economic forecasts and scenario modeling. Through greater selectivity in credit approvals and changes in our loan portfolio mix, we have achieved positive results given the economic scenario in the markets where we operate. We have invested in a pricing model based on risks as applied to our products, thereby providing a more accurate view of the risk-return ratio in different scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks.

Large investments in technology

Our intensive use of technology and electronic distribution channels have significantly helped increase the volume of sales of products and services and is one of our top competitive advantages. We prioritize efforts to develop platforms and services that use the best of technology, so that we can simplify and make life easier for everybody engaged with the bank, with a focus on mobility and a convenience.

Premier banking brand in Brazil

We believe that a strong brand impacts a company's results, providing for higher profitability and market share growth, and may reduce certain risks faced by the company, thereby resulting in less volatility in results. Our position in the Interbrand ranking has provided us with local and international recognition and associates our brand to quality and reliability.

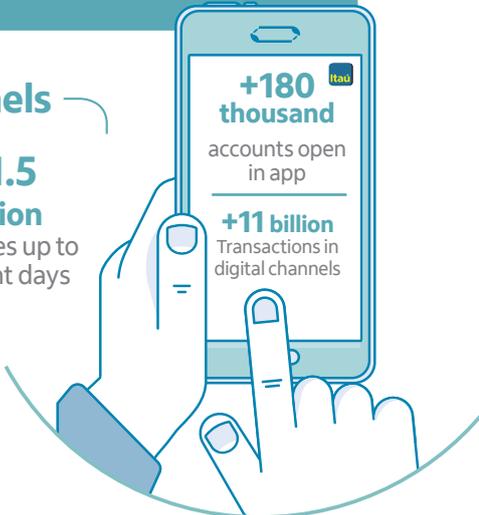
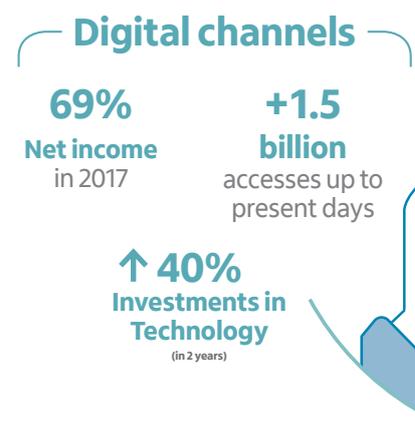
Geographic diversification and a large branch network

Our business model has been boosted by our significant presence nationwide and an increased presence abroad, promoting the creation of stable deposits and low-cost financing, and helping us achieve a desirable level of income diversification. Our wide retail network, composed of branches, customer site branches, and ATMs in Brazil and abroad, provide solid recurring results and a large share of fee-based income in our results.

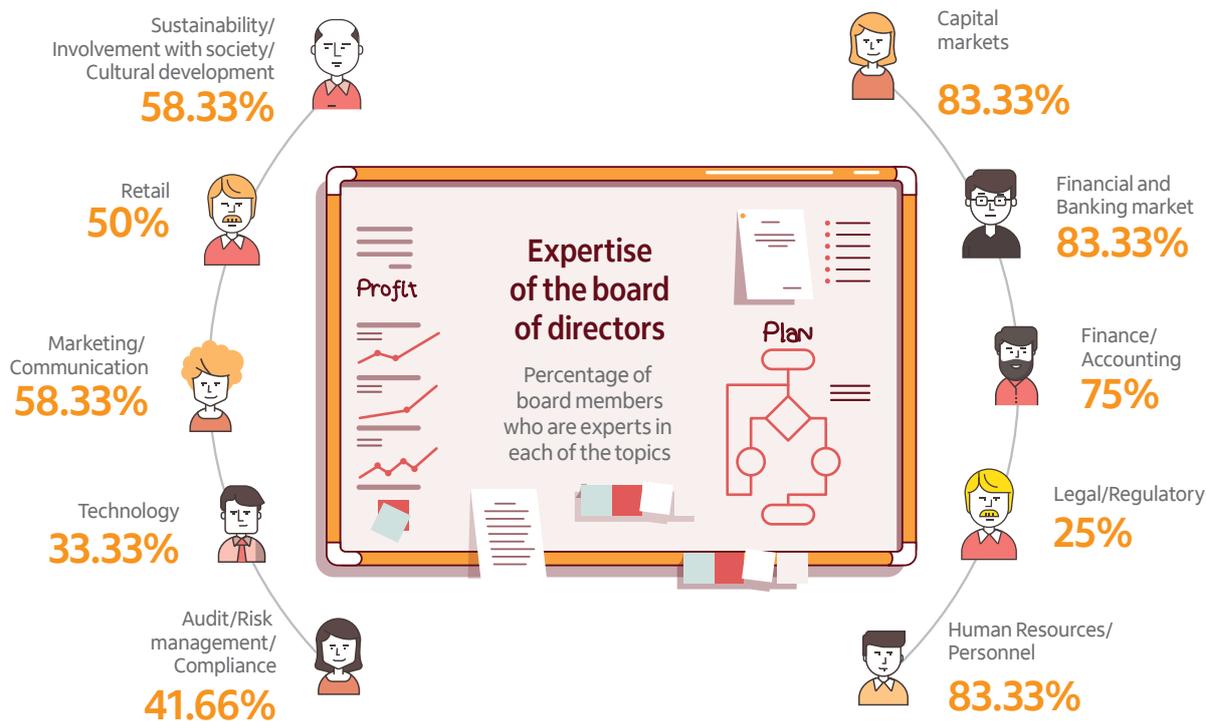
Digital transformation

New technologies are arising and being gradually incorporated into our business. By aligning these trends to our competitive strengths, we seek differentiation in the way we relate with clients and do business.

By investing in new technologies aiming at the transformation, we seek the balance between transactions and clients' experiences, constant simulations of attacks and defenses related to cyber risks, and security in the whole technology chain, and protection of our clients' information.



The Board of Directors is composed of professionals with outstanding knowledge and experience in different operating areas. Below is a skill matrix with the expertise of our Board of Directors.



Skills and experience



Pedro Moreira Salles
Co-chairman of the Board

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

History: He held several positions in the Group, among which the Vice-Chairman of the Board of Director (between 2003 and 2017) and Executive Vice-President (between 2008 and 2009) of Itaú Unibanco Holding S.A. He also served as Member of the Board of Directors (between 1989 and 1990), Vice-Chairman of the Board of Directors (between 1990 and 2008), Chief Executive Officer (between 2004 and 2008) and Director Vice-President (between 2008 and 2009) in Unibanco - União de Bancos Brasileiros S.A. He was also member of the Board of Directors of Totvs S.A (between 2010 and 2017); Chairman of the Board of Directors and Chief Executive Officer of Companhia E. Johnston de Participações since 2008; and Chairman of the Steering Committee of FEBRABAN - Brazilian Federation of Banks (since 2017).



Roberto Egydio Setubal
Co-chairman of the Board

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

History: He held several positions in the Group, including Chief Executive Officer (between 1995 and 2017), Vice-Chairman of the Board of Directors (between 2003 and 2017) of Itaú Unibanco Holding S.A. He is a member of the Board of Directors and Audit Committee of Royal Dutch Shell (since 2017). He is a member of the International Monetary Conference Council (since 1994); He was President of the National Federation of Banks (FENABAN) and Brazilian Federation of Banks (FEBRABAN) (between 1997 and 2001), and President of the Advisory Board of FEBRABAN (between 2008 and 2017); He is a member of the Trilateral Commission of the International Board of NYSE (since 2000), of the China Development Forum (since 2010) and is Co-President of the World Economic Forum (WEF). He is also a member of the Economic and Social Development Council (CDES) of the Presidency of the Republic (since 2016).



Candido Botelho Bracher
Chief Executive Officer

Education: He has a Bachelor's Degree in Business Administration from the School of Business Administration of São Paulo - Getulio Vargas Foundation (FGV).

History: He held several positions in the Group, including Wholesale Banking General Director (between 2015 and 2017), Vice-President (between 2005 and 2015) and Member of the Board of Directors (between 2009 and 2017) in Itaú Unibanco Holding SA. He also served as Vice-Chairman of the Board of Directors (between 2013 and 2015), Chief Executive Officer (between 2005 and 2015) and Vice Chairman (between 2003 and 2005) in Banco Itaú BBA S.A. He was also a member of the Board of Directors (between 2009 and 2014) of BM&F Bovespa S.A. (currently B3 S.A. Brasil, Bolsa, Balcão), Alternate Member of the Board of Directors (between 1999 and 2005) and Member of the Board of Directors (between 2005 and 2013) of Pão de Açúcar - Companhia Brasileira de Distribuição; and Officer and Partner (between 1988 and 2003) in Banco Itaú BBA Creditanstalt S.A.



Manufactured capital

We provide integrated financial services and products for our clients through a variety of distribution channels that offer primarily more comfort, convenience and security to our clients and employees.

Book value of our fixed assets
↓ R\$7,4 billion
R\$8,0 in 2016
R\$8,5 in 2015



Branches and Banking Service Centers

1.2 million m²
Equivalent to **283 Maracanã stadiums**

ATMs

Piled up are equivalent to **217 Empire States**

Relationship with clientes

+ 2 million people per day in our branches

Itau Digital

17 petabytes of information
9 libraries of **Netflix**

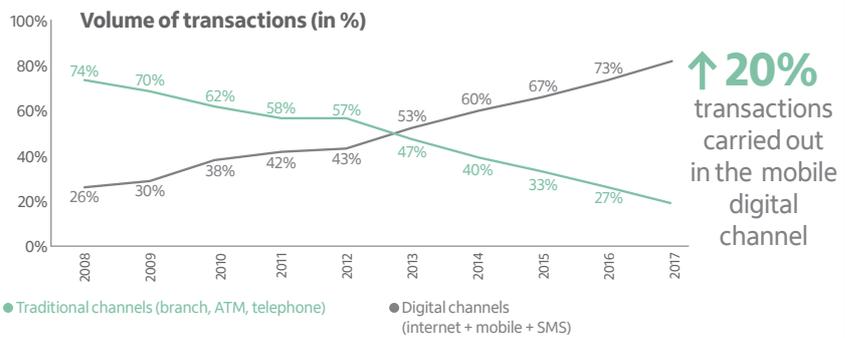
Our administrative buildings and offices have 445 thousand m² of built-up area.

Include commercial buildings in 10 different areas, primarily located in the city of São Paulo.
32% own and 68% leased properties

Technology currently summarizes the backbone of our evolution:

- Over 1,000 APIs (application programming interfaces) developed;
- Involvement in 100% of blockchain orders ongoing in Brazil;
- Consolidation of a private cloud, that already runs dozens of the bank's applications; and
- Use of artificial intelligence to obtain operational efficiency.

We use technology to obtain operational efficiency and understand the clients' behavior.



Vision of future

Our challenge is to speed up the digital transformation process, continuously increasing the productivity of the IT department and fostering a digital mindset in the whole bank, to gain efficiency and improve the user's experience and client satisfaction.

Data Center (Expansion)

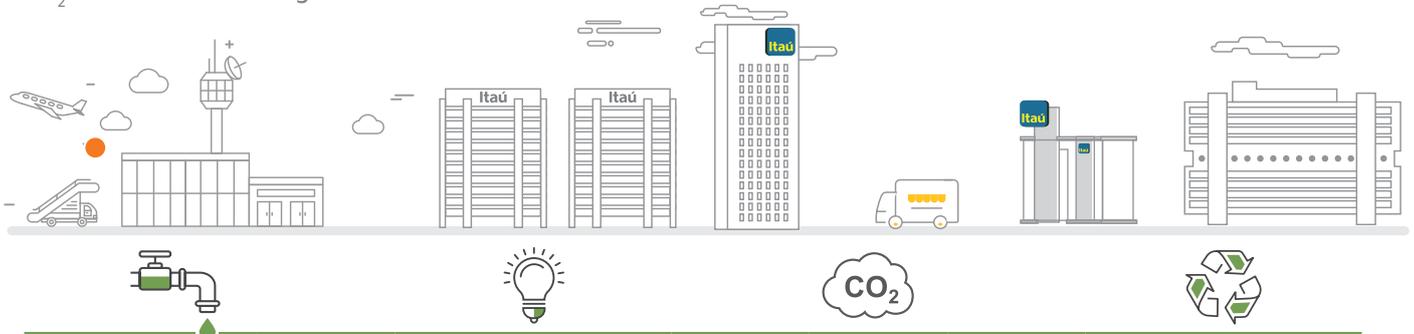
Phase II (2018 to 2020) | Construction of Data Centers 3 and 4, that will represent over 46 thousand m².

Phase III (2023 to 2035) | Construction of two other Data Centers (5 and 6), that will also add 46 thousand m².



Natural capital

We are an agent of transformation and have an important role in sustainable development. As a company of the future, we seek operational eco-efficiency in the creation of value, achieving positive results and encouraging the development of people, society and the countries where we operate. For us, measuring and managing impacts related to our operations is crucial. We assess the environmental performance of our manufactured capital through water and electricity consumption, CO₂ emissions and waste generation.



Consumption and disposal	Water (in m ³)	Energy (in MWh)		Emissions CO ₂ (tCO ₂ e)			Waste (Ton)	
		Renewable	Non-renewable	Scope I	Scope II	Scope III	Landfill, composting and others	Recycling
2017	1.390.142	218.609	351.885	7.720	52.565	169.480	24.596 ¹	795
2016	1.410.592	203.920	409.253	10.895	54.340	99.556	1.532	863
2015	1.472.460	188.823	503.836	9.872	96.154	121.521	1.824	1.431
Target 2017	1.389.968	219.000	363.923	10.422	54.054	-	1.514	-
Target 2018	1.375.653	219.000	360.855	10.414	53.752	-	2.237	-

(1) Data from 2015 consider administrative buildings and technological centers, from 2017 were also considered the network of agencies covering 100% of our facilities in Brazil. It also contains a value of 1,757 (Other waste) equivalent to waste generated in works within our facilities.

We have contingency plans and actions to mitigate and improve efficiency in water consumption in our business.

In 2017, the main initiatives were the installation of flow restrictor devices, rainwater collection and campaigns for conscious use of water.

Investments in an energy matrix from renewable sources to maintain our operations. Energy from biomass plants or wind parks are also used, in a lower scale.

The main actions related to the theme were the installation of LED bulbs and replacement of equipment with high energy consumption.

We continuously invest in projects that contributed to the reduction of our emissions.

Scope 1 covers direct emissions, primarily arising from the combustion of diesel oil.

Scope 2 covers indirect emissions in the consumption of electricity. Scope 3 cover emissions arising from transportation of employees, generation of solid waste and business trips. As from 2017, considers LATAM operations.

We are constantly attentive to initiatives and programs to reduce and ensure the correct allocation of waste. In 2017, we expanded our coverage of waste.

Management, including the branch network. The amount of waste destined for landfills increased in relation to the previous year, which shows a better management and control of the indicators.

Vision of Future (2013-2020)

Reduce consumption

16%

Reduce consumption of

11% Reach PUE **1.60**

96% energy from renewable sources

Reduce emissions Scope I

3%

Reduce emissions Scope II

11%

Reduce the disposal of waste

46%

Integration of ESG into business

We have incorporated sustainability into our corporate strategy by means of a consolidated governance structure integrated with business, that permits to internalize social, environmental and economic issues in daily activities and processes, to identify the areas capable of addressing them and to monitor the performance and indicators of these issues on a periodic basis, thus ensuring that the issues can evolve.

Integration with environmental, social and governance issues in our business

Investments

Responsible investment is a philosophy of investment that considers environmental, social and governance (ESG) in the asset selection process and behavior as a stockholder.

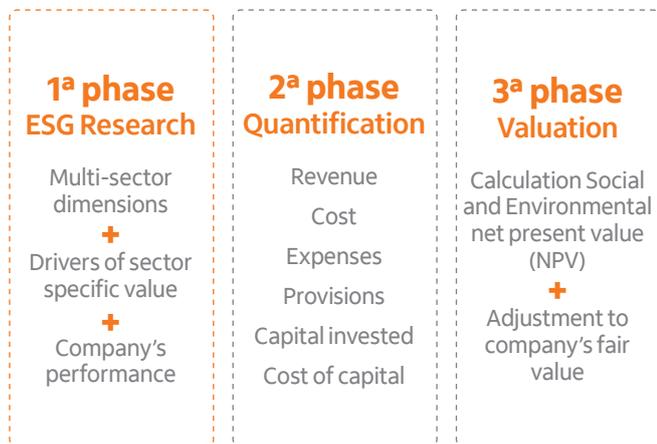
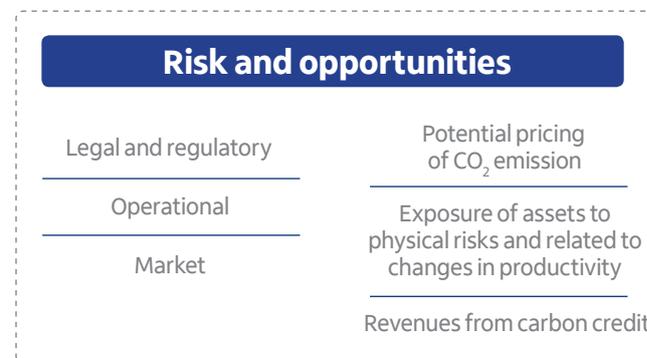
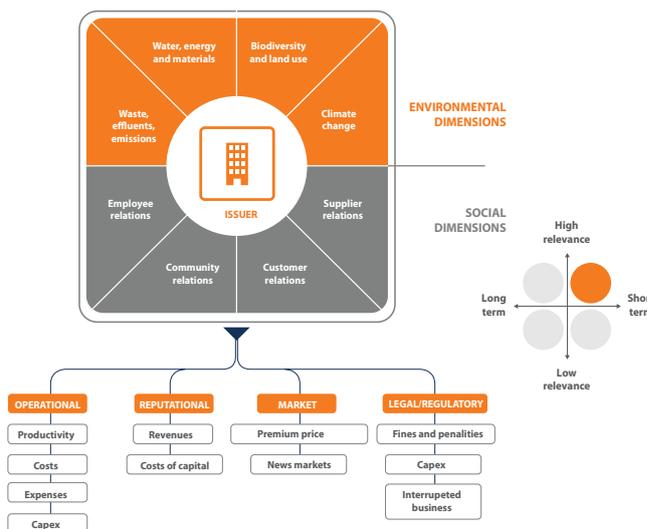
As managers of our clients' funds, we are responsible for searching a complete understanding of risks and opportunities involved in our investment decisions.

We consider the importance of ESG issues that may impact the value of assets in which we invest.

Our methodology for integrating ESG issues in the appraisal of companies consists in the inclusion of variables in traditional "valuation" models, through an analysis of its impact on the cash flow and cost of capital of the company analyzed. The purpose is to adjust the establishment of the target price for securities listed in stock exchange and identify in advance the events that may crease or destroy value.

ESG Analysis

We identified 8 recurring dimensions in different sectors that may affect the value of Brazilian companies in a comprehensive way. These dimensions are hierarchized according to their materiality for each sector. Additionally, we adapted the multi-sectorial dimensions to the reality of each sector, identified risks and opportunities, derived metrics and projected impacts according to different time horizons.



Finally, we analyzed the company's responses to multi-sector dimensions and sector drivers. To obtain information about each company, we conducted analyses of sector and theme studies, company's reports and other official communication reports, databases, news stories, and related literature.

Integration of ESG matters

Access the study on the integration of ESG matters prepared by Itaú Asset Management.



Since 2008, we have been signatories of the Principles for Responsible Investment (PRI) and the Carbon Disclosure Project (CDP), requesting information from companies about Risks and Opportunities related to Climate Changes.

The percentage of assets under management are allocated in sectors that do not pose risk to the consumer or third parties, or that were not allocated in sectors of production and distribution of fossil fuels and byproducts was 98.97% in 2017.

In addition to the process related to risk mitigation, we offer our clients funds with environmental and social benefits:

Fundos Itaú Excelência Social (FIES)

Since their launch in 2004, our equity fund invests in socially responsible companies. The selection process for companies to make up the FIES consists of excluding or including certain sectors/companies and applying the ESG integration method to other assets eligible for investment. In this period, approximately R\$30 million were transferred to 173 Civil Society Organization, benefiting over 36,500 children and youngsters, in addition to 3,400 educators.

Fundos Itaú Ecomudança

Our Ecomudança fixed income funds donate 30% of management fees to support Greenhouse Gas (GHG) reduction projects that develop initiatives related to urban mobility, energy efficiency, renewable energy, waste management, sustainable agriculture and forest restoration.

For the 2017 call notice, we selected 9 projects, applicable to the Forests, Agriculture, and Solid Waste Handling fields.

Fundo Itaú Futura

Between 2010 and 2017, Fundo Social Itaú Futura donated more than R\$2.6 million to educational projects developed by Roberto Marinho Foundation's Futura TV channel, which accounts for 30% of its management fee.

Credit

The purpose of our environmental and social management system is to assure that the credit granted is in accordance with our policies. Our methodology to identify, measure, mitigate and monitor risks is formalized in the Environmental and Social Risk Policy for Credit, which contains the criteria of our environmental and social risk management strategy.

This strategy was developed based on the legal and regulatory requirements applicable and on the best

international practices. The Policy criteria are applied to our analyses of clients, recognition of real estate guarantees and assessment of environmental and social risk associated with credit risk transactions, which include project financing.

We have teams dedicated to the environmental and social risk management: Environmental and Social Risk Management (GRSA) team and the legal Environmental and Social Risk Management team. The former is composed of employees, with multidisciplinary background, and is responsible for the technical environmental and social assessment. The latter is composed of lawyers with expertise in legal risk involving environmental and social themes.

Insurance

The purpose of our Insurance Committee is to integrate sustainability initiatives into our insurance business, to identify possible risks and opportunities and provide guidelines to business.

We continue with the action plans designed to seek continuous improvement in process management and governance:

- Working together with regulatory bodies;
- Reassessing environmental and social risks in the calculation of insurance premiums;
- Designing training material for employees' qualification; and
- Launching products aimed at different client profiles.

To implement sustainability principles in insurance, we have developed a tool to assess environmental and social risks of new products. Currently, in pricing our corporate insurance products, we consider climate, geographical location, frequency and potential for generating social, environmental and economic tragedies.

Environmental and social opportunities

We are always alert to market trends and business opportunities that promote positive environmental and social impacts on our business.

For the corporate banking segment, before any credit decision, the bank takes into account environmental and social aspects in its analysis. This analysis directly impacts the client credit rating, cost of transactions, allocation of funds in the sector portfolios, the types of guarantees and the mix of products to be offered.

Materiality

We consider a material theme any matter that has the capacity to affect our capacity to create and share value in the short, medium or long terms. Determining material themes is crucial to guide the decision-making, since it provides a broader vision of the risks and opportunities inherent in the business and connects strategies to the multiple external interests.

In 2017, we started a process to review our sustainability strategy. This review will bring important input to establish our new materiality matrix. We expect to complete this process in 2018, enabling the review of our material themes.

The current material themes are fruit of a process carried out in 2014, which contemplated environmental, social, economic and governance aspects. The study was developed by a diversified work team, composed of employees from the Communication, Finance, Investor Relations and Sustainability areas. The methodology used to determine our material themes consists of:

1. Identification

The goal is to identify the most appropriate communication channels and stakeholders to start the process of determining materiality. The methodology consists in the identification of key business issues and definition the main the stakeholders for this consultation.

The methodology adopted to consult our stakeholders was indirect. The consultation role is to identify the main issues for our stakeholders, not to incorporate them into management.

We determine our main stakeholders considering our Sustainable Performance Spiral.

By means of pre-established, impartial, and legitimate relationship channels we identify the issues they consider more relevant.

People management: organizational climate survey and union demands.

Financial and operational performance: presentation of results and corporate reports.

Business sustainability: sector studies by GRI and questionnaires on corporate sustainability.

Analysis of scenarios and market: reports from the Ombudsman, meetings with investors and analysis of sectorial materiality and social media.

2. Prioritization

We consolidate the key issues on more comprehensive matters of similar nature by applying a preliminary relevance analysis.

Once consolidated, the themes are plotted in a prioritization matrix, which considers the main aspects related to business and assesses the impact of these themes from the standpoint of our Governance and main stakeholders:



3. Validation

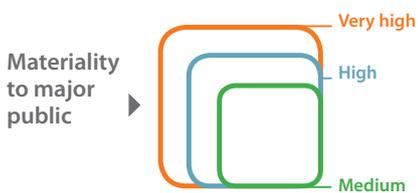
The prioritized themes were discussed and validated internally by the Reporting Committee, a forum dedicated to the implementation of the best practices in corporate communication and transparency. Subsequently, this validation was sent to the Audit, Disclosure and Sustainability committees. The process to determine the materiality of themes was also assured externally by PwC, based on the guidelines in AA1000 standard.

4. Evaluation

During 2015, the Reporting Committee reevaluated our material themes and integrated the Social and Environmental Risk into the Risk and Capital Management theme, appropriately reflecting our management on these themes, in compliance with the new guidelines of BACEN Resolution No. 4,327.

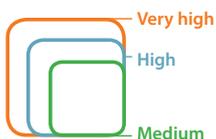
Materiality

We present below the 22 materials themes of our materiality matrix.



Icon	Material themes	Capital most exposed to the theme	Learn more
	Credit and default		Our capitals
	Risk and capital management		Governance and management
	Efficiency		Our capitals
	Diversification of revenue		About Itaú Unibanco
	Attraction, retention and development		Our capitals
	Forecast of scenarios		Context
	Customer satisfaction		Our capitals
	Ethics and transparency		Our capitals
	Information security		Governance and management
	Corporate governance		Governance and management
	Innovation		Our capitals
	Corporate citizenship		Our capitals
	Financial education and inclusion		Our capitals
	Management of suppliers and supply chain		Our capitals
	Compensation and incentives		Our capitals
	Information technology		Our capitals
	Brand and reputation		About Itaú Unibanco
	International operations		About Itaú Unibanco
	Combat of corruption and illegal activities		Governance and management
	Diversity, equity and inclusion		Our capitals
	Occupational health, safety and well-being		Our capitals
	Eco-efficiency and environmental management		Our capitals

Materiality to major public



In this report, we point out contents related to our material themes, using the above icons.

Sustainable Development goals

In 2015, the United Nations Organization (UNO) and global leaders formally adopted a new sustainable development agenda, the Sustainable Development Goals (SDGs). The agenda was structured according to the bases established by the Millennium Development Goals (MDGs), after a long consultation process that involved companies, the government and civil society globally. The result is 17 Goals and 169 targets that include social, environmental and economic aspects to be implemented by all countries by 2030.

The private sector has an essential role for this challenge. We are committed to the SDGs and we have taken part in the Board of the Global Pact Brazilian Committee (CBPG), which main purpose is the mobilization of the private sector for sustainable development. In 2017, we were elected for the presidency of CBPG. We also acted in the creation and coordination of the theme group of SGDs of the UN Global Pact, launched in 2015, mobilizing companies and taking part in discussions to promote the agenda.

Seeking to act in the SDG coverage and their goals through challenges connected to our business, we took the theme to the bank's governance, by means of the Executive Board, Executive Committee and Sustainability Committee. Since 2016, we have incorporated the SDGs as a strategy of our Institutes, Foundations, and our operation as a bank.

We also brought our future leaderships closer to the SDGs. The Bank's team performed a project to connect our strategy to the SDGs, supporting in the establishment of priorities based on the positive or negative impact of business in each goal. The work also includes the mapping of indicators and a proposal to assess the impact, always in line with our business. The result of the work will integrate the next step related to this agenda, i.e., the identification of priority SDGs connected with priority business fronts, and the Bank's new sustainability strategy.

Initiatives

1. Participation and sponsorship of the study "Integration of the SDGs into corporate strategy – a contribution to the CBPG for the 2030 agenda";
2. Workshops carried out in partnership with the Global Pact for qualification and engagement of companies;
3. We take part in panels and events to talk about our challenges and those of the Global Pact regarding SDGs; and
4. Workshops for management members and employees to understand the agenda, identify the connection with business and establish operational priorities.



1. End poverty in all its forms everywhere;
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
3. Ensure healthy lives and promote well-being for all at all ages;
4. Ensure inclusive and quality education for all and promote lifelong learning;
5. Achieve gender equality and empower all women and girls;
6. Ensure access to water and sanitation for all;
7. Ensure access to affordable, reliable, sustainable and modern energy for all;
8. Promote inclusive and sustainable economic growth, employment and decent work for all;
9. Build resilient infrastructure, promote sustainable industrialization and foster innovation;
10. Reduce inequality within and among countries;
11. Make cities and communities inclusive, safe, resilient and sustainable;
12. Ensure sustainable consumption and production patterns;
13. Take urgent action to combat climate change and its impacts;
14. Conserve and sustainably use the oceans, seas and marine resources;
15. Protect, recover and promote the sustainable use of land ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss;
16. Promote just, peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels; and
17. Strengthen implementation means and revitalize the global partnership for sustainable development.

Governance and management

Material themes



Corporate
governance



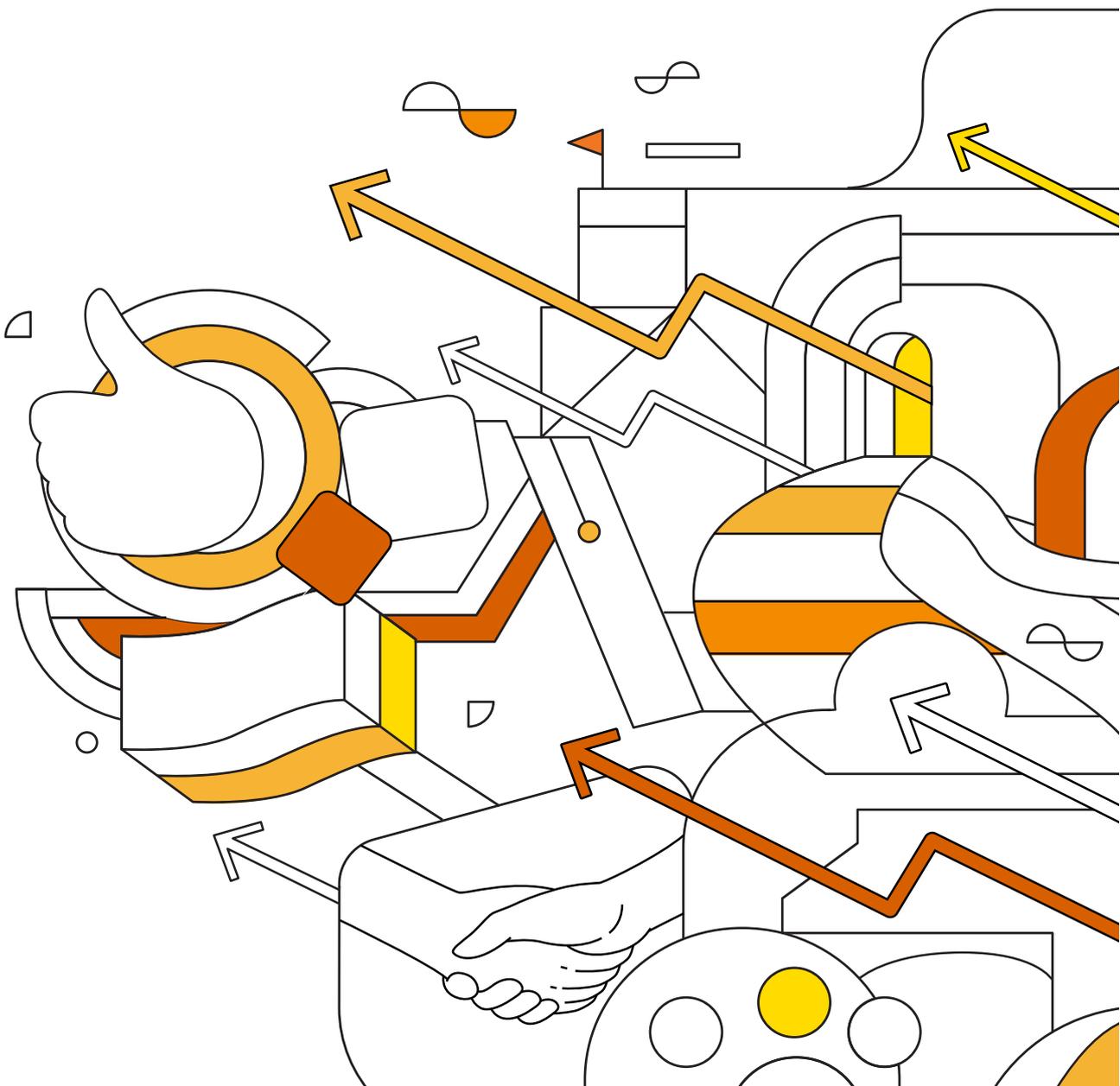
Fight against
corruption and
illegal activities



Information
security



Risk and capital
management



Governance

The adoption of good practices of corporate governance adds value to a company, makes easier its access to capital, and contributes to its longevity. In addition to complying with regulatory rules, we adopt corporate governance mechanisms aligned with the best practices adopted in the Brazilian and foreign market.

We believe that a sound governance and meritocracy, focused on creating value in the long run, and alignment of our practices with our values, ensure a sustainable performance. We listen to and understand the investors' demands and communicate the strategies and results of our business, on a clear and transparent way, continuously developing a number of initiatives that raise the interest of our different stakeholders.

The purpose of our Governance is to create an effective set of incentive and monitoring mechanisms to ensure that our executives are always aligned with the best interests of our shareholders, so as to create sustainable and long-term value for our stockholders.

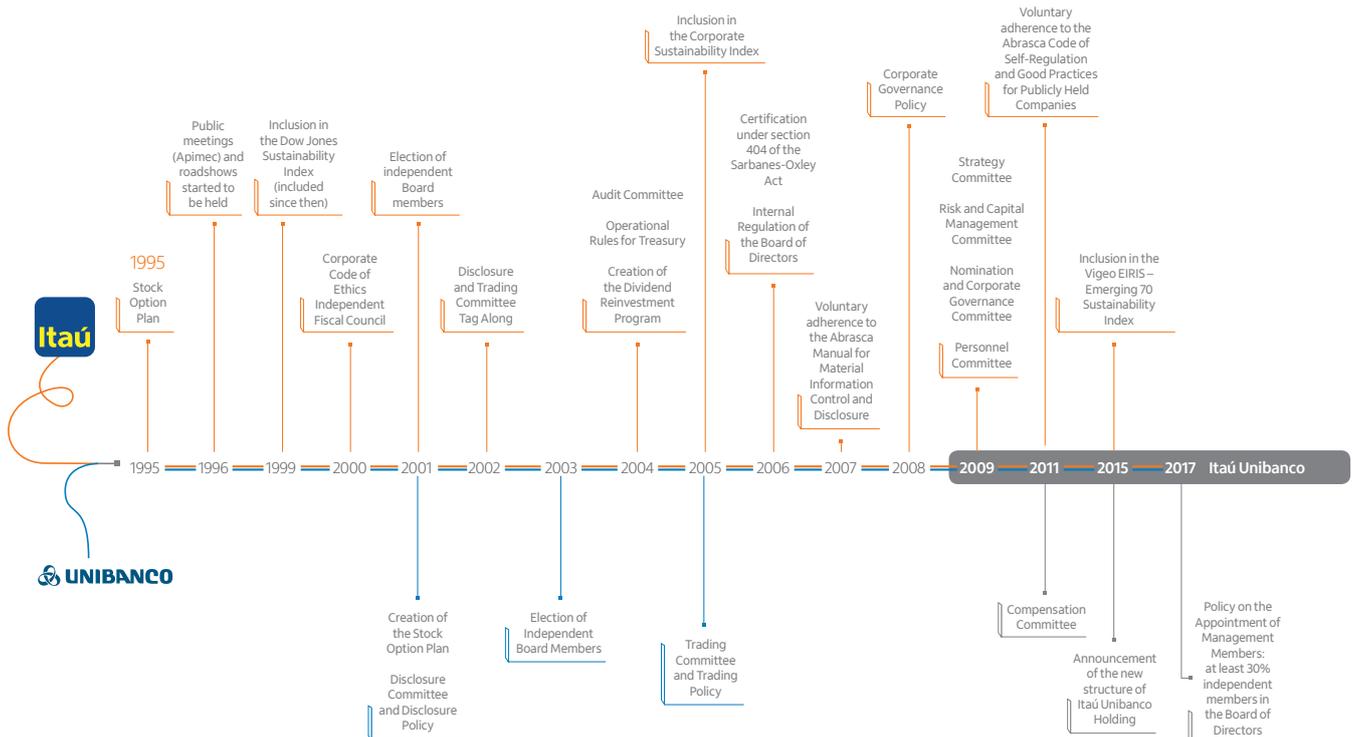
To reach our purpose, we have organized decision-making bodies and institutionalized procedures to align our executive group with our meritocratic culture, based on performance and creation of value.

History of Corporate Governance

We believe that our organization's sustainability depends on the way we interact with our employees, clients, stockholders and society. Thus, we listen to and understand the investors' demands and communicate the strategies and results of our business on a clear and transparent way, seeking to continuously develop a number of initiatives that raise the interest of our different stakeholders.

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

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



Management Structure

We are a family-controlled company, with long-term strategic vision. Our Management, represented by the figure of Itaú Unibanco Participações (IUPAR), is responsible for determining the vision, mission and values of the business and align these and other themes with our stockholders. In addition, its purpose is to evaluate possible significant mergers and acquisitions, appoint executives for the Board of Directors, assess the performance of the Board members and discuss and approve long-term strategies.

Our Management is structured so as to ensure that matters are extensively discussed and decisions are made on a collective basis.



The **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.

The **Fiscal Council** is an independent body of our Management Structure composed of members elected by our stockholders, which main responsibilities are to oversee the activities of our Management, to examine the financial statements, and to issue an opinion on the financial statements.

The **Board of Directors** is responsible for establishing the operational guidelines and general guidelines of business, including our subsidiaries. It establishes and monitors our strategies, evaluates mergers and acquisitions, appoints and monitors the Executive Board's performance, approves the budget, determines and oversees the appetite for risk and capital adequacy policies, follows-up incentive models, compensation and targets, determines meritocracy policies and oversees the strategies, operations and business.

The **Committees of the Board of Directors** report directly to the Board of Directors. Their members are elected by the Board of Directors for a one-year term of office and should have proven knowledge in their respective professional fields, and technical qualification compatible with their assignments.

The **Executive Committee** is the body responsible for creating value through the "everyday" strategic management". Its main assignments are to implement the guidelines and targets of the Board of Directors, to conduct business and strategies related to products and services, ensure the best capital allocation and monitor market, credit and operational risks, focusing on sustainable results.

Our **Executive Board** is responsible for the segmentation and conduction of our operations and business. Its main assignments are to implement the guidelines proposed by the Board of Directors, to ensure the best capital allocation in our business and manage funds to reach the pre-established targets.

Board of Directors

Our Board of Directors holds regular meetings eight times a year and, on an extraordinary basis, whenever necessary. In order to promote rotation regarding the members of the Board of Directors, our bylaws set forth the ineligibility of people who reached the age of 70.

Currently, our Board of Directors is composed of twelve members, of which eleven of them are non-executive (92%), and five are considered independent (45%). The members of our Board of Directors should act impartially, in accordance with pre-established rules to avoid conflicts of interest.

These rules include:

- Not taking part in resolutions related to matters in which the Board member's interests conflict with our interests;
- In the event the Board member or a company controlled or managed by this member carries out a transaction with any company of the Itaú Unibanco Group: (a) the transaction must be carried out at arm's length conditions; (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 conditions; and (c) the transaction must be reported 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.



Board of Directors

Co-Chairmen

Pedro Moreira Salles
Roberto Egidio Setubal

Members

Alfredo Egidio Setubal
Geraldo José Carbone
João Moreira Salles
Marco Ambrogio Crespi Bonomi
Ricardo Villela Marino

Independent Members

Amos Genish
Fábio Colletti Barbosa
Gustavo Jorge Laboissière Loyola
José Galló
Pedro Luiz Bodin de Moraes

Executive Committee

CEO

Candido Botelho Bracher

General Officers

Retail

Márcio de Andrade
Schettini

Wholesale

Eduardo Mazzilli
de Vassimon

Vice-Presidents

Technology
and
Operations

André
Sapoznik

Risk
and Finance
Area

Caio Ibrahim
David

Legal,
Institutional
and
Personnel

Claudia
Politanski

Audit

Fees and Services of the Principal Auditor

R\$68.8 million

R\$66.7 in 2016

R\$53.5 in 2015

(100% approved by
the Audit Committee)

Refers basically to audit fees for assurance of our financial statements and other reports required by regulatory bodies.

Committees of the Board of Directors

Committee	Assignments	Characteristics	
Audit	<ul style="list-style-type: none"> • Ensure the integrity of the Financial Statements • Comply with legal and regulatory requirements • Ensure the efficiency of internal controls • Risk management in general (3rd line of defense) 	100% of members are independent	146 meetings Since 2004
Personnel	<ul style="list-style-type: none"> • Establish policies for attraction and retention of talents • Propose guidelines for employee recruitment and training • Present long-term incentive programs and monitor the culture of meritocracy 	100% of members are non-executive	3 annual meetings Since 2009
Related Parties	<ul style="list-style-type: none"> • Manage transactions between related parties • Ensure quality and transparency in these transactions 	100% of members are independent	15 meetings Since 2013
Nomination and Corporate Governance	<ul style="list-style-type: none"> • Periodically review the appointment and succession criteria • Provide methodological support for assessment of the Board of Directors and the Chief Executive Officer • Nominates members of the Board of Directors and General Officers • Analyzes potential conflicts of interest 	100% of members are non-executive	2 meetings Since 2013
Risk and capital Management	<ul style="list-style-type: none"> • Supports the Board of Directors • Establishes the risk appetite • Evaluates the cost of capital x the minimum return expected • Allocates capital • Oversees management activities and risk control • Improves risk culture 	100% of members are non-executive	8 meetings Since 2009
Strategy	<ul style="list-style-type: none"> • Proposes budgetary guidelines • Provides inputs for the decision-making process • Recommends strategies and investment opportunities (Mergers and Acquisitions) • Internationalizes and creates new business areas 	80% of members are non-executive	3 meetings Since 2009
Compensation	<ul style="list-style-type: none"> • Promotes discussions on incentive and compensation models • Develops compensation policies for management members and employees • Establishes goals 	100% of members are non-executive	4 meetings Since 2011

International Advisory

- Assesses the outlooks for the world economy
- Adopts internationally accepted trends, codes and standards
- Provides guidelines for the Board of Directors to analyze opportunities

Digital Advisory

- Proposes technological developments
- Assesses clients' experience
- Follows world trends

Executive Board

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 structure of our Board of Officers takes into account the segmentation of our businesses, which demands in-depth knowledge in different areas, skills and corporate sectors.

Pursuant to Brazilian law, the election of each member of our Board of Officers must be approved by BACEN.

Our officers are subject to internal and periodic assessment, in which performance criteria such as client satisfaction, financial and people management are considered.

Performance assessment of our Management

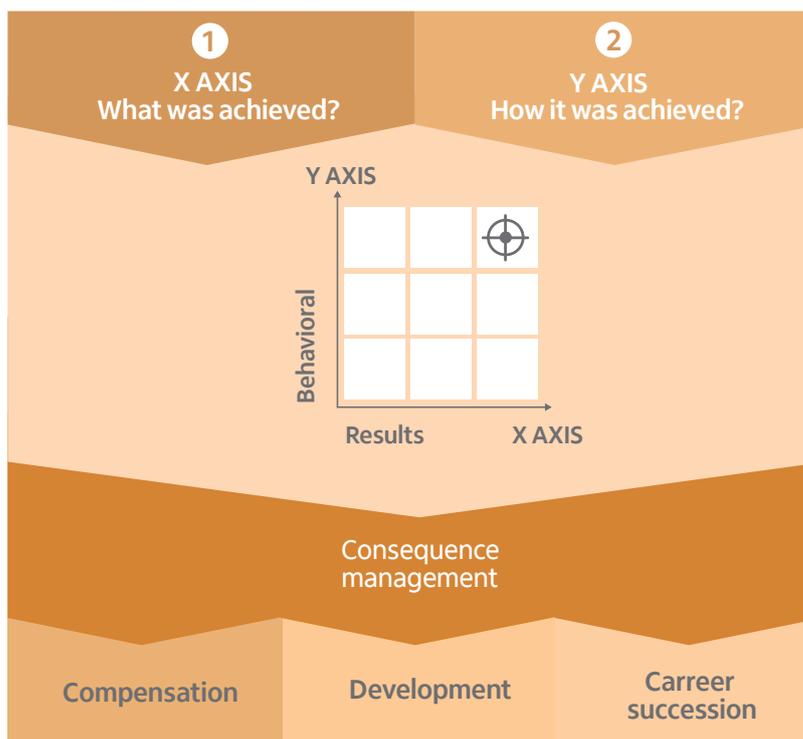
The Board of Directors is assessed annually to verify the performance of its members and Management bodies, in accordance with the best governance practices. Our assessment process considers cross-assessments and self-assessments of the Board members and of the Board of Directors, assessments of the CEO made by the Board members and assessments of the Committees made by the its members.

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

The performance assessment of our Officers contemplate behavioral aspects and results.

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

Strategic people plan (PEP – Planejamento estratégico de pessoas)



Performance metrics

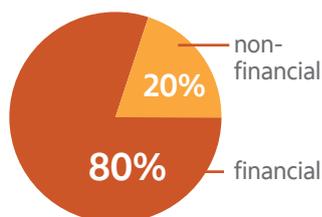
Performance measurement by targets



Officers

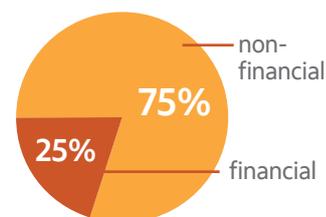
Results are assessed based on the following targets:

Median of the targets of commercial areas



These targets are focused on managerial operating results, operating revenues, costs and customer satisfaction survey results.

Median of the targets of the supporting areas



Targets are mainly focused on customer satisfaction surveys and costs.

Compensation and benefits

The purpose of the compensation policy is to consolidate our principles and compensation practices so as to attract, compensate, retain and motivate the managers and employees in the conduction of our business on a sustainable ways, subject to proper risk limits and always in line with the stockholders' interests.

The compensation of our employees is composed of fixed, variable compensation and benefits (that may vary according to the category of employees or the regulation applicable in each jurisdiction).

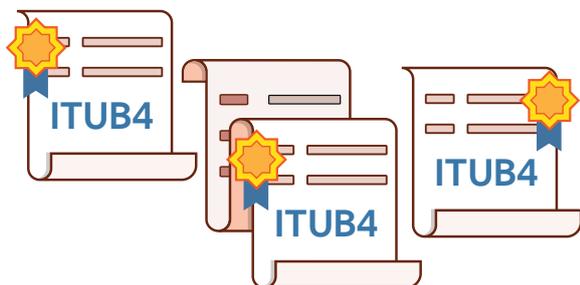
Distribution of the annual variable compensation of the Board of Officers⁽¹⁾



(1) In accordance with CMN Resolution No. 3,921, a portion of the variable compensation must be deferred.

We have a stock-based compensation plan for a specific target audience, recognizing those that had an outstanding performance in the relevant year.

Stock-based profit sharing



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

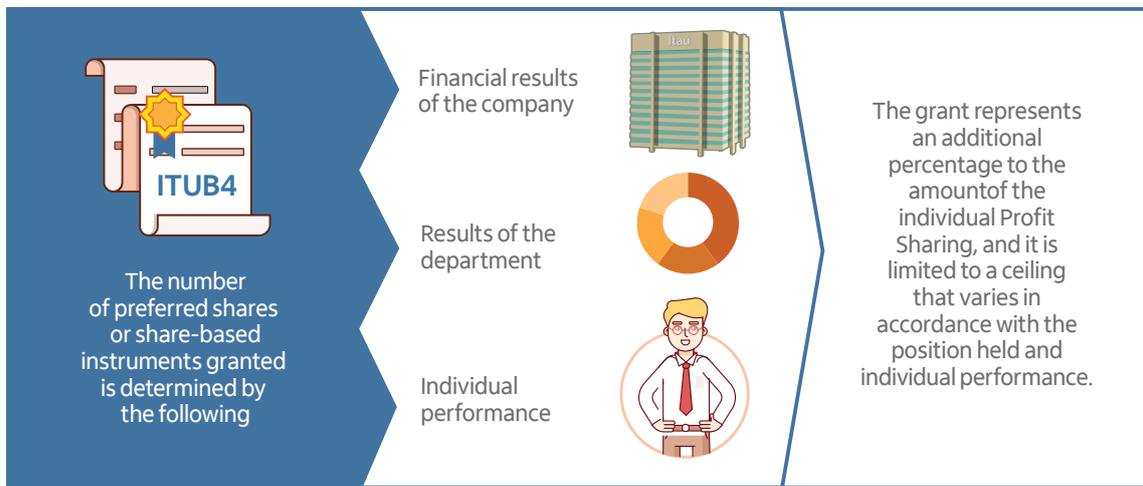


Subject to the limits established by the Compensation Committee

Eligible audience

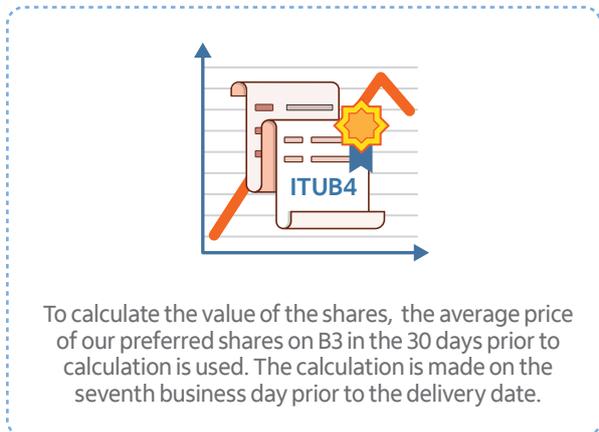
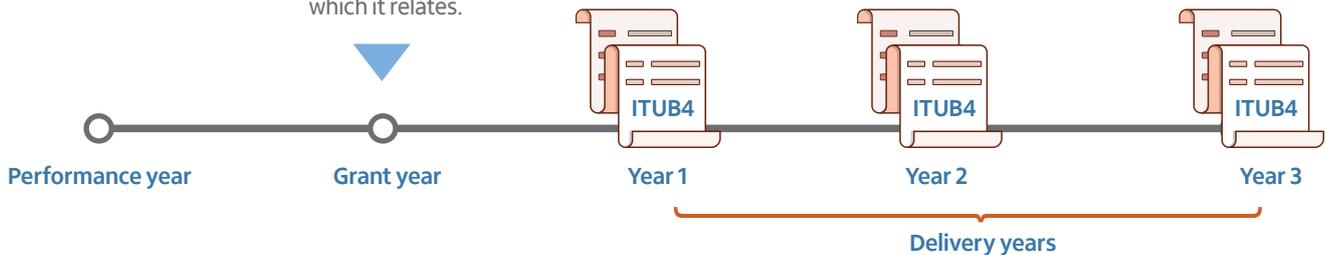


Delivery of preferred shares



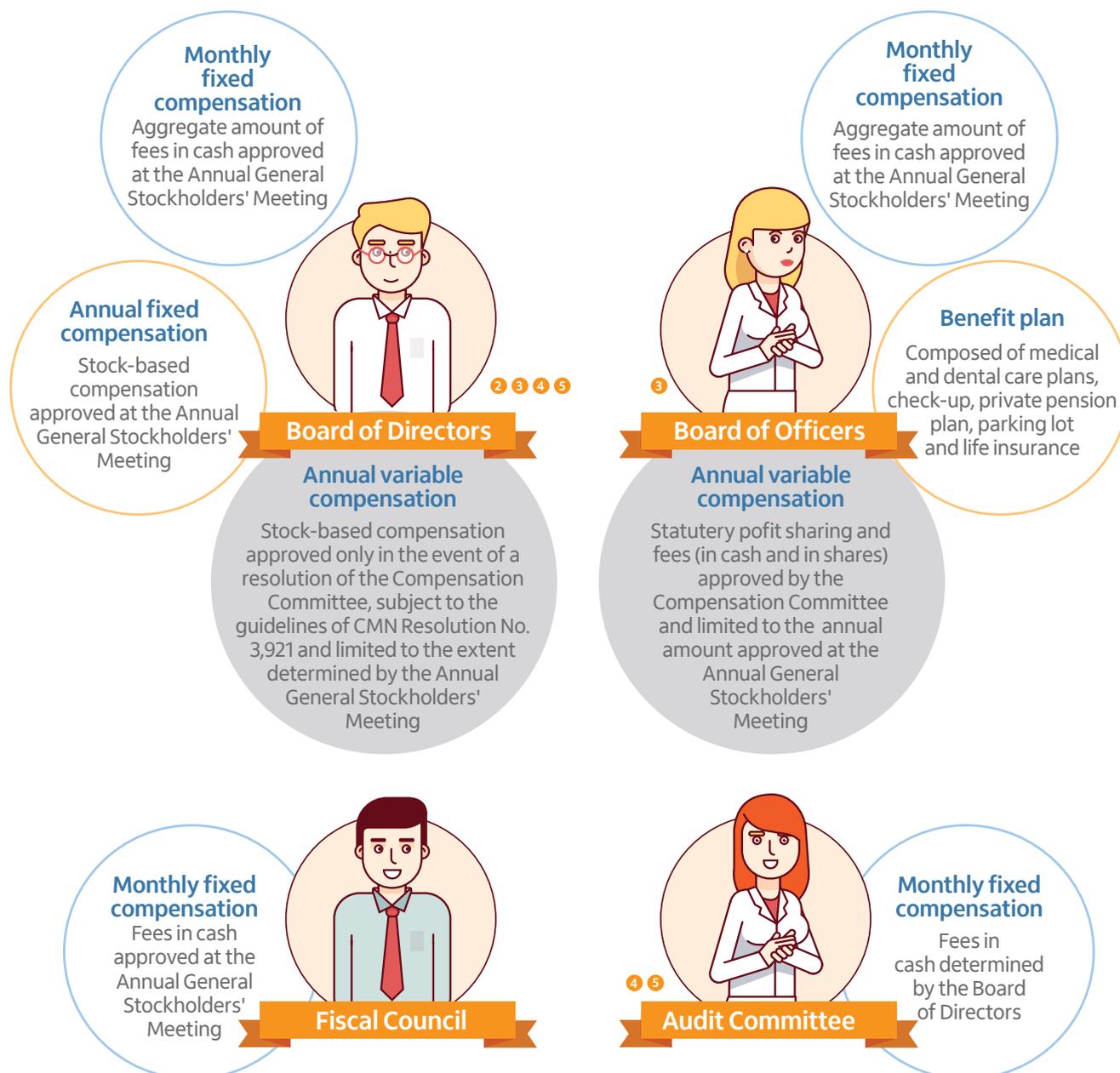
The grant is made in the year immediately after the performance year to which it relates.

Of the total granted, one-third vests each year over a period of three years after the award.



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

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



¹ Management members who are also part of statutory or not-statutory committees of our subsidiaries or affiliates are compensated according to their duties in the executives bodies or areas in which they work, and they do not receive a specific Compensation belonging to these committees. Any non-management member of the Compensation Committee is compensated for the performance of his/her duties in this Committee.
² In the event that a member of the Board of Directors is also part of the Board of Officers of Itaú Unibanco or its subsidiaries, his/her compensation will be subject to the compensation model for officers.
³ Maximum compensation amounts are defined based on the limits imposed by Article 152 of the Brazilian Corporate Law.
⁴ Members of the Board of Directors and Audit Committee receive benefits only if they have previously been officers of the Company.
⁵ For those members of the Audit Committee who are also part of the Board of Directors, the compensation policy of the Board of Directors is applied.

Risk and capital management

We pursue sound risk management processes that permeate throughout the entire organization and are the basis of strategic decisions, ensuring the sustainability of our business.

The principles that establish the fundamentals of our risk management and appetite and the way our employees work on a daily basis for decision making are:

Sustainability and client satisfaction is to be leading bank with a sustainable performance and client satisfaction.

Risk culture is to strengthen the individual and collective responsibility of all employees so that they can do the right thing, respecting our ethical way of doing business. Our risk culture goes beyond policies, procedures and processes.

Price for risk for us is to operate and take risks in business that we know, carefully assessing the risk-adjusted return.

Diversification is to have a low appetite for volatility in our results and, for this reason, we work with a diversified base of clients, products and companies, seeking the diversification of the risks to which we are exposed and prioritizing low-risk business.

Operational excellence is to be an agile bank, with a robust and stable infrastructure, so as to offer high-quality services.

Ethics and respect for regulation are non-negotiable. We promote a fair institutional environment, guiding employees to cultivate ethics in relationships and business, and respect for rules, taking care of our reputation.

In this context, the risk appetite determines the risk nature and level that are acceptable for our organization and risk culture guides the attitudes required to manage them.

Our risk culture is based on four basic principles that aim at helping our employees to understand, identify, measure, manage and mitigate risks in a conscious way.

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, respecting the ethical way to manage business.



Vision of future

We will continue with our efforts to fully comply with the risk Appetite guidelines set forth by the Board of Directors: 

Risk appetite: Our challenge is to monitor the progress of traditional risk areas and to engage all employees in the day-to-day risk management.

Business risk: Prioritizing the sustainability of our relationships, we monitor the evolving profile of our clients and competition, creating new products and services focused on client satisfaction.

Technology risk: We are committed to managing our digitalization process, preventing platforms or systems from becoming obsolete and failing to meet the business needs, in addition to increasing our IT department productivity.

People risk: We are committed to improving mechanisms to attract, motivate and retain the best professionals.

Regulatory risk: we should always be attentive to specific changes in laws and regulations that may affect our business and the offering of products or services that we offer.

Risk appetite

Our risk appetite policy is approved by our Board of Directors and considers five different dimensions, each one composed of metrics associated with the main risks involved.

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 primarily 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. The metrics monitored ensure the proper composition of our portfolios, aiming 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 strategies, 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, monitored through the follow up of client satisfaction or dissatisfaction, our exposure in the media, in addition to the observance of our conduct.

At the executive level, we established collegiate bodies, chaired by our CEO, which 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 Management

We are structured according to three lines of defense, in compliance with local and international standards and aligned with the best market practices.

1st line of defense

The business and corporate support areas manage the risks they give rise to, through identification, assessment, control and reporting processes;

2nd line of defense

An independent unit provides central control to ensure that our risk is managed according to our risk appetite and policies and procedures established.

This centralized control provides the Board and executives with a global overview of our exposure, optimizing and speeding up corporate decisions; and

3rd line of defense

The internal audit provides an independent assessment of the institution's activities to ensure that senior management can check if risk controls are adequate, if risk management is effective and internal controls and regulatory requirements are being complied with.

Minimum capital 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. 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.

Capital Composition

The Referential Equity (PR), or Total Capital, used to monitor our compliance with the operational limits imposed by the Central Bank, is the sum of two items, namely: Tier I and Tier II.

- **Common Equity Tier I:** sum of capital stock, reserves and retained earnings;
- **Additional Tier I Capital:** consists of instruments of perpetual nature, which meet eligibility requirements.
- **Tier I:** sum of Common Equity Tier I and Additional capital; and
- **Tier II:** consists of subordinated debt instruments with defined maturity dates that meet eligibility requirements. Added to Common Equity Tier I and Additional Capital, it makes up the Referential Equity.

In accordance with applicable Brazilian regulations, we must maintain our Referential Equity (PR), Tier I and Common Equity Tier I above the minimum regulatory requirements. To assess the minimum capital requirements, the total amount of the Risk-Weighted Assets (RWA) should be calculated as the sum of the following portions:

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

Where:

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

RWA_{MINT} = portion related to market risk capital requirement, calculated using an internal approach, in accordance with BACEN rules and includes units that are not considered significant under the standardized model.

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

Capital adequacy

Through our Internal Capital Adequacy Assessment Process (ICAAP), we assess the sufficiency of our capital to face our risks, represented by regulatory capital for credit, market and operational risks, and by the capital necessary to cover the other risks.

In order to ensure our capital soundness and availability to support business growth, the Referential Equity is maintained above minimum levels, as evidenced by Common Equity Tier I, Additional Capital and Basel ratios.

	2017	2016	2015
Tier I (1 + 2)	122,453	115,940	101,001
(1) Common Equity Tier I	122,396	115,408	100,955
(2) Additional Capital	57	532	46
Tier II	19,799	23,537	27,464
PR (Tier I + II)	142,252	139,477	128,465
Minimum PR required	69,995	72,210	79,471
RWA	756,708	731,240	722,468
Basel Ratio (PR/RWA)	18.8%	19.1%	17.8%
Tier I	16.2%	15.9%	14.0%
Tier II	2.6%	3.2%	3.8%

Risk factors

Following we present the risks we consider material to our business. Should any of the adverse effects pointed out occur, our business and financial condition may be adversely affected, and investments made in our securities may be negatively affected.

Accordingly, investors should carefully assess the risk factors described below and the information disclosed in this document.

Macroeconomic risks

Changes in economic conditions

 Our operations are dependent upon the performance of the economies of the countries in which we do business, Latin American countries in particular. Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy and have a negative impact on our operations.

The demand for credit and financial services, as well as clients' ability to pay, is directly impacted by macroeconomic variables, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates. Therefore, any significant change in the economies of countries in which we do business, Latin American countries in particular, may affect our operations.

Brazilian authorities exercise influence on the Brazilian economy, changing fiscal, monetary and foreign exchange policies and the government structure

 Our operations are highly dependent upon the performance of the Brazilian economy. The demand for credit and financial services, as well as our clients' ability to make payments when due, is directly impacted by macroeconomic variables, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates. Brazilian authorities intervene from time to time in the Brazilian economy, through changes in fiscal, monetary, and foreign exchange policies, which may adversely affect us. These changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our client's ability to pay and, consequently, affecting us.

Ongoing high level anti-corruption investigations in Brazil may affect the perception of Brazil and domestic growth prospects

Certain relevant Brazilian companies in the energy, infrastructure and oil and gas sectors are facing investigations by CVM, SEC, the U.S. Department of Justice (DOJ), the Brazilian Federal Police and other Brazilian public entities who are responsible for corruption and cartel investigations, in connection with corruption allegations (so called Lava Jato investigations) and, depending on the outcome of such investigations and the time it takes to conclude them, they may face (as some of them already faced) downgrades from credit rating agencies, experience (as some of them already experienced) funding restrictions and have (as some of them already had) a reduction in revenues, among other negative effects. Such negative effects may hinder the ability of those companies to timely honor their financial obligations bringing losses to us as a number of them are our clients. The companies involved in the Lava Jato investigations, a number of which are our clients, may also be (as some of them already have been) prosecuted by investors on the grounds that they were misled by the information released to them, including their financial statements. Moreover, the current corruption investigations have contributed to reduce the value of the securities of several companies. The investment banks (including Itau BBA Securities) that acted as underwriters on public distributions of securities of such investigated companies are also parties to certain lawsuits in the U.S. and may be parties to other legal proceedings yet to be filed. We cannot predict how long the corruption investigations may continue, or how significant the effects of the corruption investigations may be for the Brazilian economy and for the financial sector that may be investigated for the commercial relationships it may have held with companies and persons involved in Lava Jato investigations. Other high profile investigation, besides Lava Jato, ongoing in Brazil is the so-called Zelotes operation. If the allegations of such investigations are confirmed they may also affect some of our clients and their credit trustworthiness. In March 2016, the Brazilian Internal Revenue Services (IRS) summoned us to account for certain tax proceedings related to BankBoston Brazil which came under investigation in relation to the Zelotes operations. We acquired BankBoston Brazil's operation from Bank of America in 2006. On December 1, 2016, the Brazilian Federal Police conducted searches at Itaú Unibanco's premises, to look for documents related to those proceedings, and documents related to payments made to lawyers and consultants that acted on those proceedings. We clarify that the



agreement with Bank of America for the acquisition of BankBoston Brazil's operations included a provision whereby the seller would remain liable and responsible for the conduct of BankBoston's tax proceedings, including with regard to the retention of lawyers and consultants. Therefore, according to such agreement, any and all payments made by Itaú Unibanco to lawyers and consultants were made strictly on behalf of Bank of America. These investigations have not yet been concluded, and we remain fully available and will cooperate with the authorities should any further clarification be needed. After reviewing our control procedures and our monitoring systems, we believe we are in compliance with the existing standards, especially related to anti-money laundering standards; notwithstanding, due to the size and breadth of our operations and our commercial relationship with investigated companies or persons, and due to the several banks, both publicly and privately owned, that Itaú Unibanco acquired throughout the last 15 years, we may also come within the scope of investigations, which may ultimately result in reputational damage, civil or criminal liability. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may also lead to lower economic growth.

Legal and regulatory risks

Changes in applicable laws or regulations

 Changes in the law or regulations applicable to financial institutions in Brazil may affect our ability to grant loans and collect debts in arrears, which may have an adverse effect on us. 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. 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.

Increased in compulsory deposit requirements

 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.

Holders of our shares and ADSs may not receive 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. 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. 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.

Tax reforms

The Brazilian government regularly amends tax laws and regulations, including by creating new taxes, which can be temporary, and changing tax rates, the basis on which taxes are assessed or the manner in which taxes are calculated, including in respect of tax rates applicable solely to the banking industry. Tax reforms may reduce the volume of our transactions, increase our costs or limit our profitability.

Risks related to our business

Market risk

The value of our securities and derivatives is subject to market fluctuations due to changes in Brazilian or international economic conditions and may subject us to material losses. We cannot predict the amount of realized or unrealized gains or losses for any future period. Gains or losses on our investment portfolio may not contribute to our net revenue in the future or may cease to contribute to our net revenue at levels consistent with more recent periods.

We may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or in any assets of such portfolio.

Credit Risk



Past performance of our loan portfolio may not be indicative of future performance. Changes in the profile of our business may adversely affect our loan portfolio. In addition, the value of any collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

Our historical loan loss experience may not be indicative of our future loan losses. While the quality of our loan portfolio is associated with the default risk in the sectors in which we operate, changes in our business profile may occur due, among other factors, to our organic growth, merger and acquisition activity, changes in local economic and political conditions, a slowdown in customer demand, an increase in market competition, changes in regulation and in the tax regimes applicable to the sectors in which we operate and, to a lesser extent, other related changes in countries in which we operate and in the international economic environment. In addition, the market value of any collateral related to our loan portfolio may fluctuate, from the time we evaluate it at the beginning of the trade to the time such collateral can be executed upon, due to the factors related to changes in economic, political or sectorial factors beyond our control.

Operational Risk



Operational risks, which may arise from errors in the performance of our processes, the conduct of our employees, instability, malfunction or outage of our IT system and infrastructure, or loss of business continuity, or comparable issues with respect to our vendors, may disrupt our businesses and lead to material losses. We face operational risk arising from errors, accidental or premeditated, made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for.

Due to the high volume of daily processing, we are dependent on technology and management of information, which exposes us to potential unavailability of systems and infrastructure such as power outages, interruption of telecommunication services, and generalized system failures, as well as internal and external events that may affect third parties with which we do business or that are crucial to our business activities (including stock exchanges, clearing houses, financial dealers or service providers) and events resulting from wider political or social issues, such as cyberattacks or unauthorized disclosures of personal information in our possession. We manage and store certain proprietary information and sensitive or confidential data relating to our clients and to our operations. We may be subject to breaches of the information technology systems we use for these purposes.

Strategy Risk

As part of our growth strategy in the Brazilian and Latin American financial sector, we have engaged in a number of mergers, acquisitions and partnerships with other companies and financial institutions in the past and may pursue further such transactions in the future. Until we have signed a definitive agreement, we usually do not comment publicly on possible acquisitions. When we do announce, our stock price may fall depending on the size of the acquisition. Even though we review the companies we plan to acquire, it is generally not viable for these reviews to be complete in all respects.

Any such transactions involve risks, such as the possible incurrence of unanticipated costs as a result of difficulties in integrating systems, finance, accounting and personnel platforms, failure in diligence or the occurrence of unanticipated contingencies, as well as the breach of the transaction agreements by counterparties. In addition, we may not achieve the operating and financial synergies and other benefits that we expected from such transactions in a timely manner, on a cost-effective basis or at all. There is also the risk that antitrust and other regulatory authorities may impose restrictions or limitations on the transactions or on the businesses that arise from certain combinations or impose fines or sanctions due to the interpretation by the authorities of irregularities with respect to a corporate merger, consolidation or acquisition.

Risks related to management

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.

Our results of operations and financial position depend on our ability to evaluate losses associated with risks to which we are exposed and on our ability to build these risks into our pricing policies. We recognize an allowance for loan losses aiming at ensuring an allowance level compatible with the expected loss, according to internal models credit risk measurement. The calculation also involves significant judgment on the part of our management. Those judgments may prove to be incorrect or change in the future depending on information as it becomes available. These factors may adversely affect us.



Financial reporting risks

  We make estimates and assumptions in connection with the preparation of our financial statements, and relevant changes to those estimates and assumptions could have a material adverse effect on our operating results. 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. 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.

Underwriting risk

  Inadequate pricing methodologies for insurance, pension plan and premium bond products may adversely affect us.

Our insurance and pension plan subsidiaries establish prices and calculations for our insurance and pension products based on actuarial or statistical estimates. The pricing of our insurance and pension plan products is based on models that include a number of assumptions and projections that may prove to be incorrect, since these assumptions and projections involve the exercise of judgment with respect to the levels and timing of receipt or payment of premiums, contributions, provisions, benefits, claims, expenses, interest, investment results, retirement, mortality, morbidity, and persistence. We could suffer losses due to events that are contrary to our expectations directly or indirectly based on incorrect biometric and economic assumptions or faulty actuarial bases used for contribution and provision calculations.

Although the pricing of our insurance and pension plan products and the adequacy of the associated reserves are reassessed on a yearly basis, we cannot accurately determine whether our assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for the payment of benefits, claims, and expenses. Accordingly, the occurrence of significant deviations from our pricing assumptions could have an adverse effect on the profitability of our insurance and pension products.

Competition risk

  We face risks associated with the increasingly competitive environment, and recent consolidations in the Brazilian banking industry, as well as competition based on technological alternatives to traditional banking services. Competition has increased as a result of recent consolidations among financial institutions in Brazil and of regulations that increase the ability of clients to switch business

between financial institutions. Furthermore, digital technologies are changing the ways customers access banking services and the competitive environment with respect to such services.

Reputational risk

We are highly dependent on our image and credibility to generate business. A number of factors may tarnish our reputation and generate a negative perception of the institution by our clients, counterparties, stockholders, investors, supervisors, commercial partners and other stakeholders, such as noncompliance with legal obligations, making irregular sales to clients, dealing with suppliers with questionable ethics, unauthorized disclosure of client data, inappropriate behavior by our employees, and third-party failures in risk management, among others. In addition, certain significant actions taken by third parties, such as competitors or other market participants, may indirectly damage our reputation with clients, investors and the market in general.

If we are unable, or are perceived unable, to properly address these issues we may be subject to penalties, fines, class actions, and regulatory investigations, among others. Damage to our reputation among clients, investors and other stakeholders may have a material adverse effect on our business, financial performance and prospects.

Social and environmental risk

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

Environmental and social factors are considered one of the most relevant topics for the business, since they can affect the creation of shared value in the short, medium and long terms, from the standpoint of the organization and its main stakeholders. In addition, we also understand environmental and social risk as the risk of potential losses due to exposure to environmental and social events arising from the performance of our activities.



Independent auditor's limited assurance report on the 2017 Integrated Report

To the Board of Directors | **Itaú Unibanco Holding S.A.** | São Paulo - SP

Introduction

We have been engaged by Itaú Unibanco Holdings S.A. ("ItaúUnibanco") to present our limited assurance report on the compilation of the selected information related to 2017 Integrated Report for the year ended December 31, 2017.

Responsibilities of the management of the Company

The management of Itaú Unibanco is responsible for the preparation and fair presentation of the selected information included in the 2017 Integrated Report, in accordance with the criteria issued by International Integrated Reporting Council (IIRC) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the selected information included in the 2017 Integrated Report, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information included in the 2017 Integrated Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying

analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead him to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information included in the 2017 Integrated Report, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information included in the 2017 Integrated Report of Itaú Unibanco;
- (b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;
- (c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the information included in the 2017 Integrated Report;
- (d) comparing the financial indicators with the consolidated financial statements in IFRS and/or accounting records; and
- (e) verifying that the Integrated Reporting includes information about the content elements and the basic principles established in the guidelines proposed by the Framework issued by the IIRC.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the information included in the 2017 Integrated Report. Consequently, we are not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an assurance engagement, the objective of which is the issue of an opinion. If we had performed an engagement with the objective of issuing an opinion, we might have identified other matters and possible misstatements in the information included in the 2017 Integrated Report. Therefore, we do not express an opinion on this information.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior periods, nor future projections and goals.

Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe that the information included in the 2017 Integrated Report has not been compiled, in all material respects, in accordance with the guidelines of the criteria described throughout this report.

São Paulo, April 27, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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



Please state your opinion

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

