

# apimeccycle2017\_:) Itaú Unibanco Holding S.A.



## Business Model and Value Creation


**Candido Bracher**  
Executive President & CEO

September 26, 2017



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Recurring Net Income

—  
(Cost of Capital x Allocated Capital)



**VALUE CREATION**

# Value Creation



**Achieving profitability higher than our cost of capital**

## Regulatory Capital

Rules in effect issued by the Central Bank of Brazil and early application of all the requirements already known, which will be implemented by 2019



## Cost of Capital

Return Rate required by investors, taking the business risk into account



We have therefore created the **business model** that can be applicable to business with varying degrees of risk, thus different capital requirements:

**Credit**

**Insurance and Services**

**Trading**

**Excess Capital**

Therefore, we identify the types of business operations that bring about more value creation

# In 2012 – Revising the **Business Model**

## **Economic-financial scenario in 2011/2012...**

- Slowdown in the economic activity in Brazil and abroad
- Increased volatility and uncertainties
- Going after higher quality gains
- The challenge to achieve better results
- Global Basel III

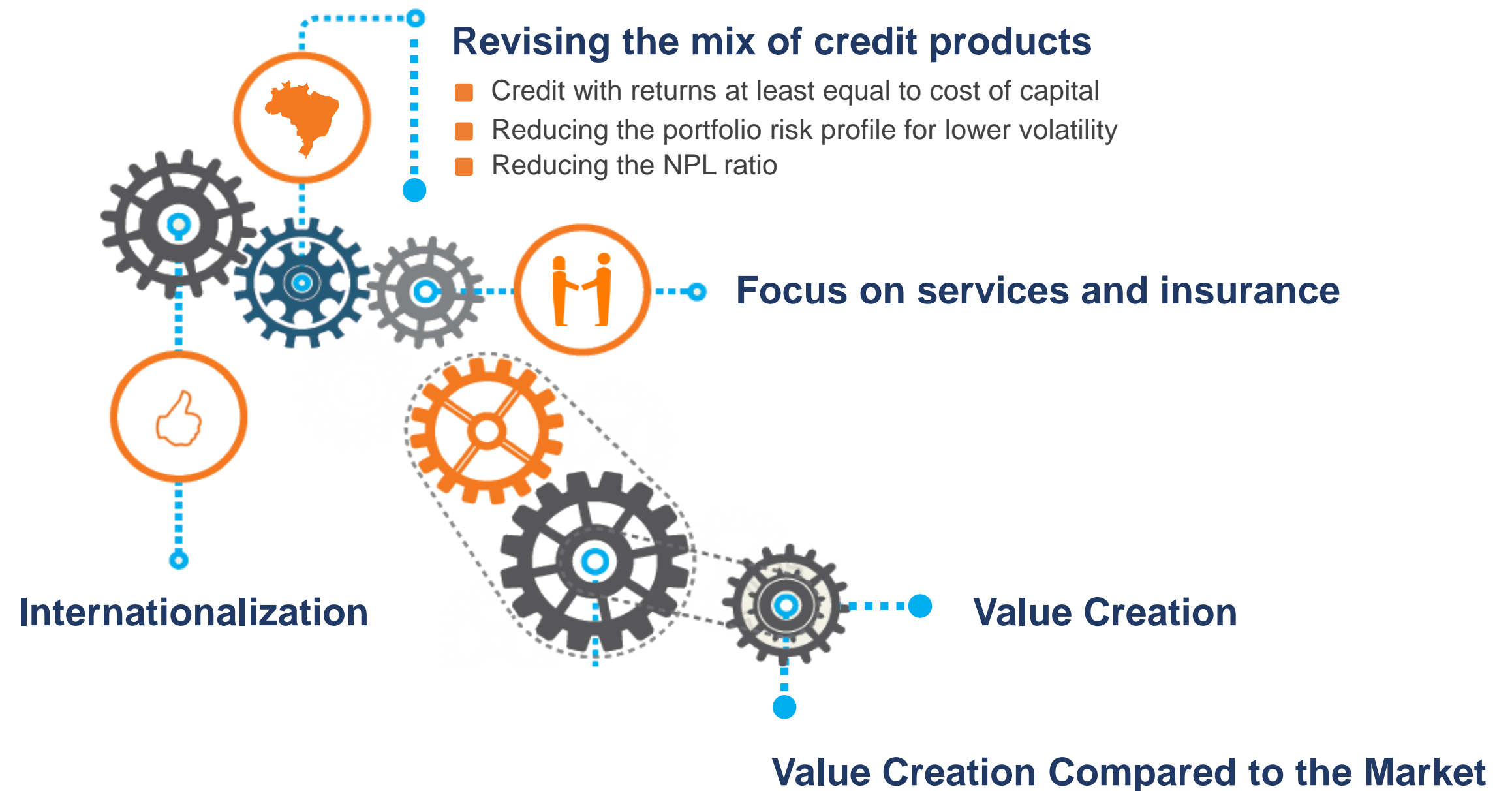
**Where were we?**

# In 2012 – Revising the Business Model

## Economic-financial scenario in 2011/2012...

- Slowdown in the economic activity in Brazil and abroad
- Increased volatility and uncertainties
- Going after higher quality gains
- The challenge to achieve better results
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## Itaú Unibanco: Strategy disclosed in 2012 at APIMEC



Where were we?

Where do we want to be?

# Sustainable Performance

## Recurring Net Income (R\$ Billion)

1H12  
7.1

1H17  
12.3

73%

## Stockholders' Equity (R\$ Billion)

June/12  
75.6

↑ 57%

June/17  
118.4

## Dividends & Net Interest on Capital (R\$ Billion)

1H12  
1.4

↑ 242%

1H17  
4.9

2012  
4.5

↑ 121%

2016  
10.0

## Value Creation (R\$ Billion)

1H12  
1.7

↑ 136%

1H17  
4.1

## Recurring ROE (%)

1H12  
19.7

1H17  
21.8

2.1 p.p.

# Business Model

In R\$ billion	1 <sup>st</sup> Half of 2017					1 <sup>st</sup> Half of 2012				
	Consolidated	Credit	Insurance and Services	Trading	Excess Capital	Consolidated	Credit	Insurance and Services	Trading	Excess Capital
<b>Operating Revenues</b>	<b>54.5</b>	<b>28.3</b>	<b>23.7</b>	<b>1.0</b>	<b>1.4</b>	<b>39.4</b>	<b>22.8</b>	<b>15.5</b>	<b>0.6</b>	<b>0.4</b>
Managerial Financial Margin	34.8	23.3	9.1	1.0	1.4	26.7	19.4	6.3	0.6	0.4
Commissions and Fees	15.9	5.0	10.9	0.0	-	8.7	3.4	5.2	-	-
Result from Insurance <sup>1</sup>	3.8	-	3.8	-	-	4.0	-	4.0	-	-
<b>Cost of Credit</b>	<b>(9.8)</b>	<b>(9.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Retained Claims</b>	<b>(0.6)</b>	<b>-</b>	<b>(0.6)</b>	<b>-</b>	<b>-</b>	<b>(1.0)</b>	<b>-</b>	<b>(1.0)</b>	<b>-</b>	<b>-</b>
<b>Non-Interest and Other Expenses<sup>2</sup></b>	<b>(26.1)</b>	<b>(12.5)</b>	<b>(13.4)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(18.7)</b>	<b>(9.8)</b>	<b>(8.7)</b>	<b>(0.2)</b>	<b>(0.0)</b>
<b>Recurring Net Income</b>	<b>12.3</b>	<b>4.2</b>	<b>6.5</b>	<b>0.5</b>	<b>1.2</b>	<b>7.1</b>	<b>2.5</b>	<b>4.1</b>	<b>0.3</b>	<b>0.2</b>
<b>Regulatory Capital</b>	<b>118.4</b>	<b>56.6</b>	<b>30.0</b>	<b>2.6</b>	<b>29.2</b>	<b>75.6</b>	<b>48.4</b>	<b>14.7</b>	<b>3.8</b>	<b>8.7</b>
<b>Value Creation</b>	<b>4.1</b>	<b>0.0</b>	<b>4.5</b>	<b>0.3</b>	<b>(0.7)</b>	<b>1.7</b>	<b>(1.2)</b>	<b>3.2</b>	<b>(0.0)</b>	<b>(0.3)</b>
<b>Recurring ROE</b>	<b>21.8%</b>	<b>14.5%</b>	<b>44.7%</b>	<b>31.5%</b>	<b>8.9%</b>	<b>19.7%</b>	<b>10.3%</b>	<b>56.7%</b>	<b>15.6%</b>	<b>7.0%</b>

<sup>1</sup> Result from Insurance includes the Result from Insurance, Pension Plan and Premium Bonds Operations before Retained Claims and Selling Expenses

<sup>2</sup> Includes Tax Expenses (ISS, PIS, COFINS and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

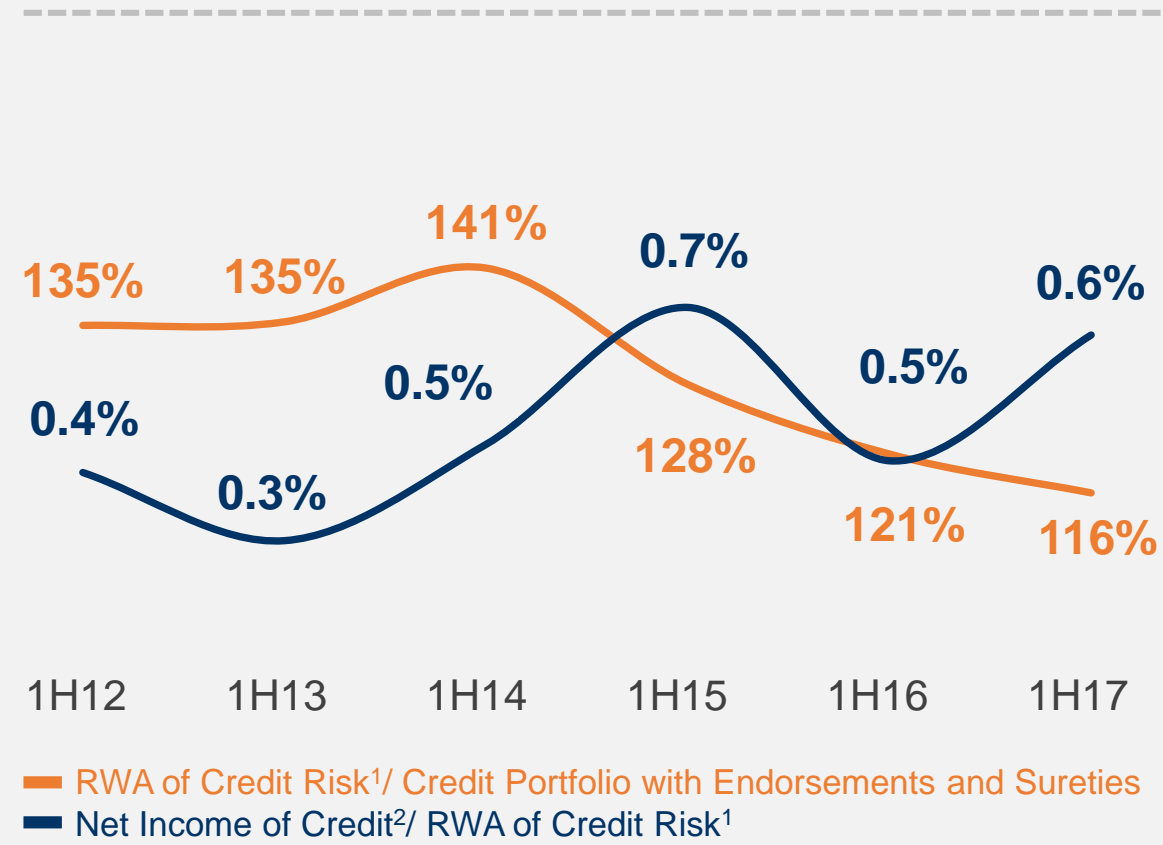


**Revising the mix of credit products**

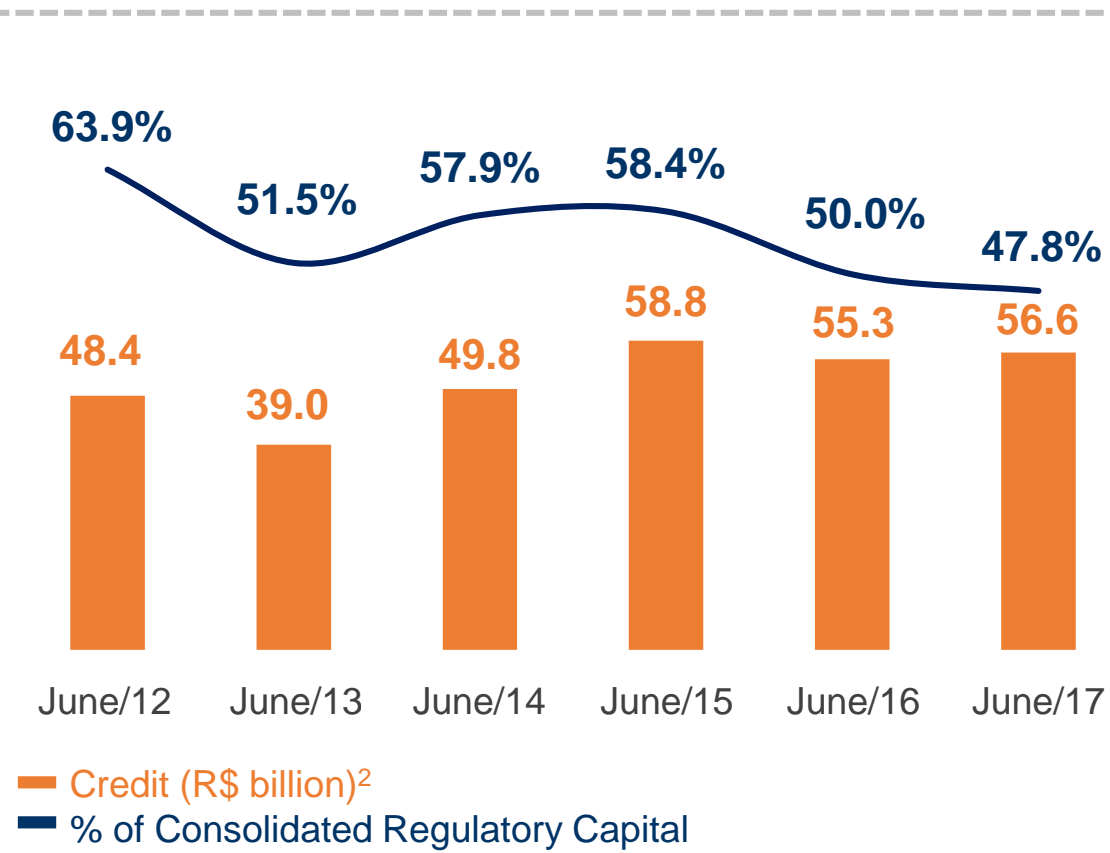


# Credit with returns at least equal to cost of capital

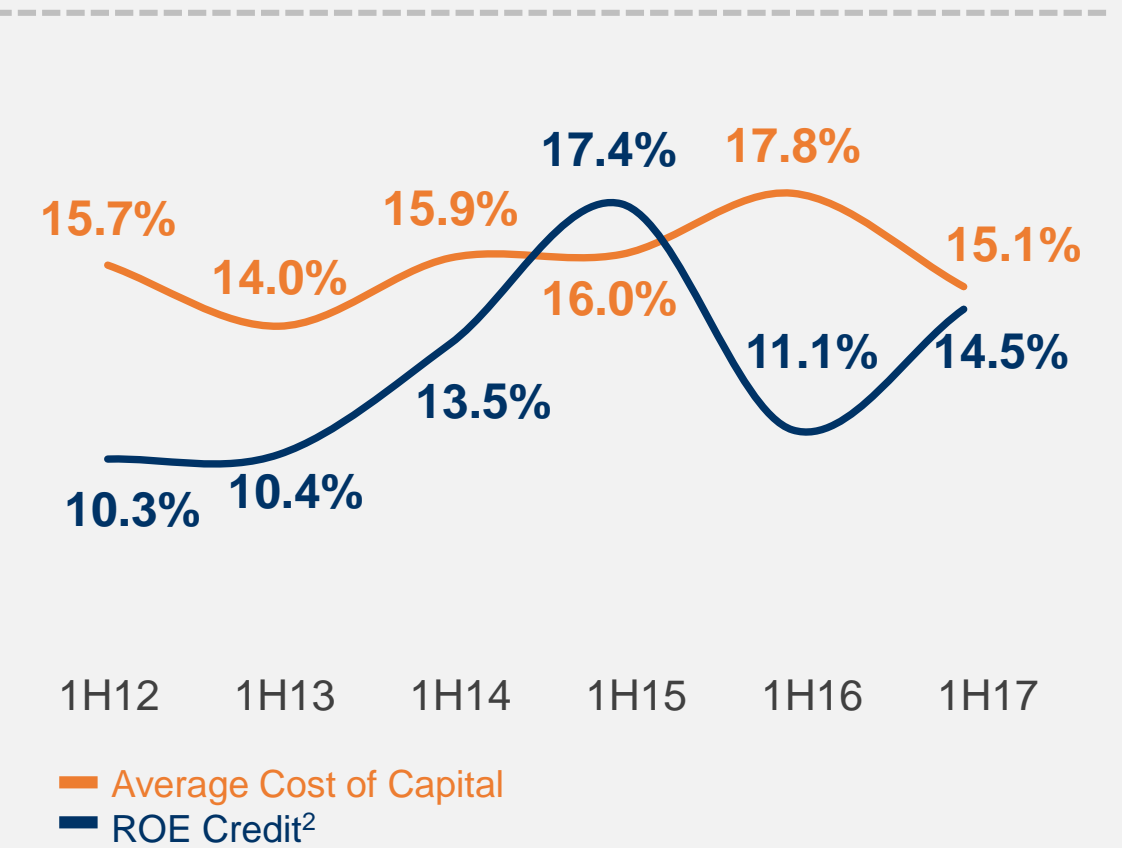
## Credit RWA



## Regulatory Capital



## Value Creation - Credit



Revising the mix of products,  
as from 2012

Significant capital  
consumption

More susceptible to  
economic cycles

<sup>1</sup> RWA weights assets of Credit, Securities and Other Exposures.

<sup>2</sup> Includes Credit and Securities and commercial derivatives with credit characteristics .

# Reducing the portfolio risk profile<sup>1</sup> for lower volatility - Brazil

**Credit Portfolio<sup>1</sup>** (June/12 to June/17)

R\$ 384.7 billion

**+7.8%**

**R\$ 414.6 billion**

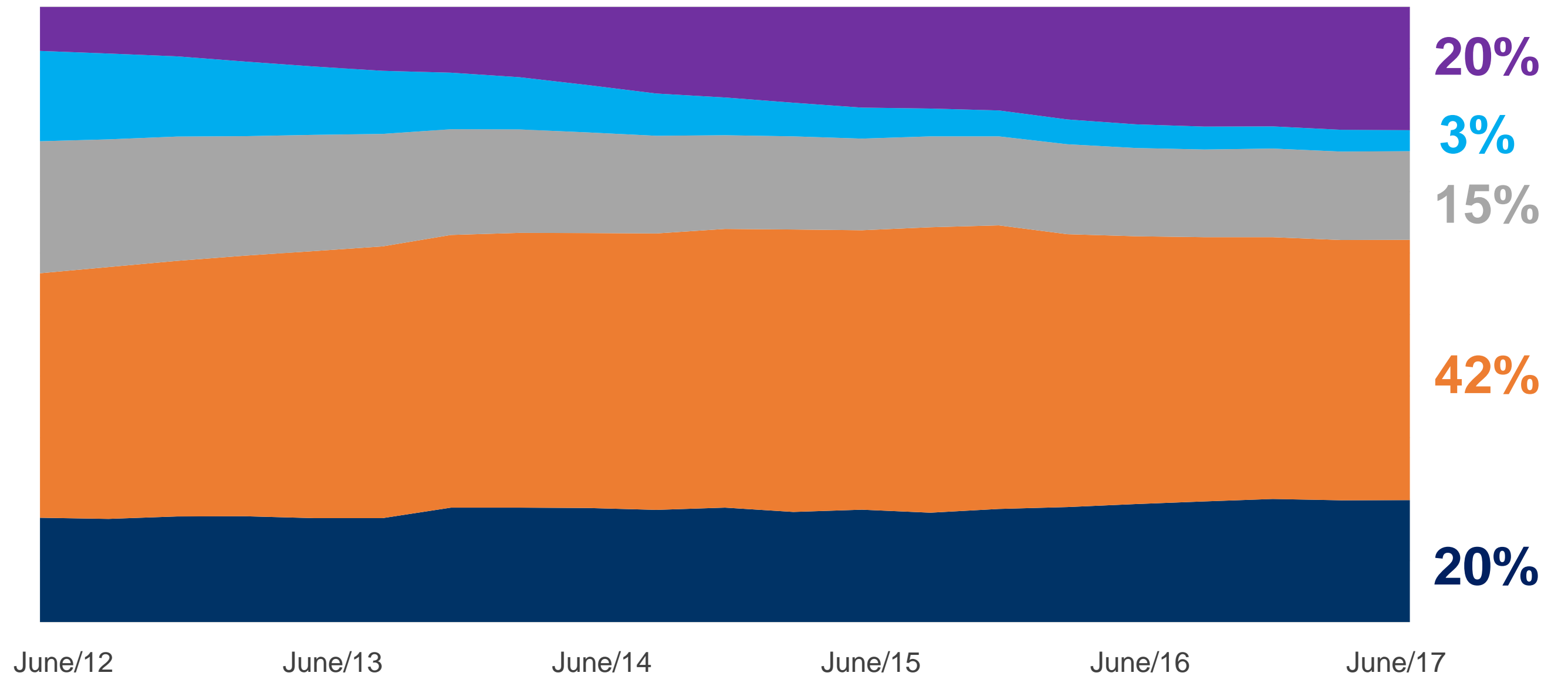
Payroll and Mortgage Loans: **7%**

Vehicles: **15%**

Very Small, Small, and Middle-Market Loans: **21%**

Corporate Loans: **40%**

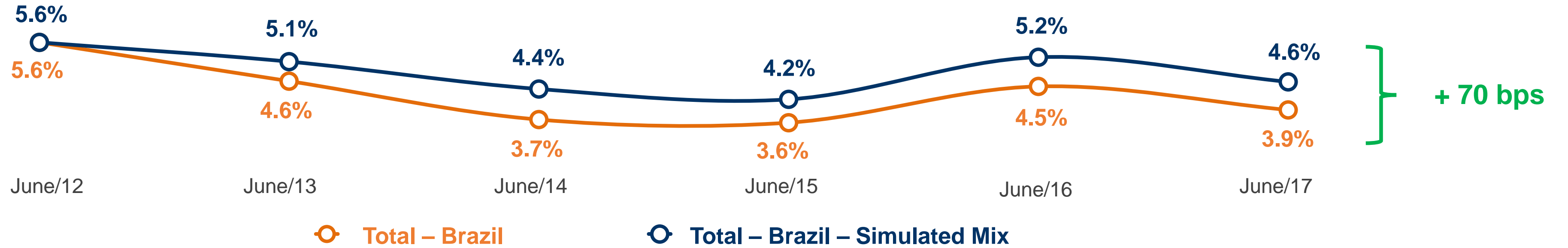
Credit Card and Personal Loans: **17%**



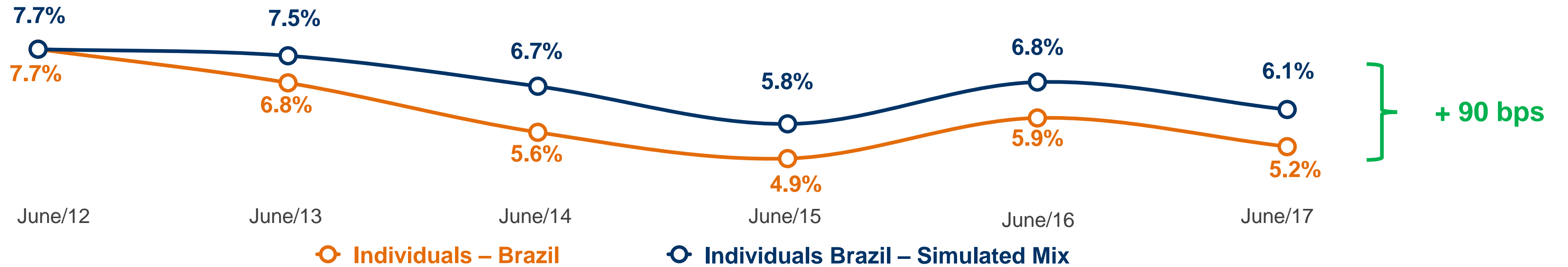
<sup>1</sup> Includes endorsements and sureties

# Reducing the NPL Ratio

## 90-day NPL – Total - Brazil



## 90-day NPL – Individuals - Brazil



# Robust Provisions with Lower Expenses

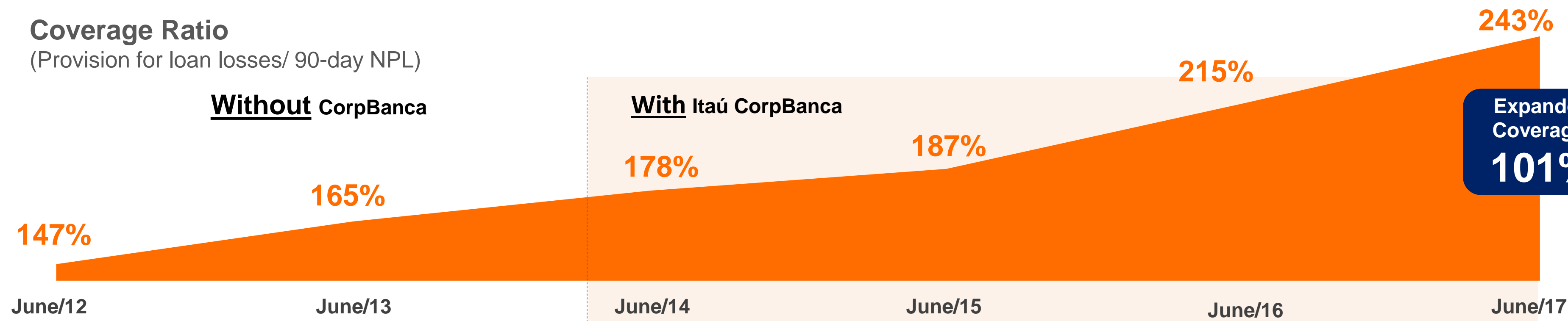
## Provision for Loan Losses / Credit Portfolio<sup>1</sup> - Annualized



<sup>1</sup> Average balance of credit portfolio without endorsements and sureties, including the last two quarters.

## Coverage Ratio

(Provision for loan losses/ 90-day NPL)



<sup>2</sup> The Expanded Coverage Ratio is calculated from the division of the balance of total provision\* by the sum of the balance of operations overdue for over 90 days and renegotiated operations, excluding the double counting of renegotiated operations overdue for over 90 days.

(\*) Total allowance used for calculation of the coverage and expanded coverage ratios includes the provision for financial guarantees provided, which is recorded in liabilities as from March 2017, in accordance with CMN Resolution No. 4,512/16.

# Our Coverage Ratio: What It Means And How It Is Impacted

## Currently

### 3 types

#### ■ Overdue

Credit operations are rated in conformity with the Central Bank of Brazil requirements, including the minimum provision required according to the number of days overdue for each operation, based on the client's financial position and the terms and conditions of the operation.

#### ■ Aggravated

Based on our risk models, we recognize higher provisions for overdue credit operations and for renegotiated operations (overdue and non-overdue), with the risk increased higher than the minimum required by the Central Bank of Brazil. These models include the LGD (Loss Given Default) and PD (Probability of Default), and result in the expected loss.

#### ■ Potential

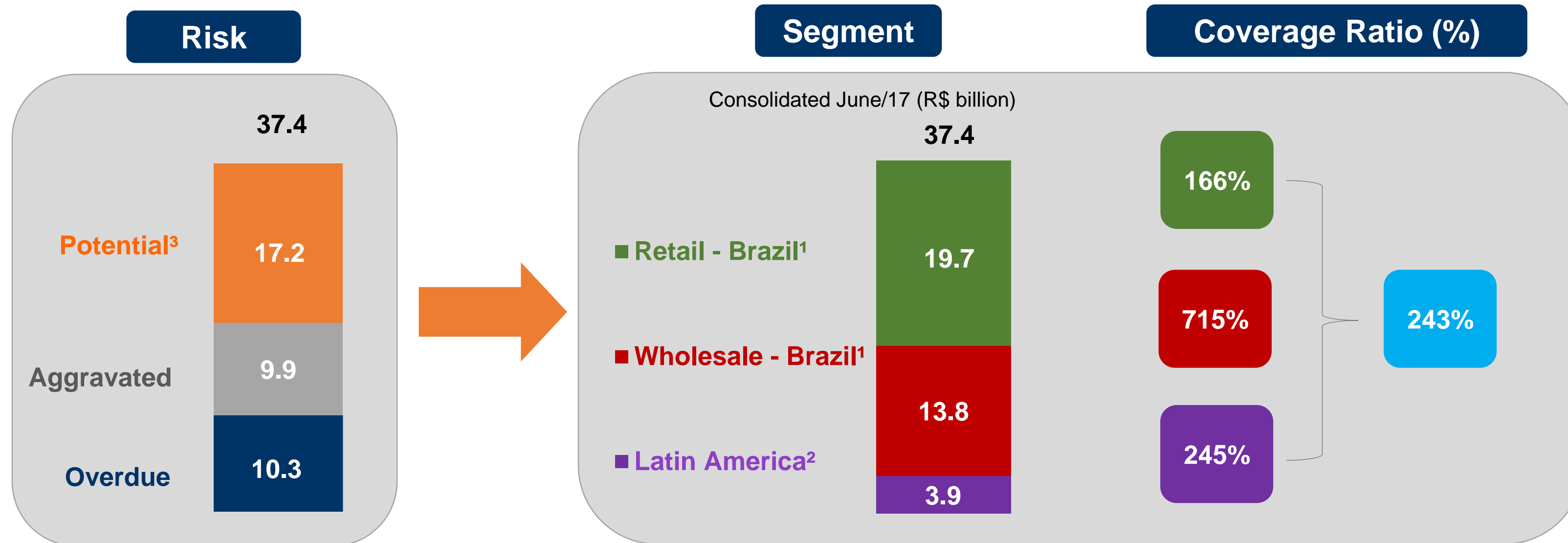
In the retail segment, a statistical model is used to define the expected loss. In the wholesale segment, the potential loss is defined on a case-by-case basis.

Rating <sup>(1)</sup>	AA	A	B	C	D	E	F	G	H
Provision (%)	0	0.5	1	3	10	30	50	70	100
Overdue (in days)	-	-	15 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	Above 180

(1) Our credit rating includes the client's credit profile, which may adversely impact the rating of overdue debts.

# Total Allowance by Type of Risk - Consolidated

Allocation of Total Allowance<sup>(\*)</sup> by Type of:



Credits with Potential Provision

3 Scenarios

- Operations may become overdue, with no impact on result, reducing the coverage ratio;
- Nothing can happen, and there will be no impact on the result and, in this case, the coverage ratio will be maintained;
- The scenario may improve, resulting in a reversal of provision, better results and reduction in the coverage ratio.

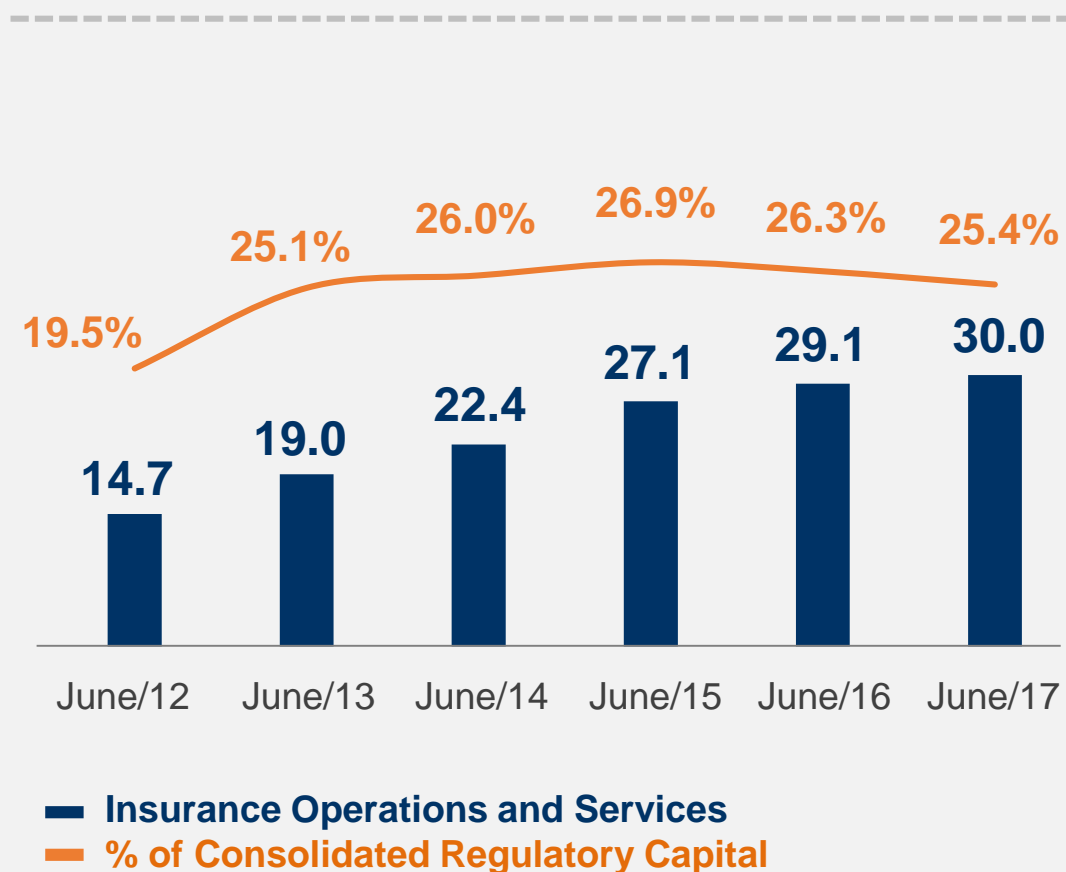
<sup>1</sup> Includes foreign units ex-Latin America. <sup>2</sup> Excludes Brazil. <sup>3</sup> Allowance for potential losses includes the provision for financial guarantees provided. (\*) Total allowance includes the provision for financial guarantees provided, which is recorded in liabilities as from March 2017, in accordance with CMN Resolution No. 4,512/16.



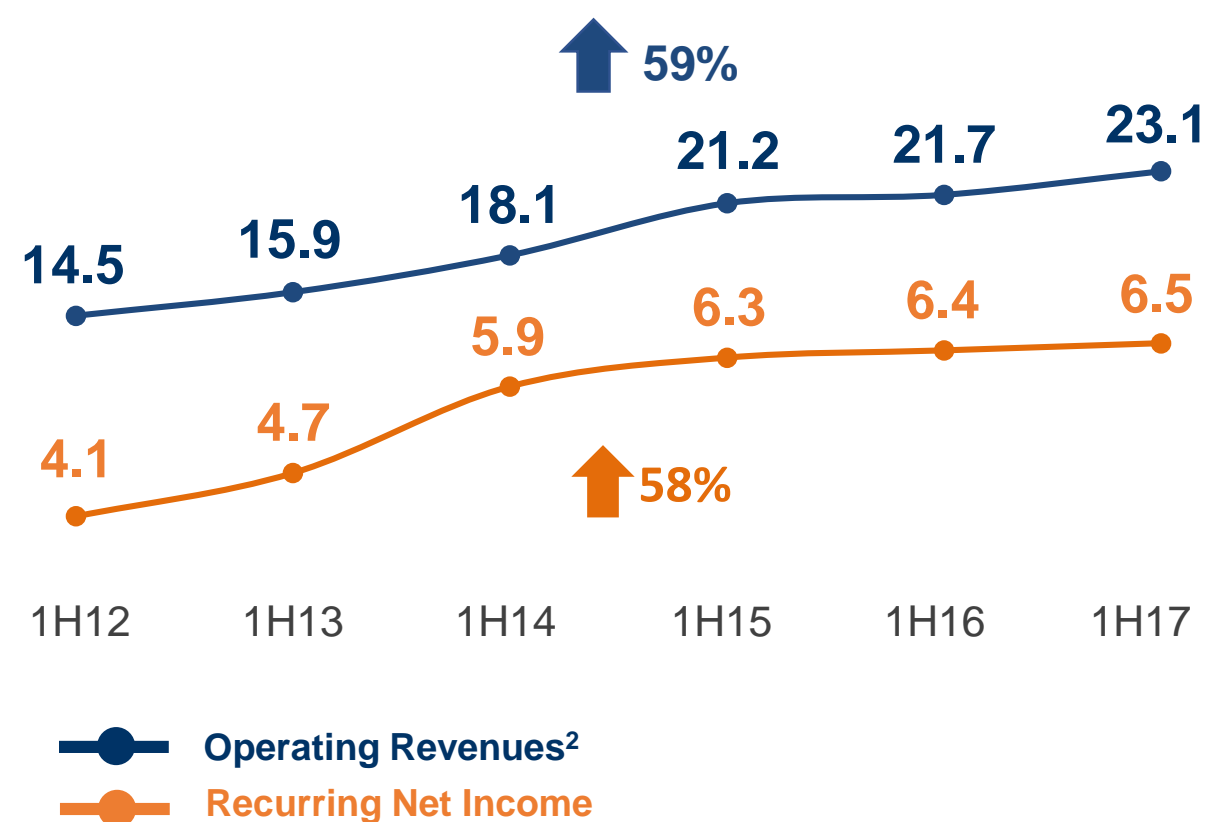
**Focus on Services  
and Insurance**

# Focus on Services and Insurance Operations<sup>1</sup>

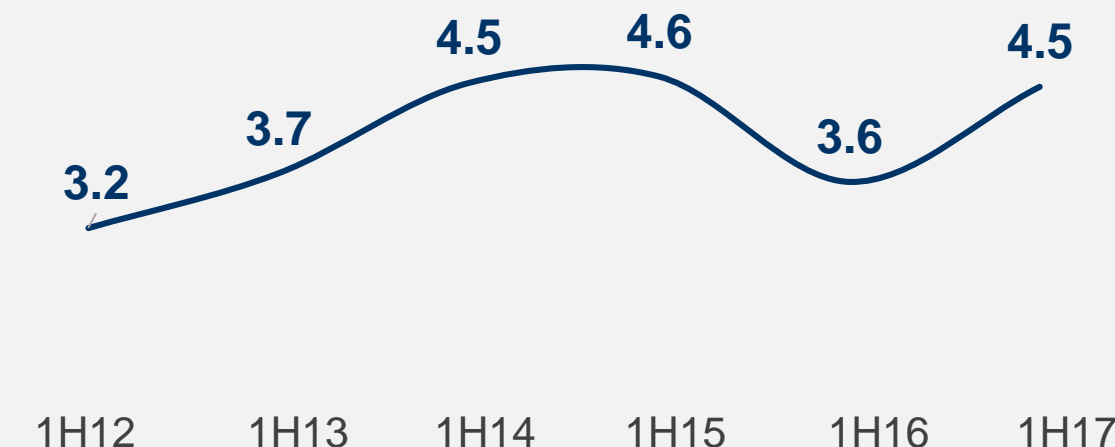
## Regulatory Capital (R\$ billion)



## Operating Revenues<sup>2</sup> and Recurring Net Income (R\$ billion)



## Value Creation Insurance Operations & Services (R\$ billion)



**Lower capital consumption**

**Less susceptible to economic cycles**

**Low volatility in value creation**

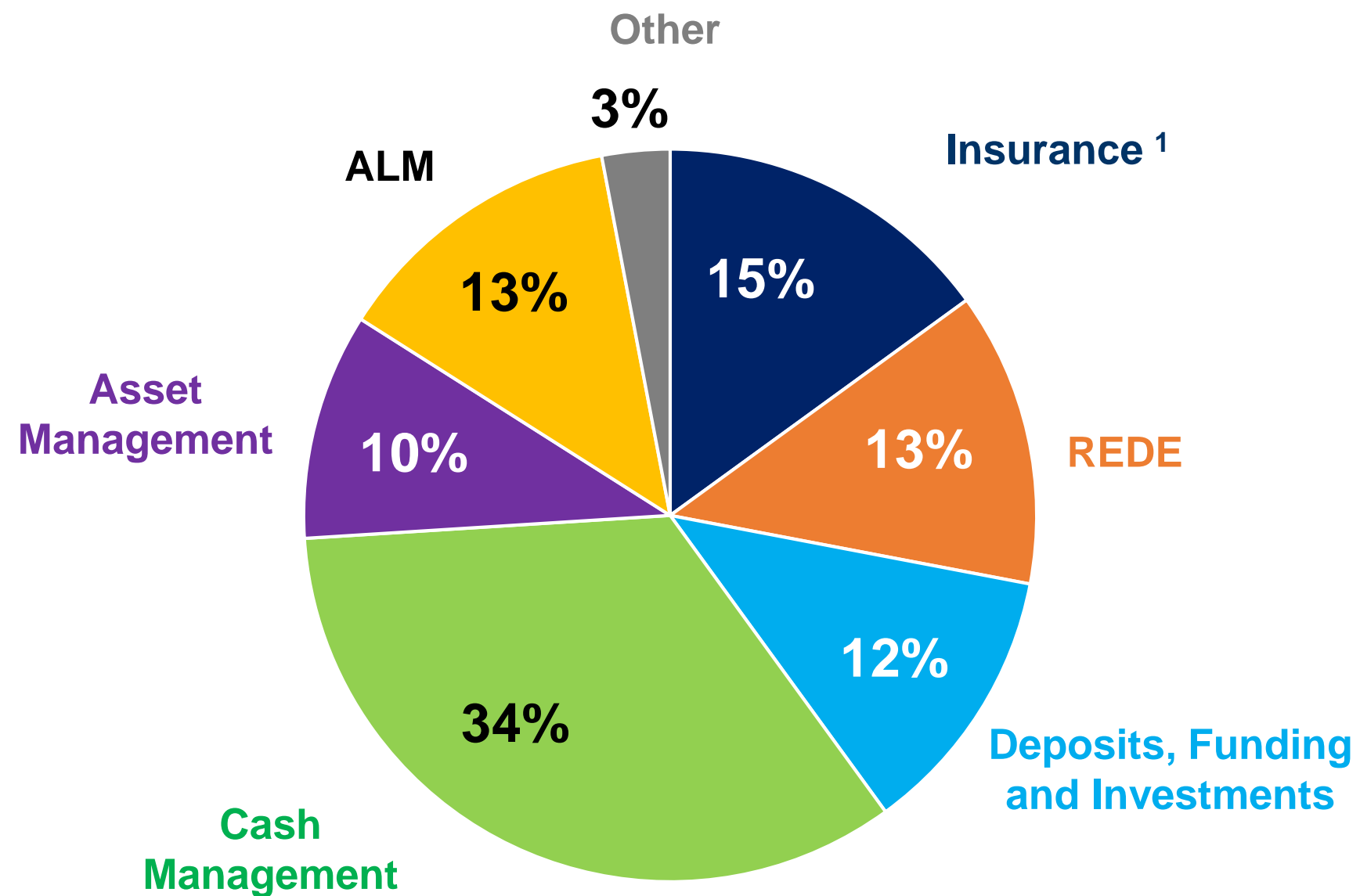
<sup>1</sup> Includes insurance, pension plan and premium bonds, cash management, REDE (acquiring services), asset management and funding.

<sup>2</sup> Net of retained claims.

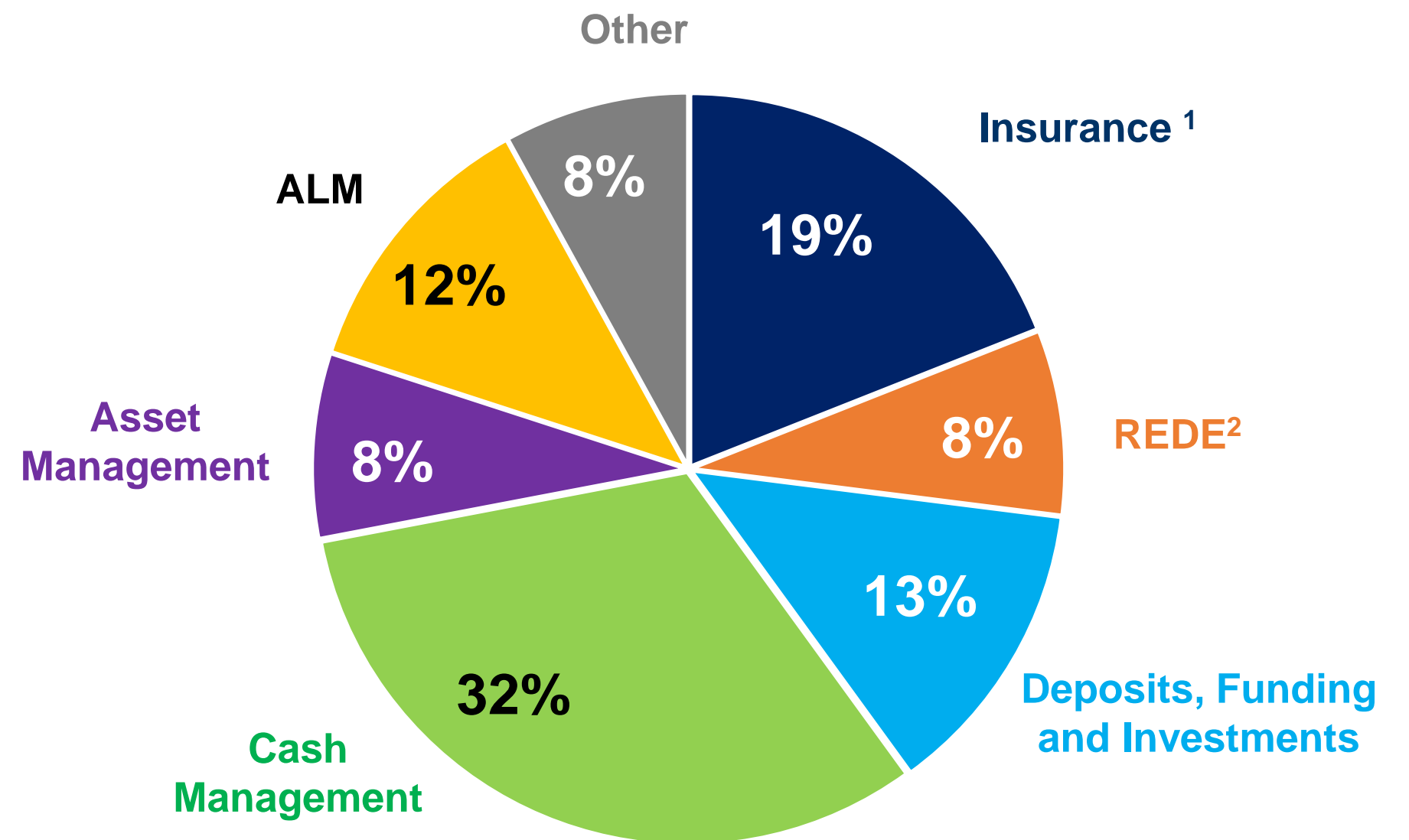


# Focus on Services and Insurance – Operating Revenues after Retained Claims

1<sup>st</sup> half of **2017** (R\$ 23.1 billion)



1<sup>st</sup> half of **2012** (R\$ 14.5 billion)



1 Sold and discontinued operations in the period (Large Risk Insurance, Group Life Insurance, DPVAT and Garantec)

2 Includes the interest of Itaú Unibanco in the company in 2012 only.

Revenues Diversification

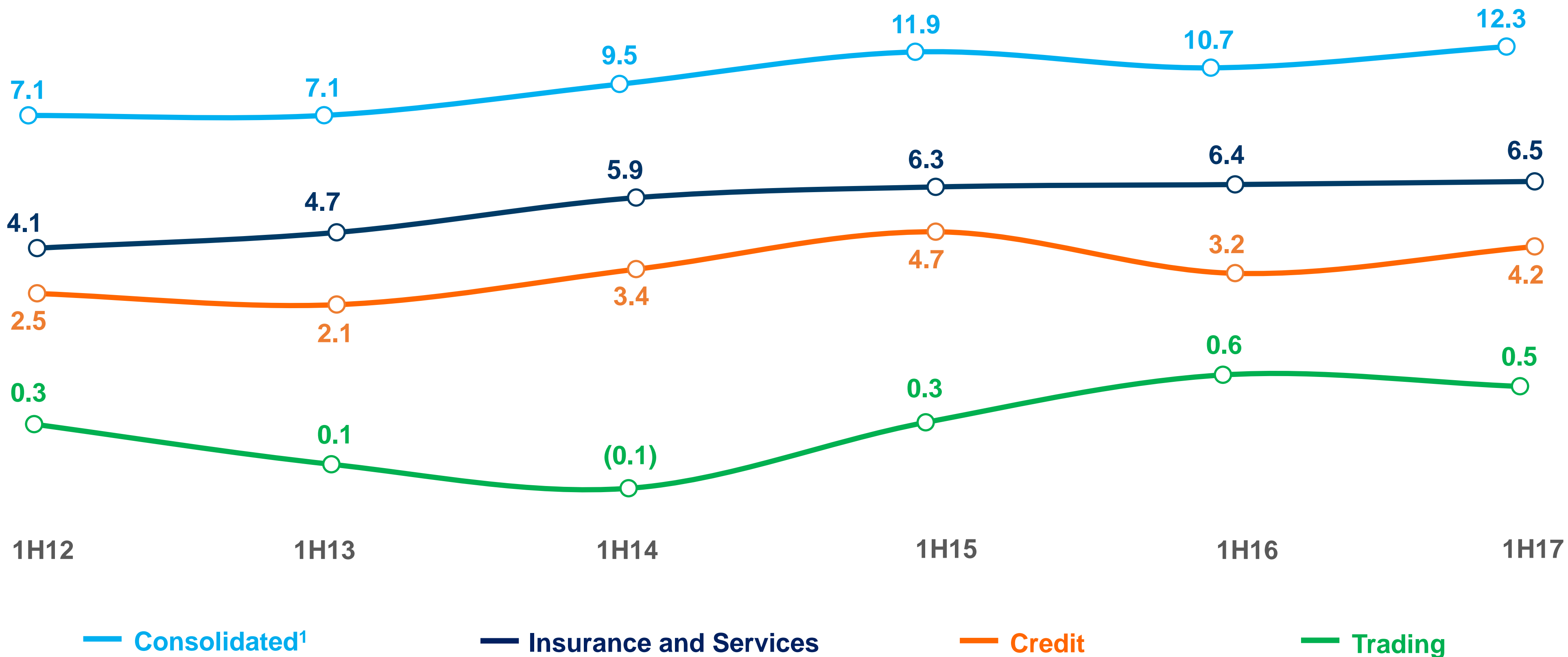
Full offer to clients

Open platform



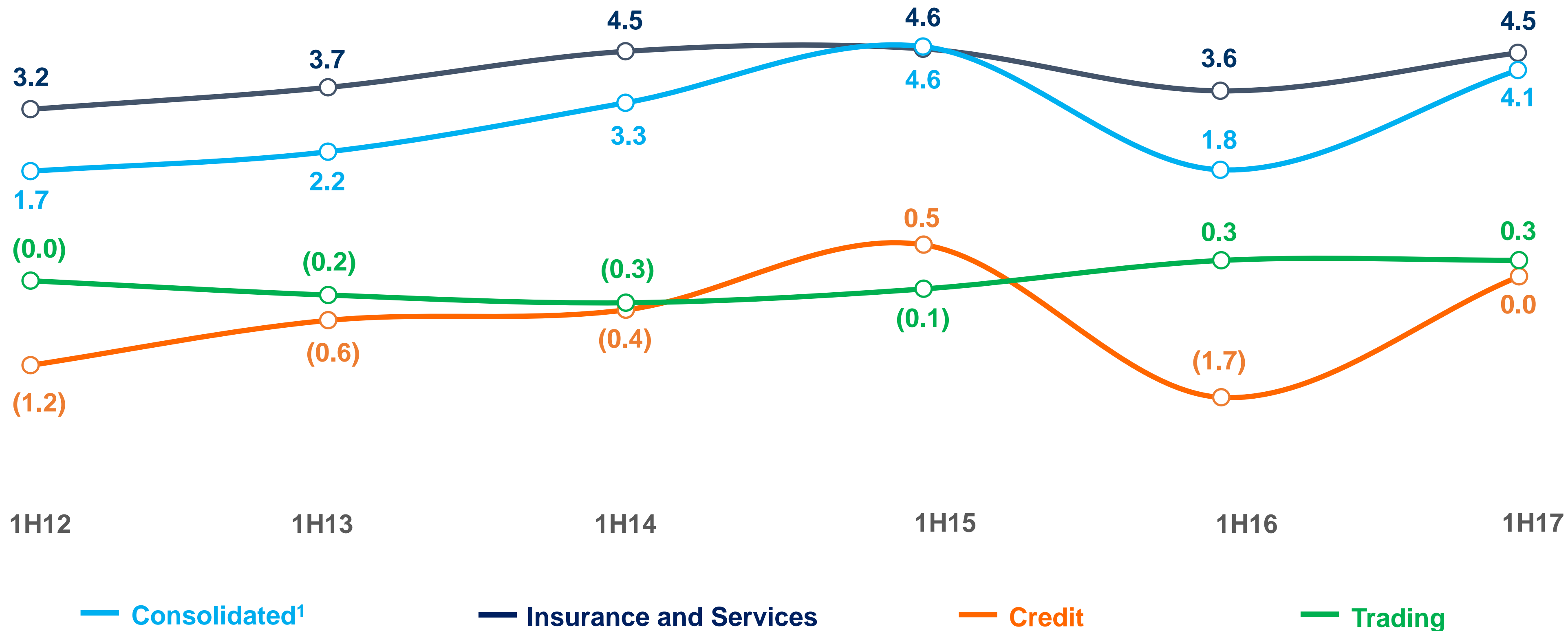
# Value Creation

# Recurring Net Income (R\$ billion)



<sup>1</sup> In addition to Insurance and Services, Credit and Trading, it also includes Capital Surplus.

# Value Creation (R\$ billion)

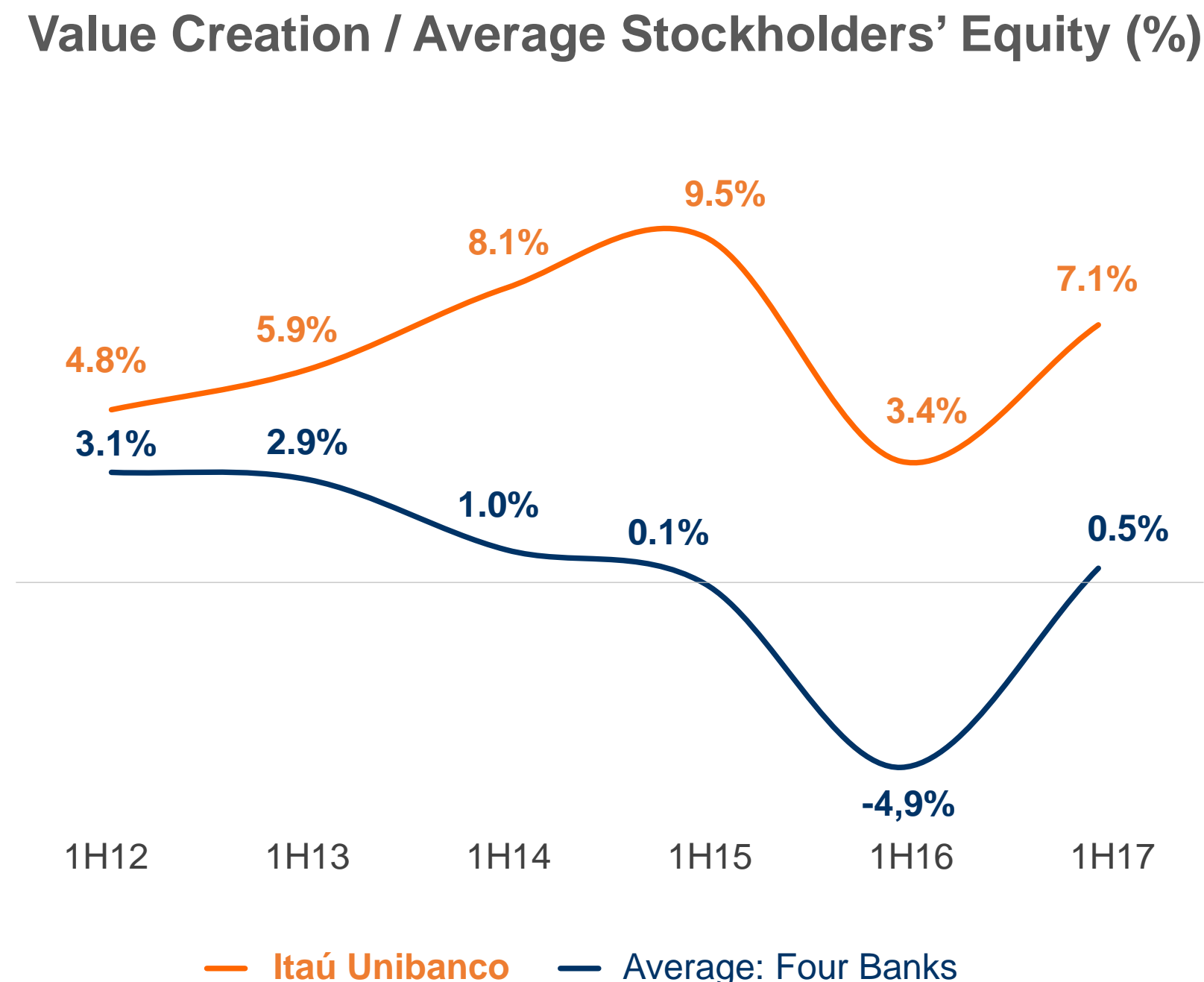
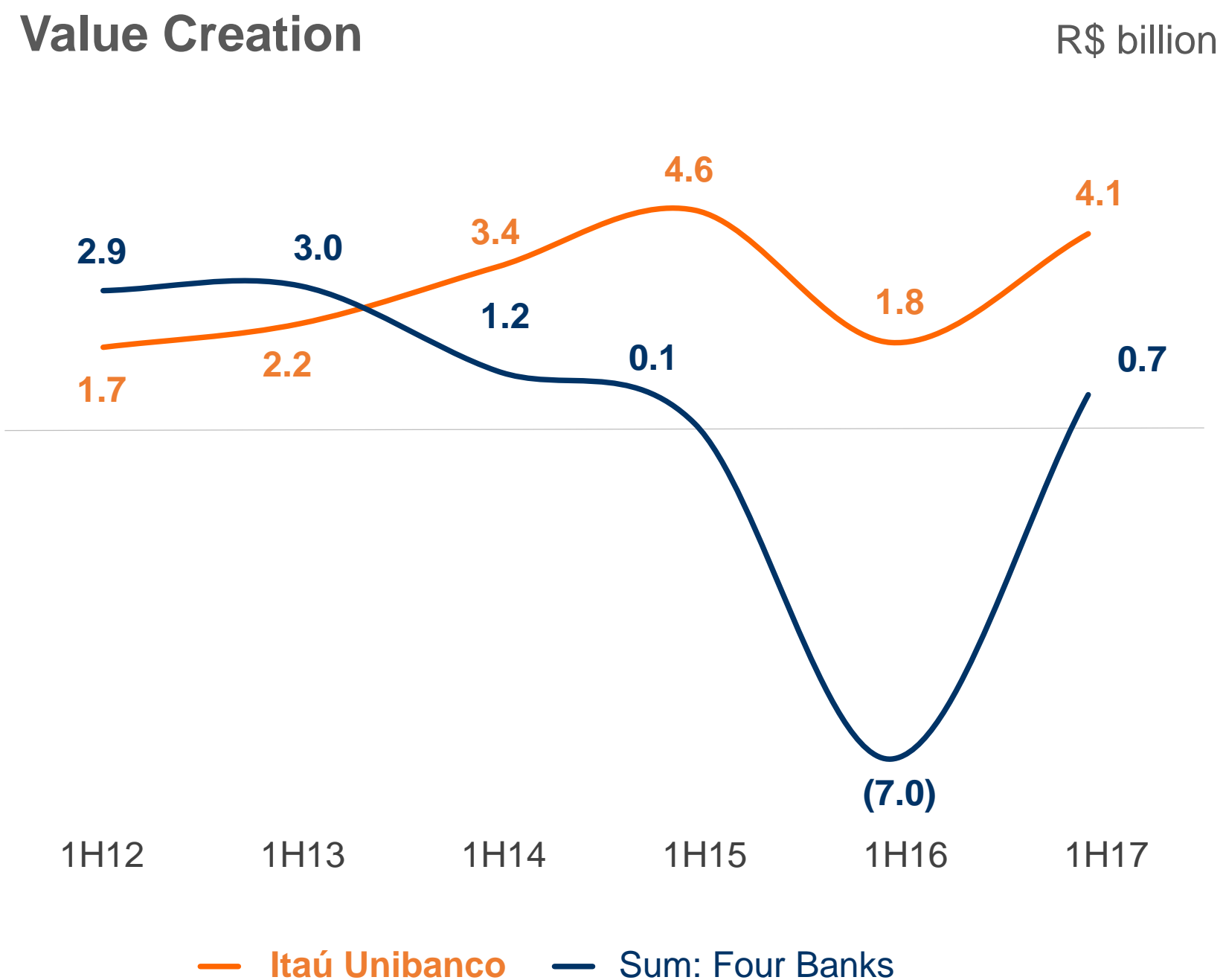


<sup>1</sup> In addition to Insurance and Services, Credit and Trading, it also includes Capital Surplus.



## **Value Creation Compared to the Market**

# Value Creation – Consolidated<sup>1</sup>



<sup>1</sup> Source: Published Financial Statements of Itaú Unibanco Holding S.A. and the four main competitors: Bradesco, Caixa Econômica Federal, Banco do Brasil and Santander Brasil. The cost of capital for Itaú Unibanco Holding S.A. was also applied to the four banks.



**What about the future?**

# 2017 Forecast

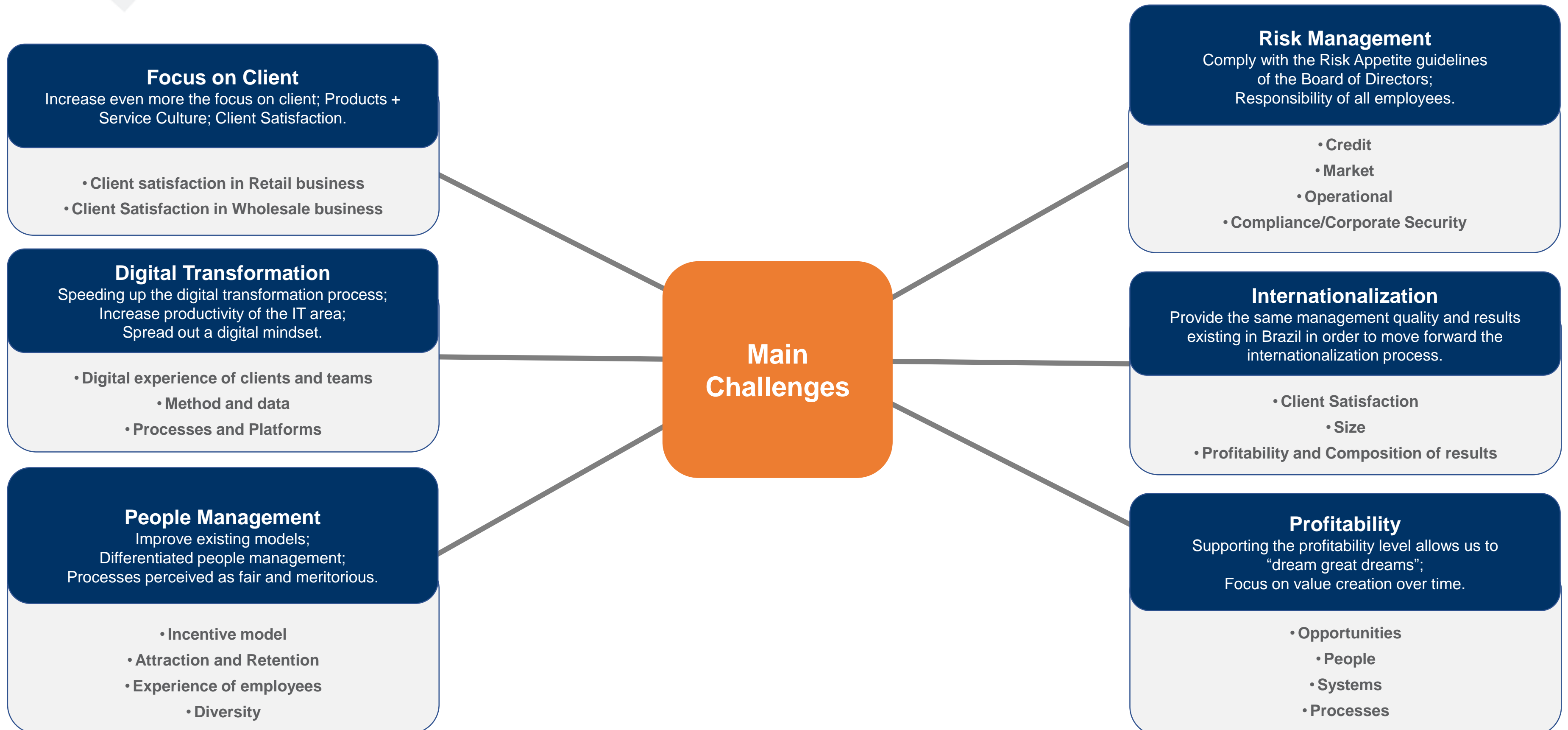
We kept unchanged the ranges of our 2017 forecast

	Consolidated <sup>1</sup>	Brazil <sup>1,6</sup>
Total Credit Portfolio <sup>2</sup>	From 0.0% to 4.0%	From -2.0% to 2.0%
Financial Margin with Clients <sup>3</sup> (Ex-Impairment and Discounts Granted)	From -4.2% to -0.8%	From -5.2% to -1.8%
Cost of Credit <sup>4</sup>	From R\$ 15.5 billion to R\$ 18.0 billion	From R\$ 13.5 billion to R\$ 16.0 billion
Commissions and Fees and Result from Insurance Operations <sup>5</sup>	From 0.5% to 4.5%	From 0.0% to 4.0%
Non-Interest Expenses	From 1.5% to 4.5%	From 3.0% to 6.0%

1) Considers USD-BRL exchange rate at R\$3.50 in Dec-17; 2) Includes endorsements, sureties and private securities; 3) The evolution of the Financial Margin with Clients also includes the reclassification of discounts granted to Cost of Credit line in 2016; 4) Composed of Result from Loan Losses, Impairment and Discounts Granted; 5) Commissions and Fees (+) Income from Insurance, Pension Plan and Premium Bonds Operations (-) Expenses for Claims (-) Insurance, Pension Plan and Premium Bonds Selling Expenses; 6) Includes units abroad ex-Latin America.



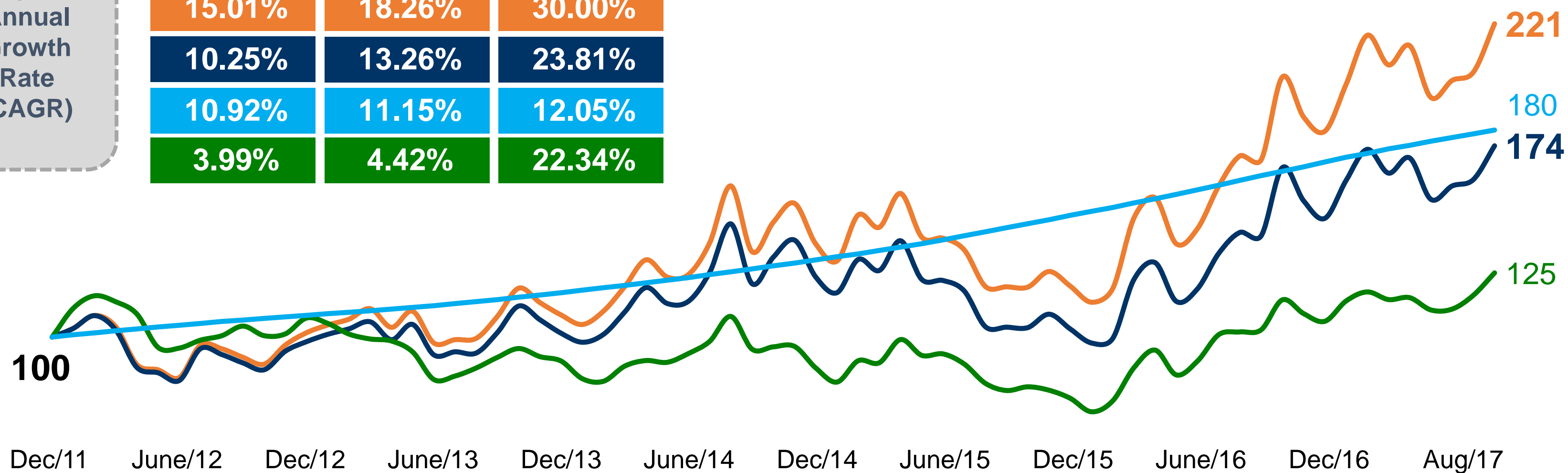
# Priority Strategic Topics



# Changes in Preferred Share Price (ITUB4)

Compound Annual Growth Rate (CAGR)

2012 – Aug/17	5 Years	12 Months
15.01%	18.26%	30.00%
10.25%	13.26%	23.81%
10.92%	11.15%	12.05%
3.99%	4.42%	22.34%



— Preferred Shares WITH reinvestment of dividends    
 — Preferred Shares WITHOUT reinvestment of dividends    
 — Ibovespa    
 — 100% of CDI

# apimeccycle2017\_:) Itaú Unibanco Holding S.A.



## Wholesale Banking

**Eduardo Vassimon**  
Executive President & CEO

September 26, 2017



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# How can we achieve results in a challenging scenario?



## 1. General Information

- a. Wholesale Banking
- b. Client Satisfaction
- c. Segmentation

## 2. Bottom-line Drivers – Companies

- a. Service Revenue
- b. Sustainable Results from Credit

# How can we achieve results in a challenging scenario?



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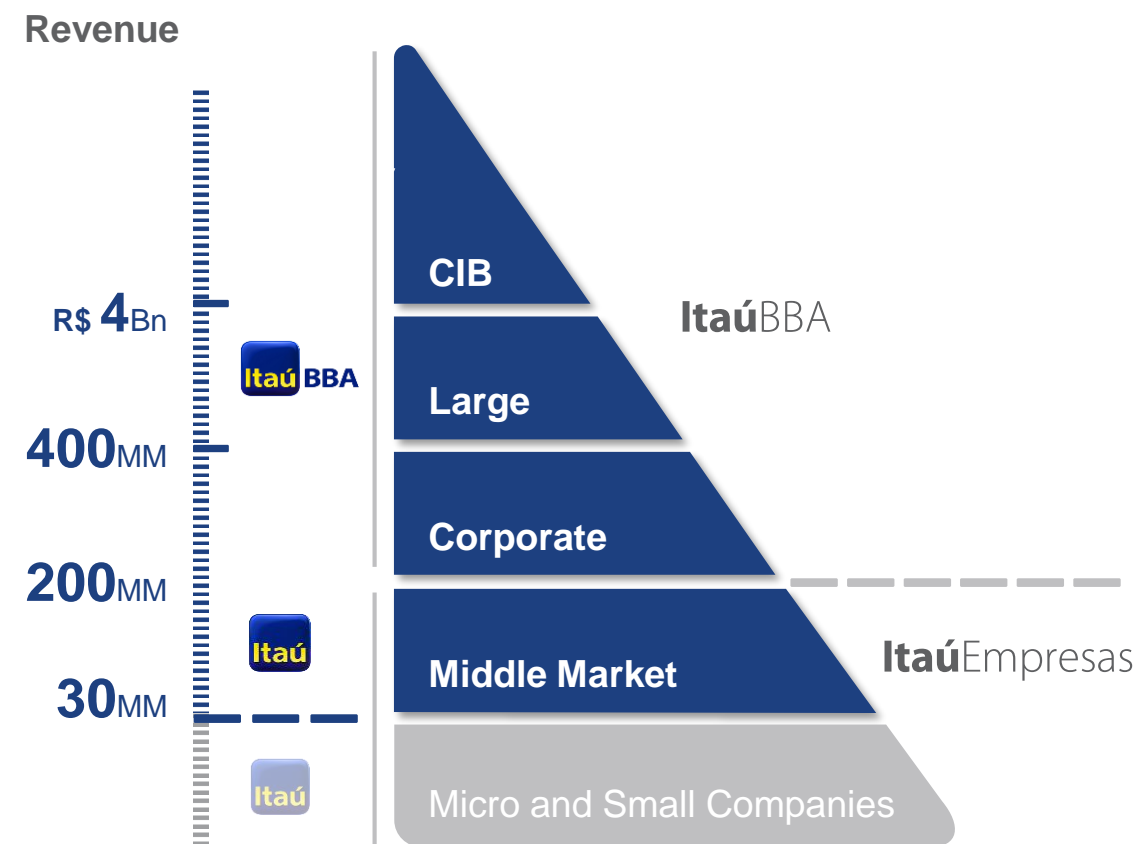
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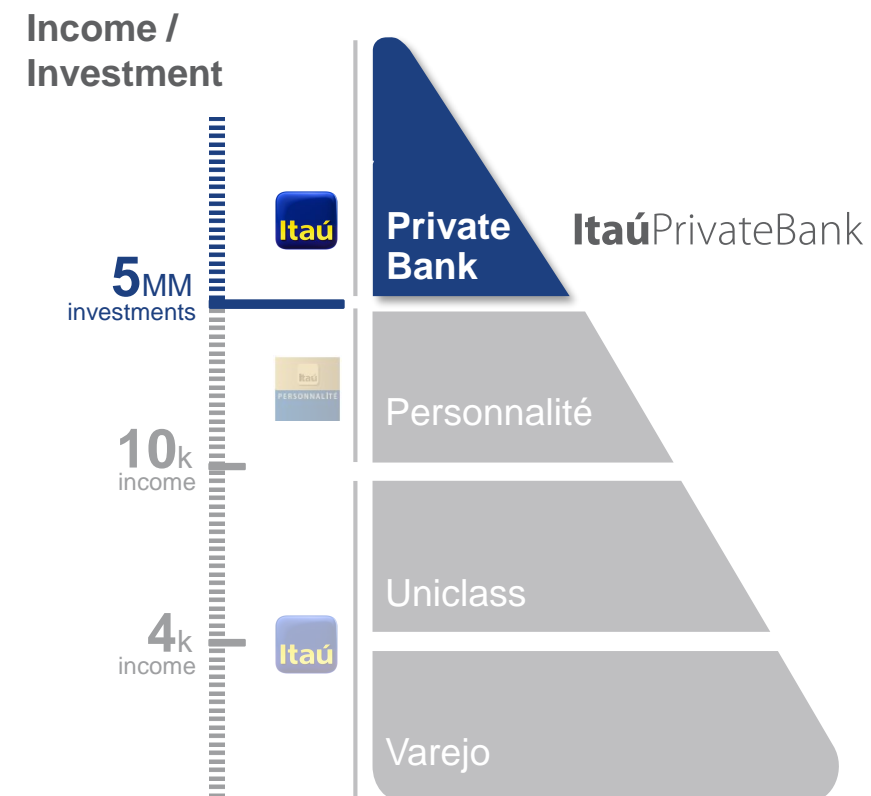
# 1.a. | Wholesale Banking

Base date  
June 17

## Companies



## Individuals



## LatAm



**R\$243Bn**  
Credit Portfolio  
Companies<sup>1,2</sup>

**R\$327Bn**  
Assets under Management  
Private Bank<sup>3</sup>

**542**  
Branches  
and CBSs<sup>1</sup>

**R\$138Bn**  
Credit Portfolio  
Itaú LatAm<sup>1,2</sup>

Ranking (June 2017)

M&A<sup>4</sup>  
**1st**

Local  
DCM<sup>5</sup>  
**1st**

Local  
ECM<sup>6</sup>  
**2nd**

Total  
Derivatives<sup>7</sup>  
**1st**



**Brazil's Best Manager  
of Funds**  
6 times in the last decade



**Best Private  
Banking in Brazil**  
5<sup>th</sup> time in 6 editions



**Best Private Banking  
Services Overall Brazil**  
7<sup>th</sup> time in 9 editions



**Best Private  
Bank in Latin  
America**  
2016



**Latin America's  
Best Banking for  
Wealth Management**  
2017



**Best Private  
Bank in Emerging  
Markets**  
2017

Private Banker  
International

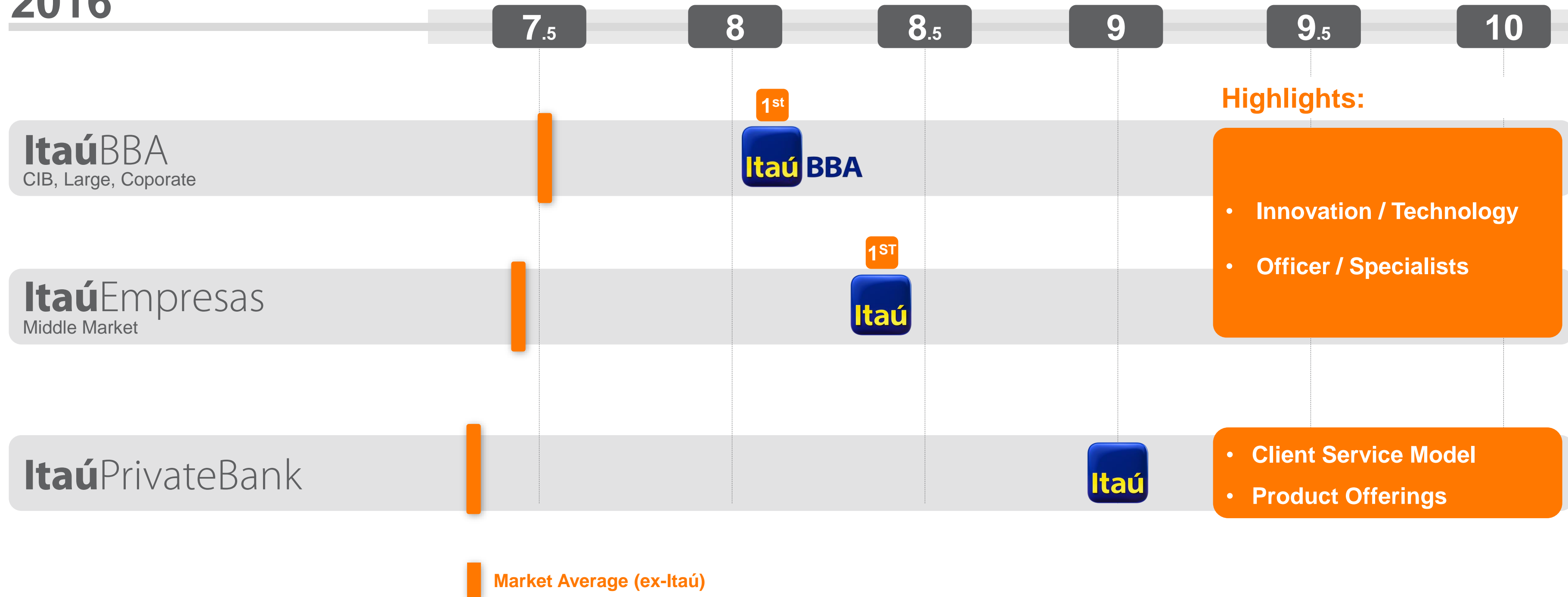
**Outstanding Global  
Private Bank in  
Latin America**  
2017



(1) Source: Itaú Unibanco IR – 2Q17 results (2) The 'Companies' Credit Portfolio (ex-Latam) includes Private Securities, Endorsements and Sureties. Itaú LatAm include Itaú CorpBanca (3) Assets including loans (credit) (4) Source: Thompson; (5) Source: ANBIMA – Brazilian Association of Stock and Financial Markets Entities. Information relating to May 17; (6) Source: Dealogic; (7) Source: Cetip.

# 1.b. | Customer Satisfaction – Service highly recognized by our clients

2016



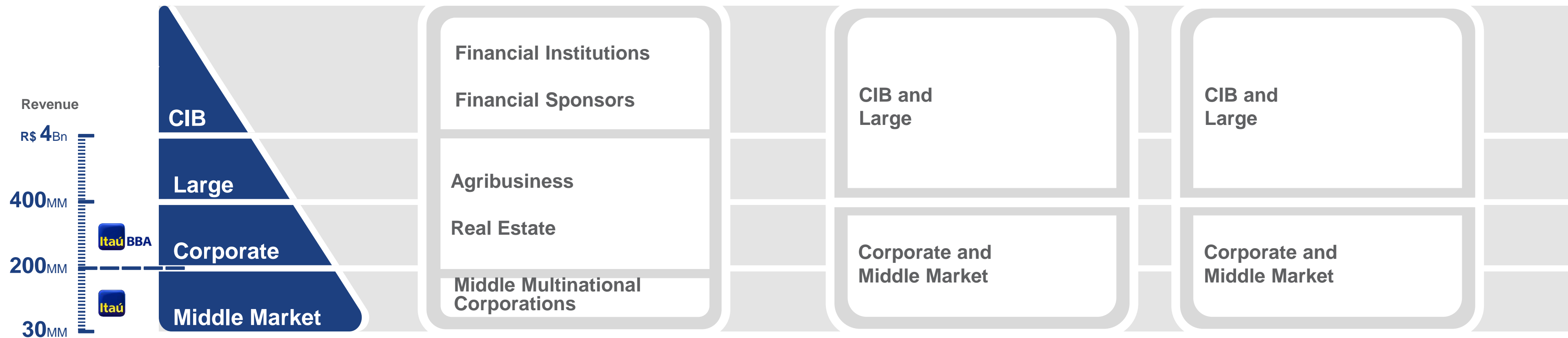
Source: Oficina Sophia | 2016 Customer Satisfaction Survey

# 1.c. | Segmentation – Wholesale client service model – Companies

A thorough review of the client service model, tailoring the value proposition to the different client profiles

## Client Segmentation

(Brazil)



2015 | New wholesale segmentation to offer an **adequate service to companies...**

...and **meet** clients' specific **needs**, **compatible with their business models**

**Credit granting focused** on their respective segments...

...shifting the focus from credit recovery **to business recovery**



# How can we achieve results in a challenging scenario?



## 1. General Information

- a. Wholesale Banking
- b. Client Satisfaction
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## 2. Bottom-line Drivers – Companies

- a. Service Revenue
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## 2. | Bottom-line Drivers – Companies

### Services

Competitive advantages  
to grow service revenue



### Credit

Portfolio Risk  
Management



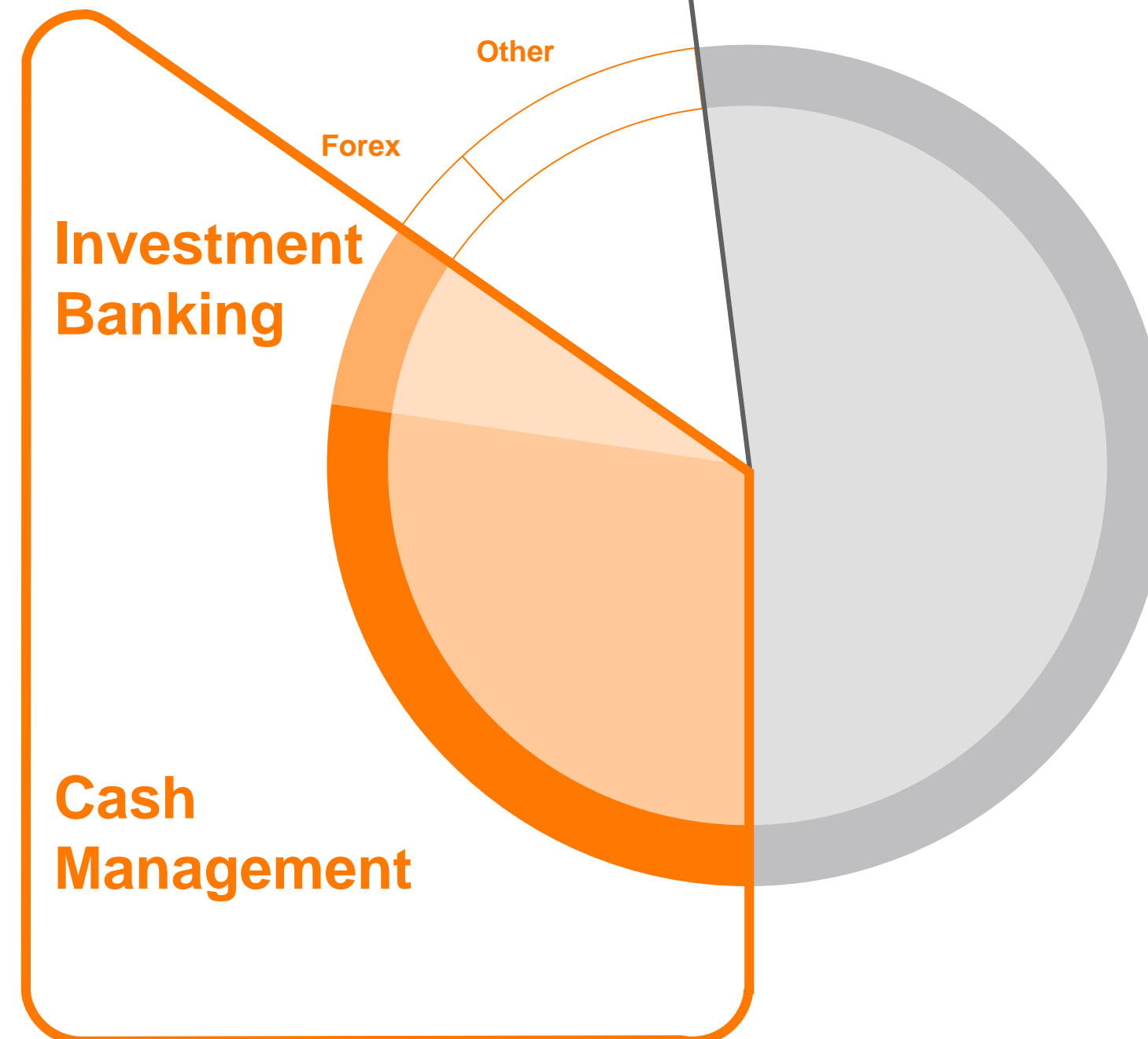
Portfolio Profitability  
Management



### Banking Product Excluding return on capital

**Services**  
**48%**

**Credit**  
**52%**



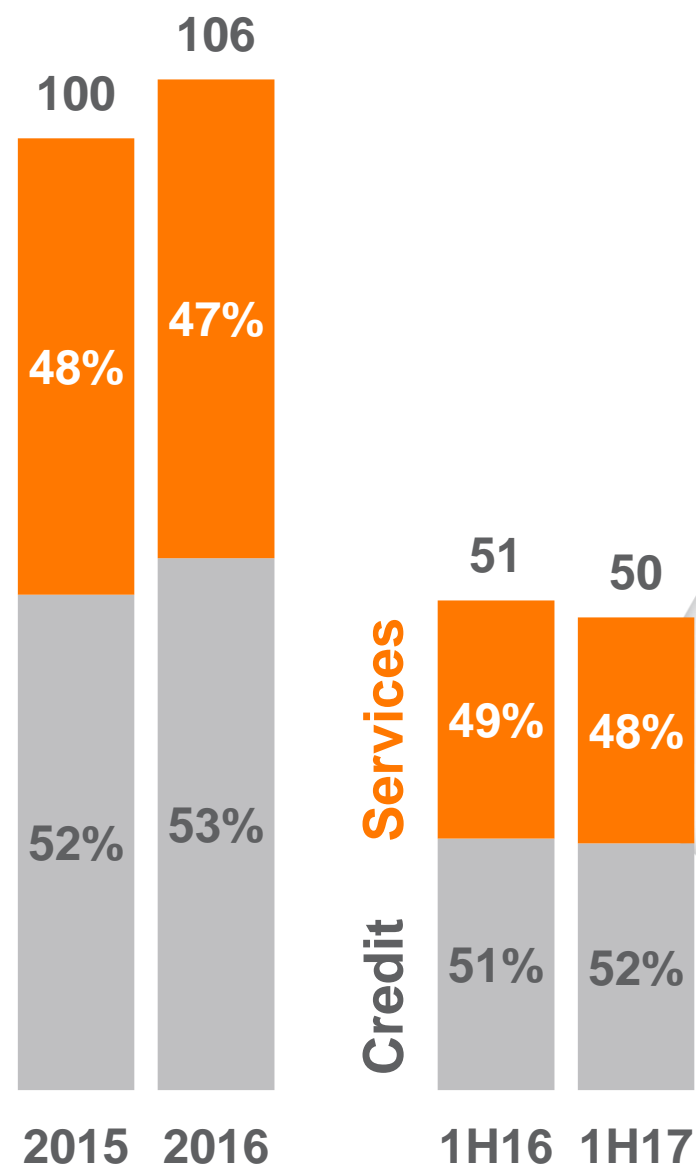
## 2.a. | Service Results – Distinguishing factors to grow the Service results (1/2)





Base date  
June 17


### Banking Product\*

CIB + Large + Corporate + Middle Market

Base 100



-  Checking accounts
-  Receivables
-  Payables
-  HR Solutions

 **10** consecutive years recognized as the **Best Bank in Brazil** by its clients

Source: Euromoney Cash Management Survey (2008 – 2017)

 **Distinguished sales team**  
(Training and expertise)

 **Wide array of products and services**

\* Excluding return on capital

Source: Itaú Unibanco – DGA Finance and Planning

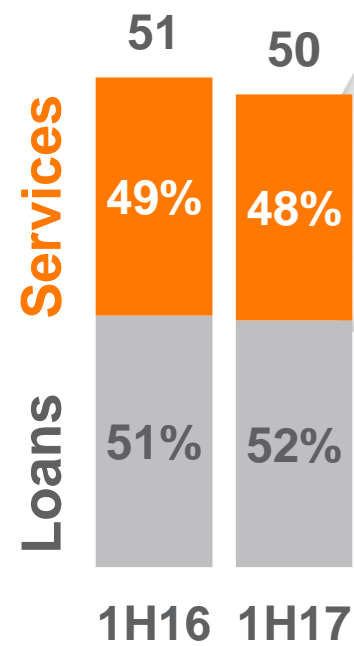
## 2.a. | Service Results – Distinguishing factors to grow the Service results (2/2)

Base date  
June 17

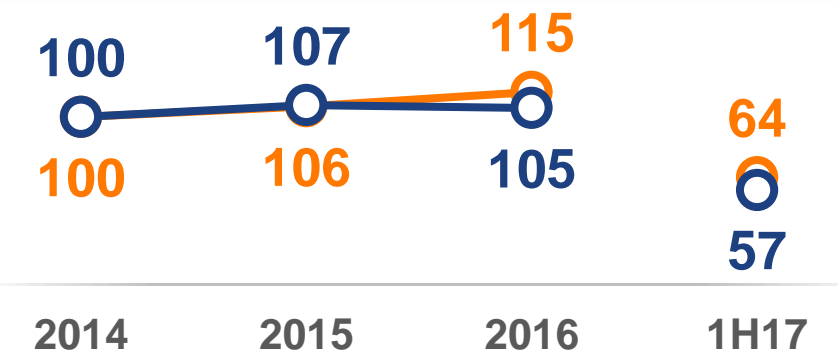
### Banking Product\*

CIB + Large + Corporate + Middle Market

Base 100



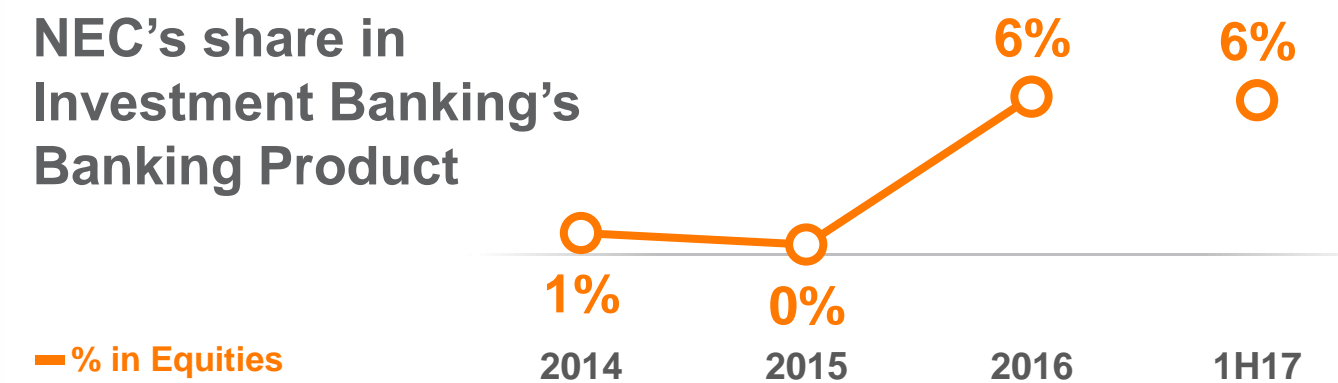
### Banking Product Base 100



### NEC Wholesale Specialists Center

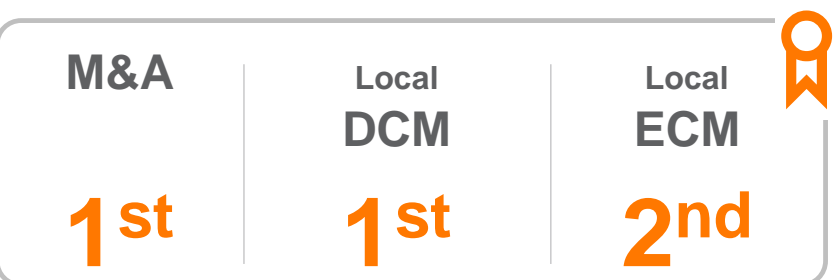
Investment Bank's support in transactions of the Middle Market and Corporate segments

### NEC's share in Investment Banking's Banking Product



### League Table Brazil

Base Date: June 2017  
Sources: Anbima for Local DCM, Dealogic for Local ECM, and Thompson for M&A



\* Excluding return on capital

Source: Itaú Unibanco – DGA Finance and Planning

## 2.b. | Sustainable Results from Credit – Portfolio Management (1/4)

### Risk Dimension

### Lessons learned

**1** Avoid large concentrations by **individual clients**, especially in the highest risks

**2** Avoid industry concentrations, especially in volatile industries

**3** Measure risks on an **aggregate basis (clusters)**, especially in project finance

### What we did

#### ■ Risk Clusters

A simple and comprehensive view of the main risk factors

Rating	Guarantees	Term and Volume
Industry Volatility	Economic Scenario	Concentration

#### ■ Portfolio Boundaries

A control approach to large concentrations

RISKS	Lowest	Very low	100	Economic group's <b>Maximum Exposure</b> based on the cluster
		Low	75	
		Medium High	50	
	Highest	Medium Low	25	
		High	13	
		Very High	5	

Portfolio's Maximum Exposure at High and Very High

High +  
Very High - < Portfolio threshold

## 2.b. | Sustainable Results from Credit— Portfolio Management (2/4)

### Risk Dimension

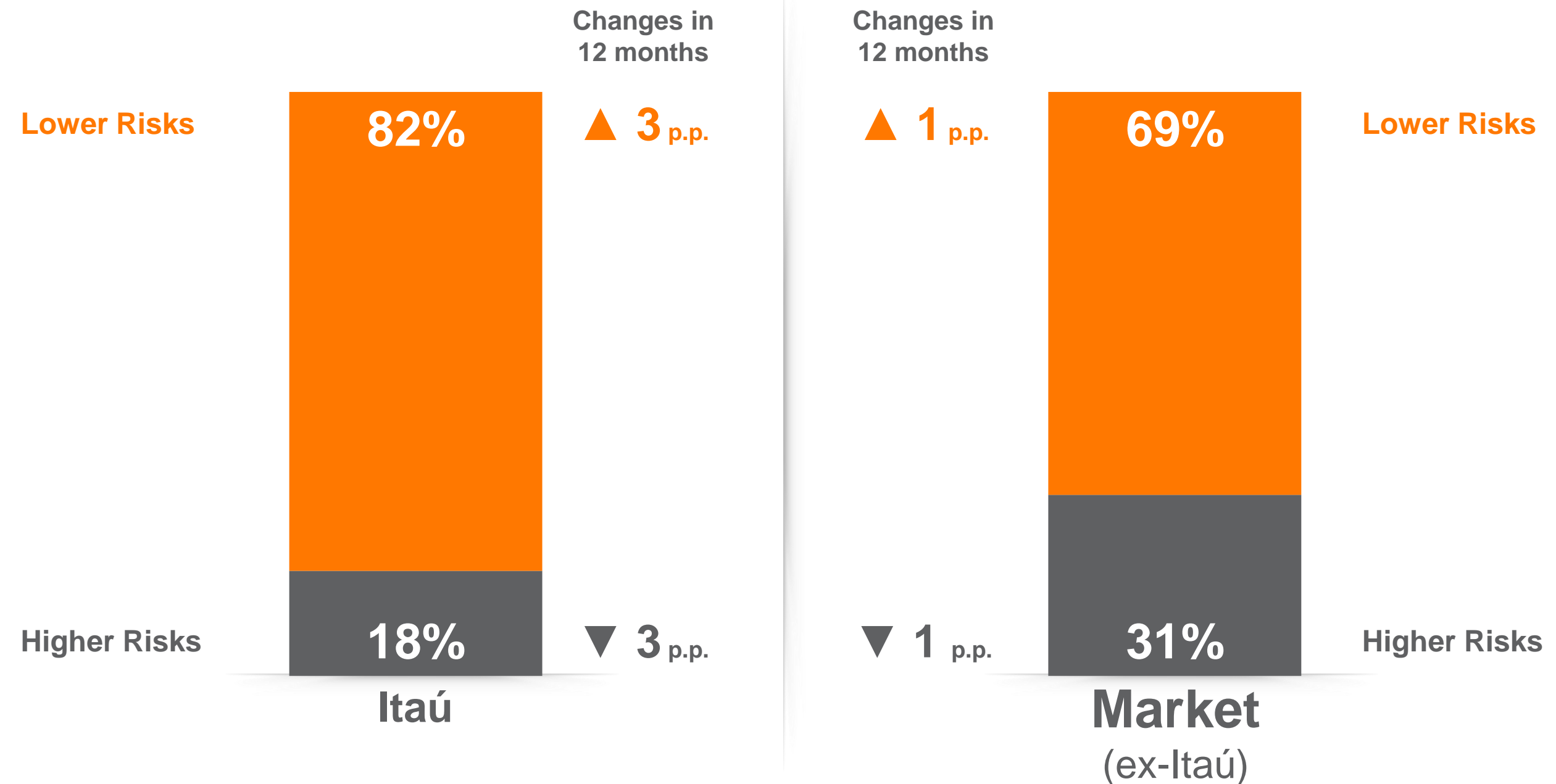
## Results

The **new direction** helped refine the portfolio's risks

Today, Itaú has a **better risk profile than the market**

### Risk Concentration in Wholesale Banking's Credit Portfolio

Bacen + Anbima - Monthly Brazil Risk Base – Base Date: June 2017



Source: Bacen + Anbima : Monthly Brazil Risk Base

## 2.b. | Sustainable Results from Credit – Portfolio Management (3/4)

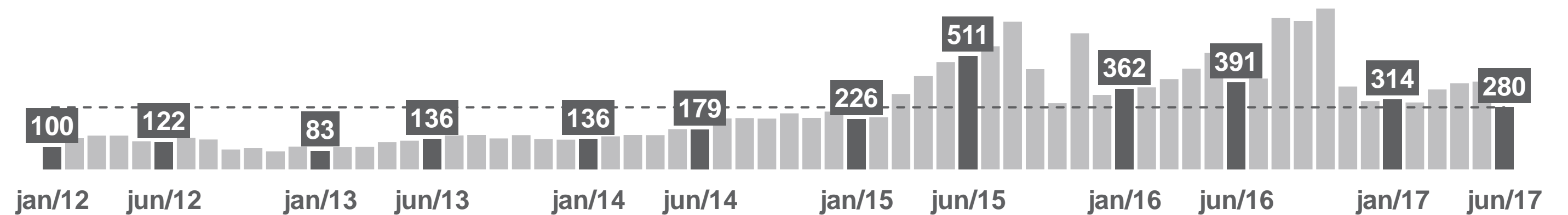
### Risk Dimension

## Results

**Lowest historical level of** overdue balances in the **Middle Market** segment

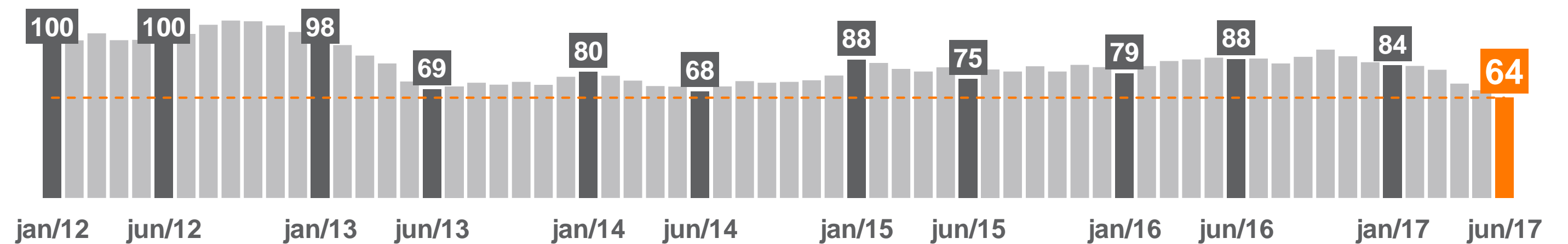
### Balance Over 90 (CIB + Large + Corporate)

Volume (base 100)



### Balance Over 90 (Middle Market)

Volume (base 100)





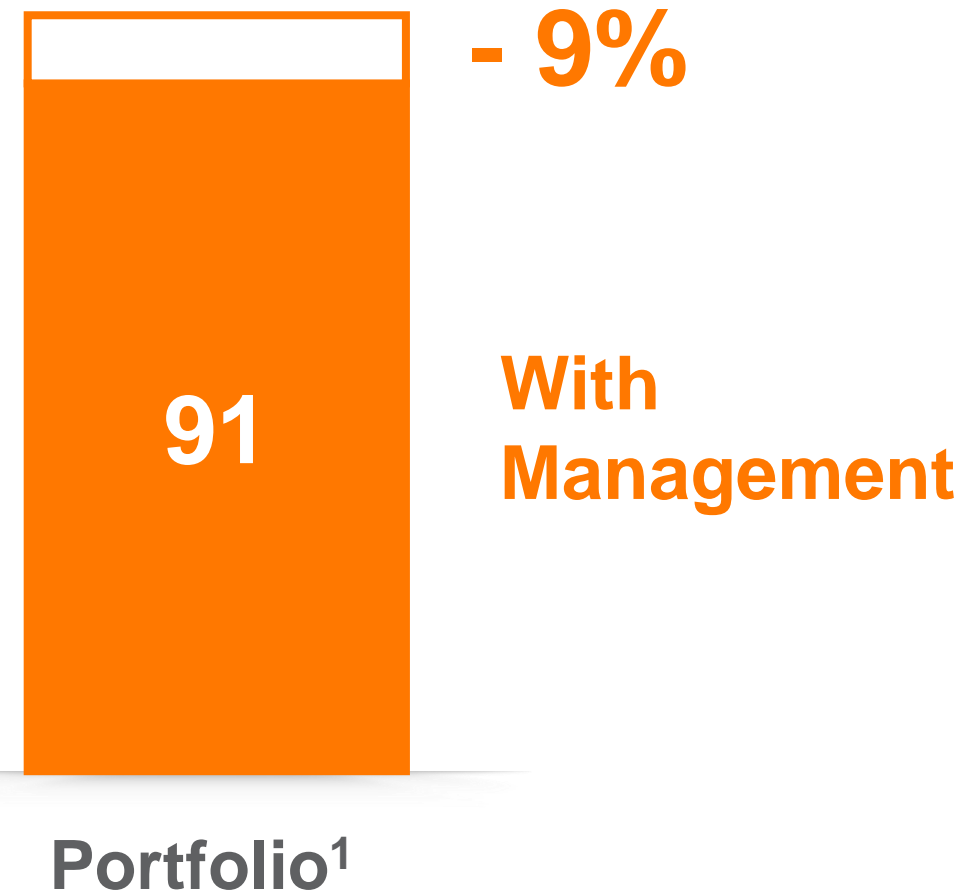
## 2.b. | Sustainable Results from Credit – Portfolio Management (4/4)

### Risk Dimension

### Backtest | Wholesale Portfolio Management Model

If the **Management Model** had been applied since 2013, **significant losses would have been avoided**, even though with a slight reduction in the portfolio

2013 to 2017  
Base 100



Source: Itaú Unibanco – DGA Planning

(1) Loans and Leases Portfolio, considering CIB (with Financial and Institutional Information) + CB ex-Middle Market

## 2.b. | Sustainable Results from Credit – Portfolio Management

### Profitability Dimension

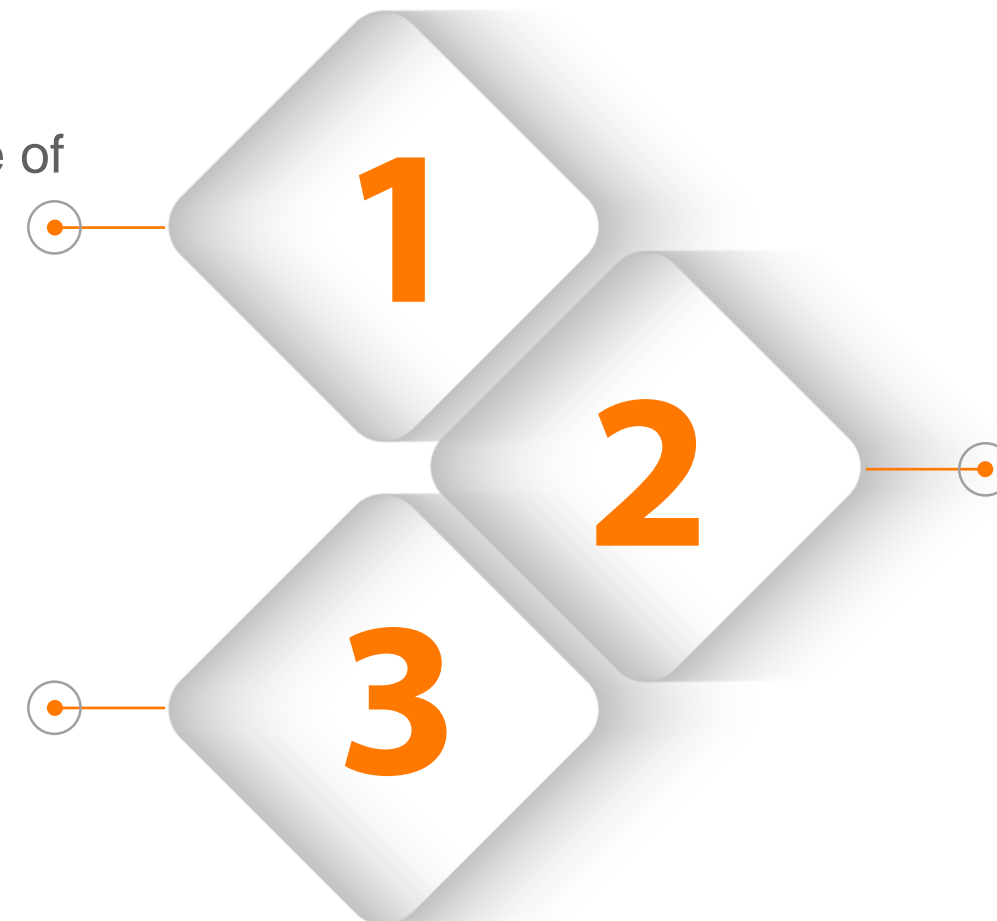
## What we did to increase Profitability

### Prospective pricing

- Pricing based on the portfolio risk throughout the life of the operations
- Global view of the customer relationship

### Business intelligence

- Client-by-client planning
- Identification of the portfolio's value drivers
- Leads for the sales force using big data and machine learning



### Governance

- Specific forums on portfolio management and profitability
- Tools for the commercial team

## Key Message

Adopt a **specialized model** to increase the **clients' satisfaction** while **reducing the volatility** of the results by improved **credit risk management** and **service revenue growth**

# Wholesale Banking



# apimeccycle2017\_:) Itaú Unibanco Holding S.A.



**Retail Banking**

**Marcio Schettini**  
General Retail Manager



# Schedule



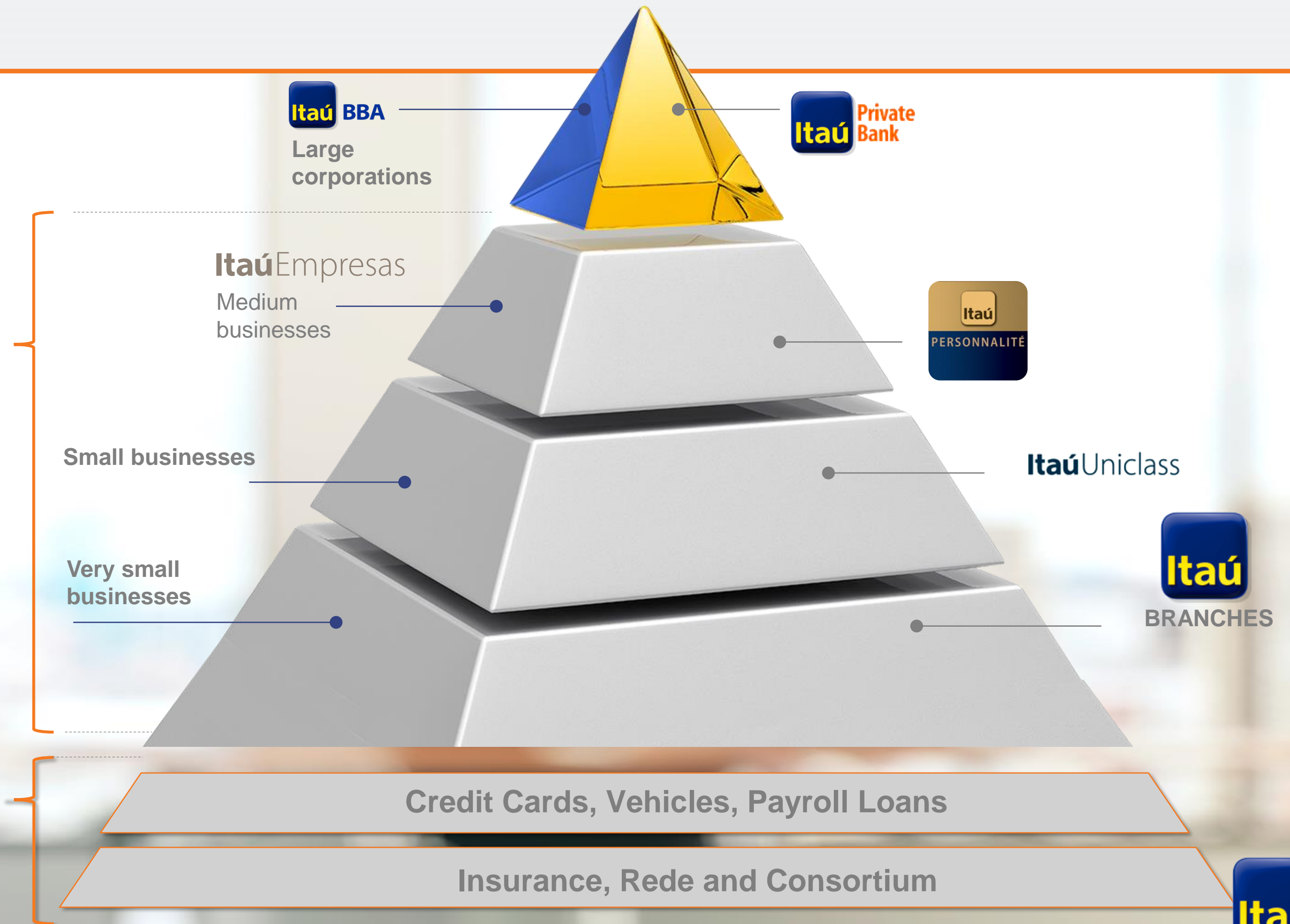
# Retail Banking

**27.4 MM** Account Holders and Savers  
**26 MM** Clients - Individuals  
**1.4 MM** Itaú Empresas  
**4,396** Branches + CSBs  
**208 Bi** Credit Portfolio  
**531 Bi** Funds + Deposits

Source: [www.itau.com.br/relacoes-com-investidores](http://www.itau.com.br/relacoes-com-investidores)

**16.6 MM** Credit Cards<sup>1</sup>  
**4.2 MM** Payroll Loans<sup>2</sup>  
**0.8 MM** Vehicles<sup>2</sup>  
**5.0 MM** Insurance<sup>2</sup>  
**0.1 MM** Consortium<sup>2</sup>  
**0.4 MM** Rede<sup>3</sup>

<sup>1</sup> Active Accounts, <sup>2</sup>Contracts, <sup>3</sup>Points of Sale

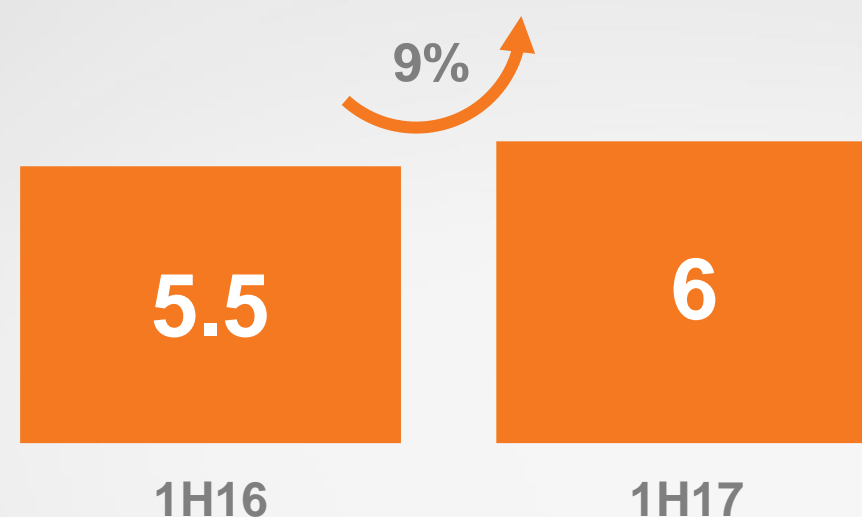


# Profitability | Evolution - Retail Banking

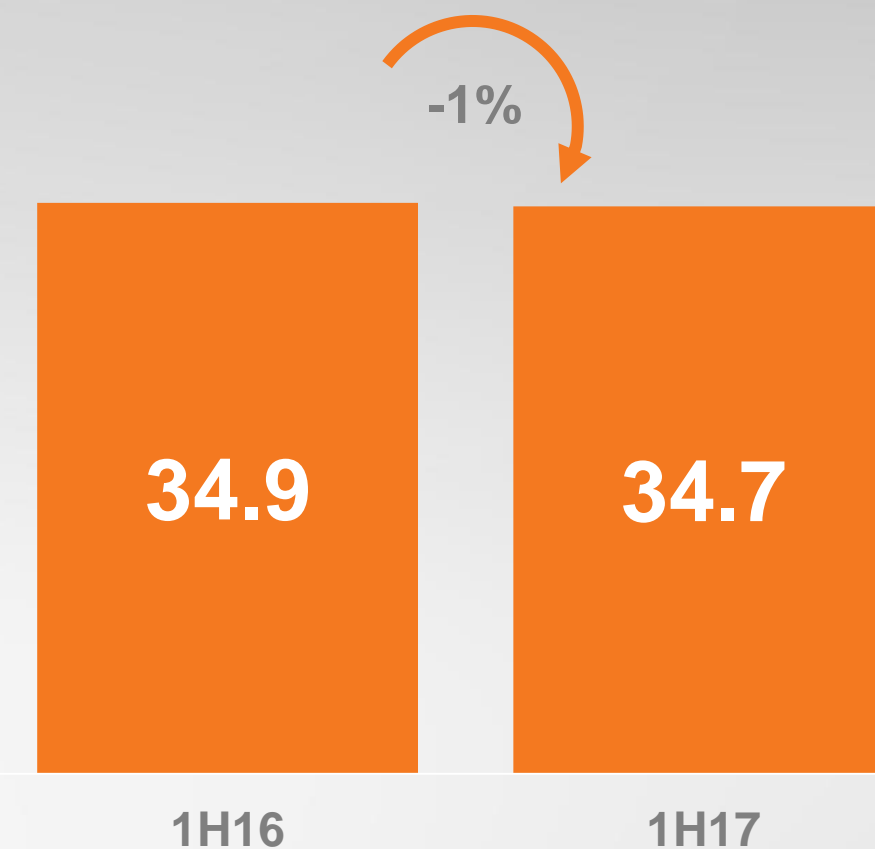
## Retail Banking



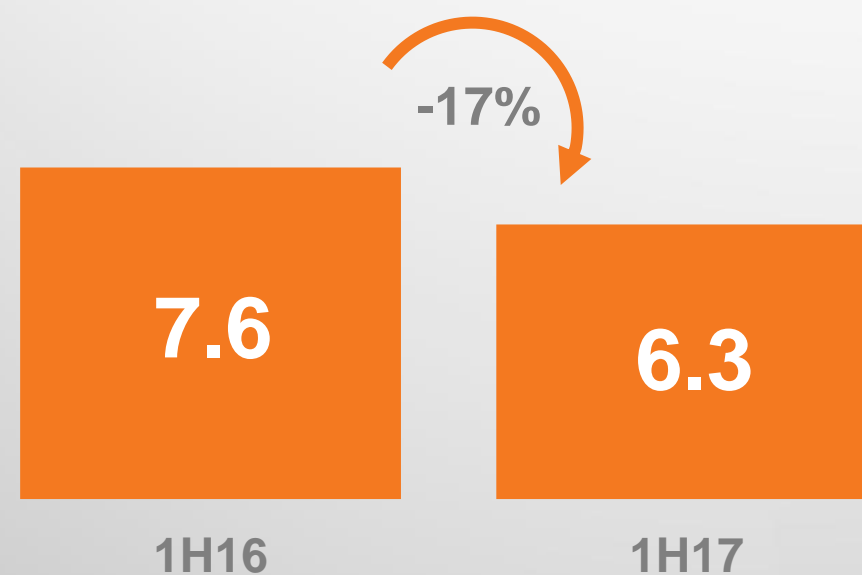
Recurring Net Income  
(R\$MM)



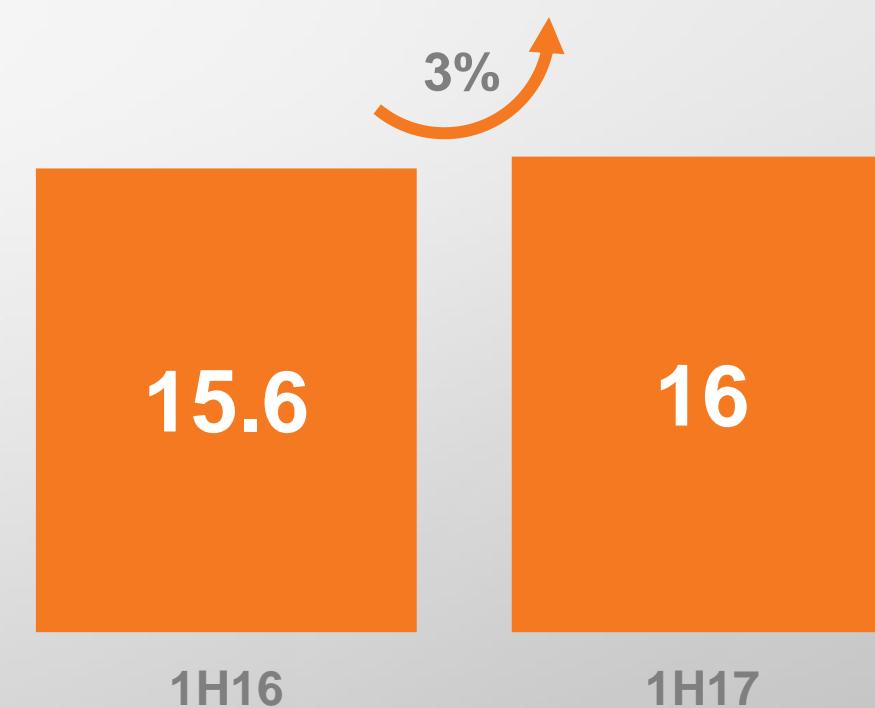
Operating Revenues  
(R\$MM)



Cost of Credit  
(R\$MM)

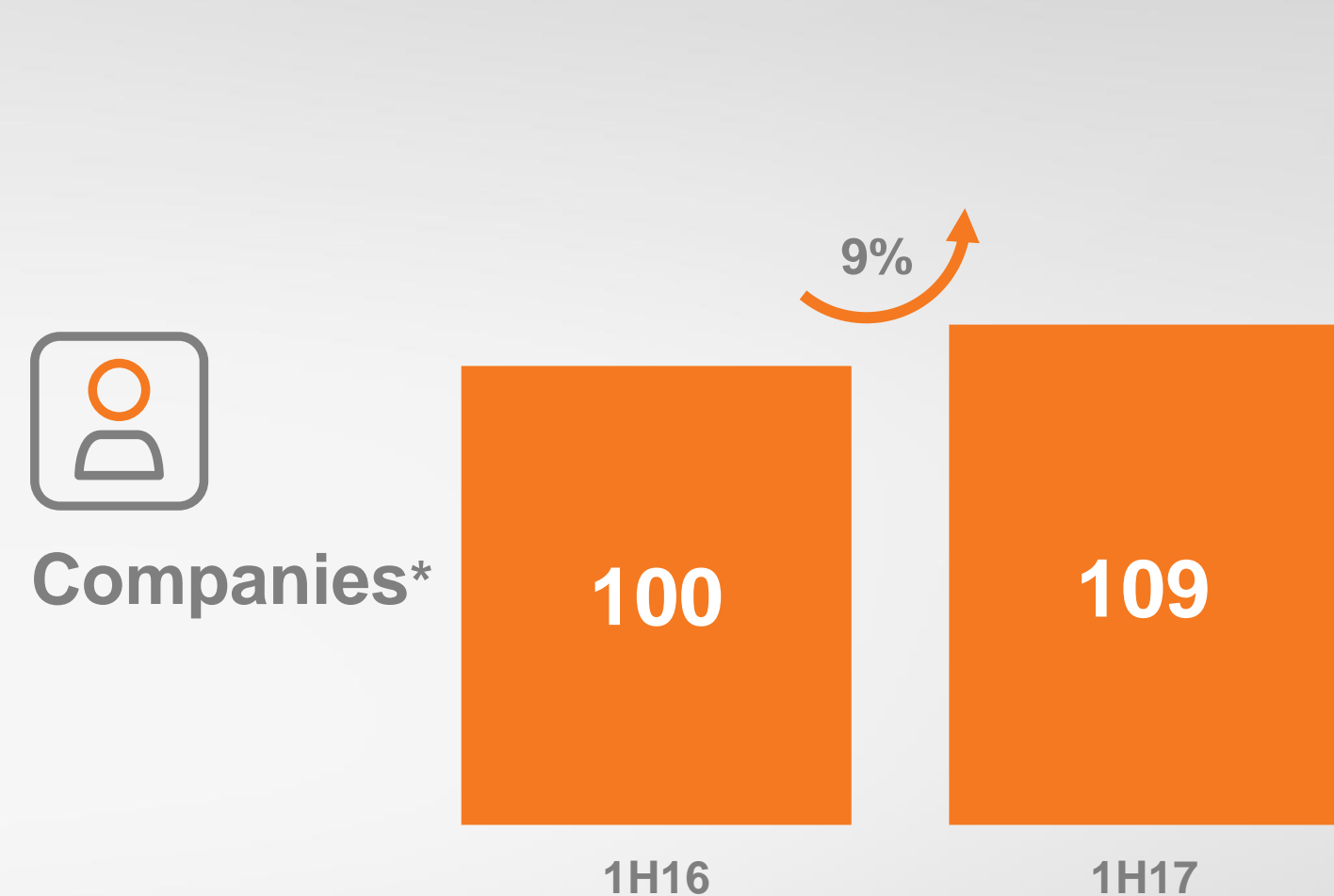
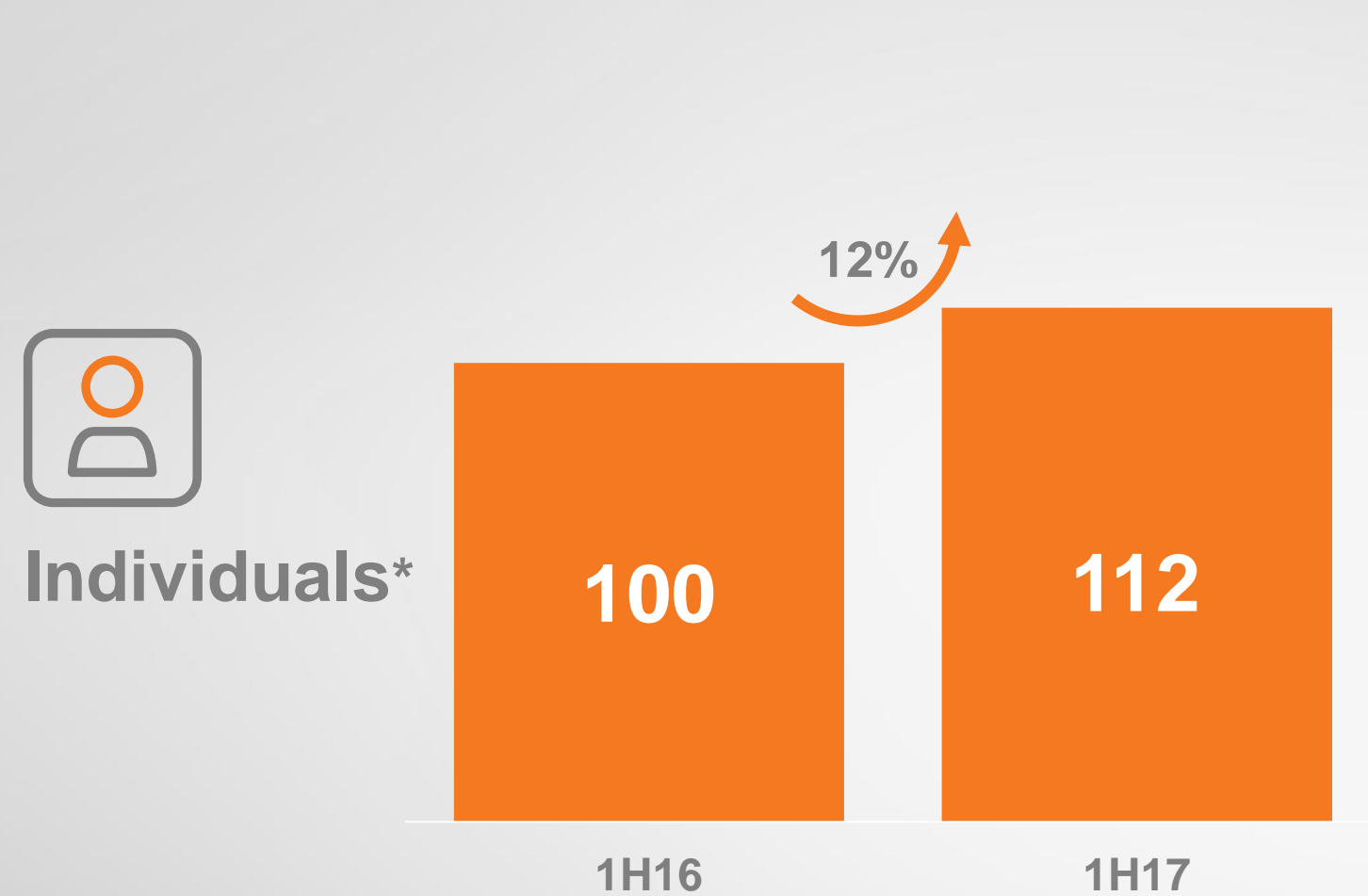


Administrative Costs  
(R\$MM)





## Credit Granting



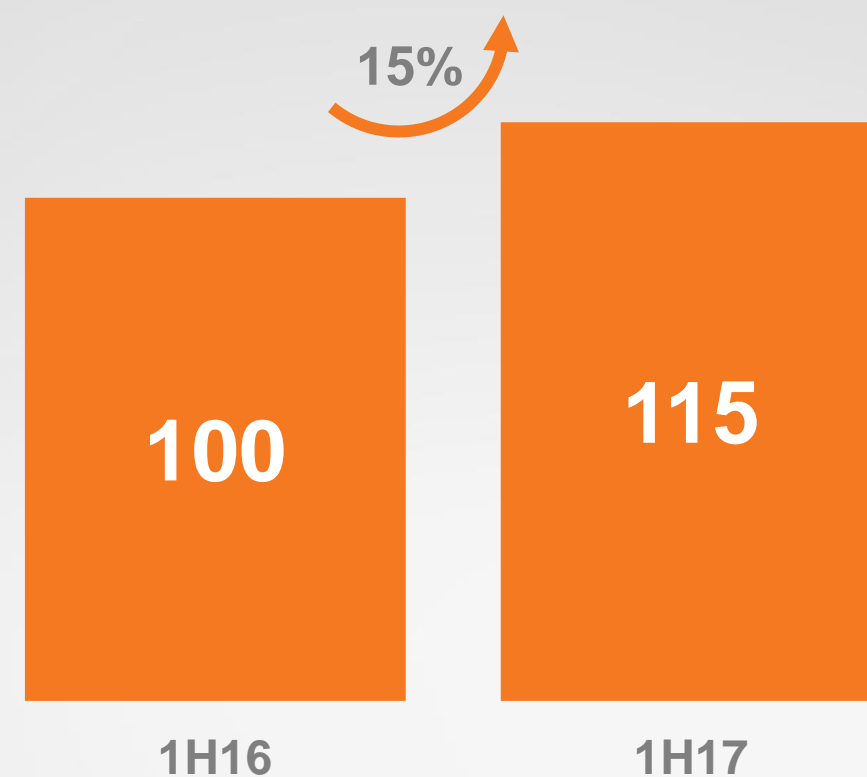
# Profitability | Evolution - Retail Banking

\*Base 100

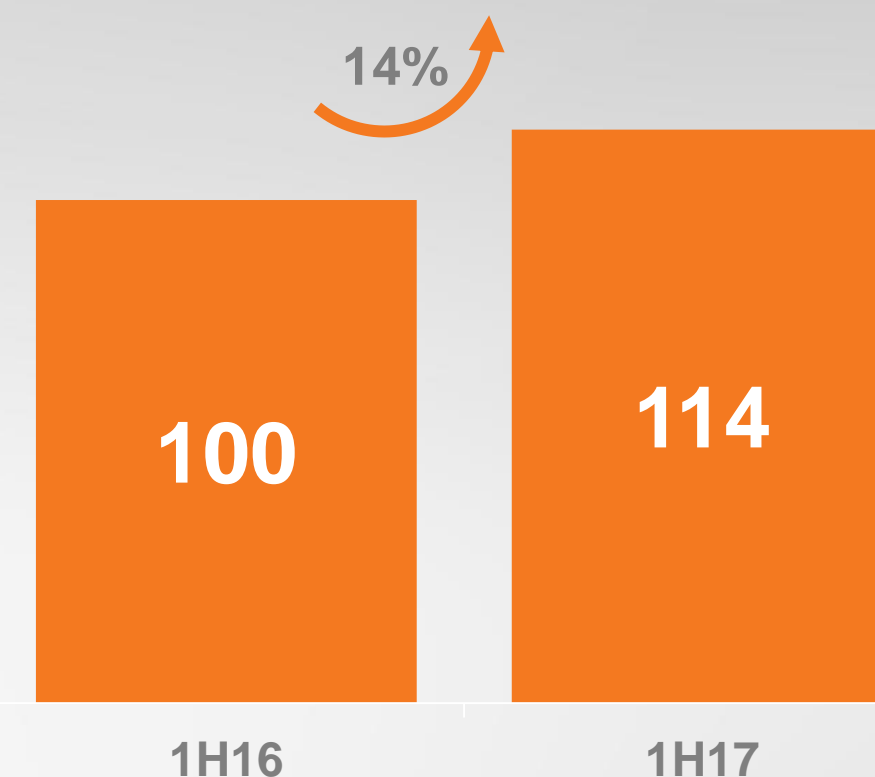
## Retail Banking



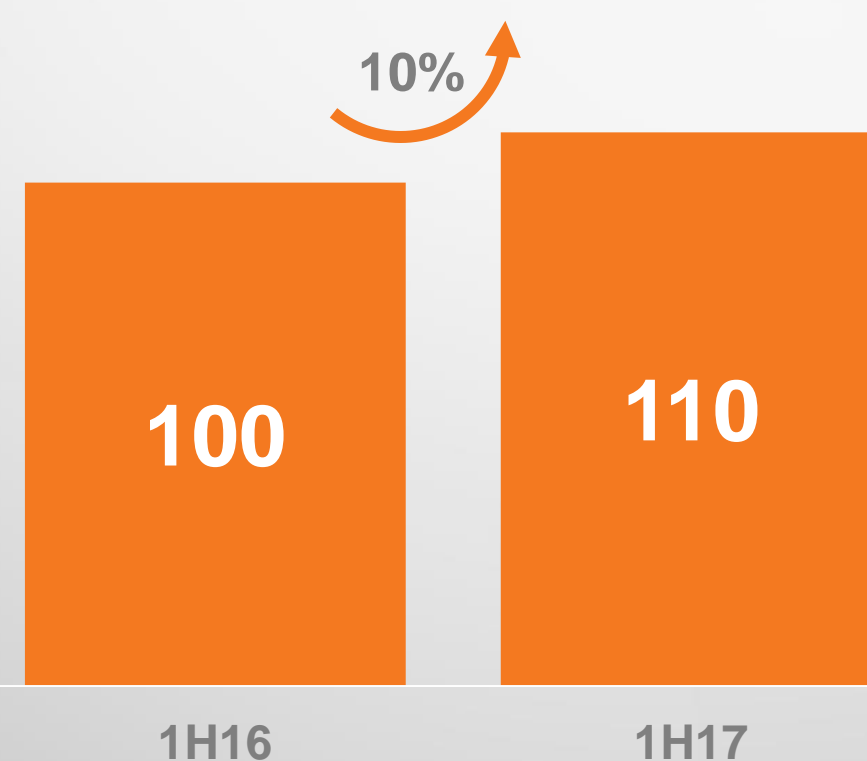
Net income per client\*



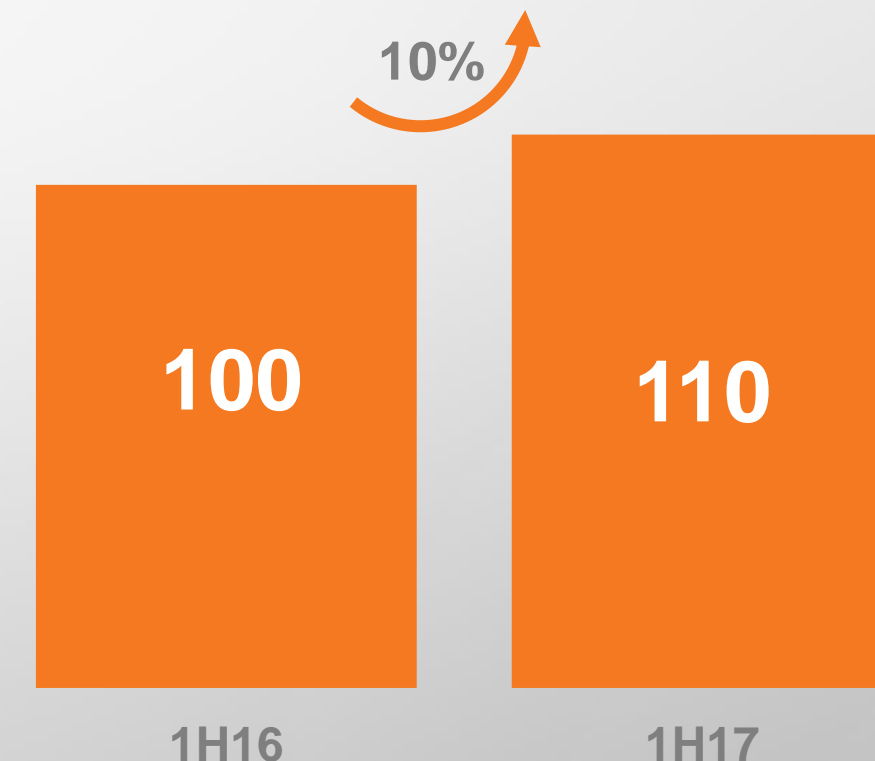
Net income per branch\*



Net income per commercial manager\*



Net income per employee\*



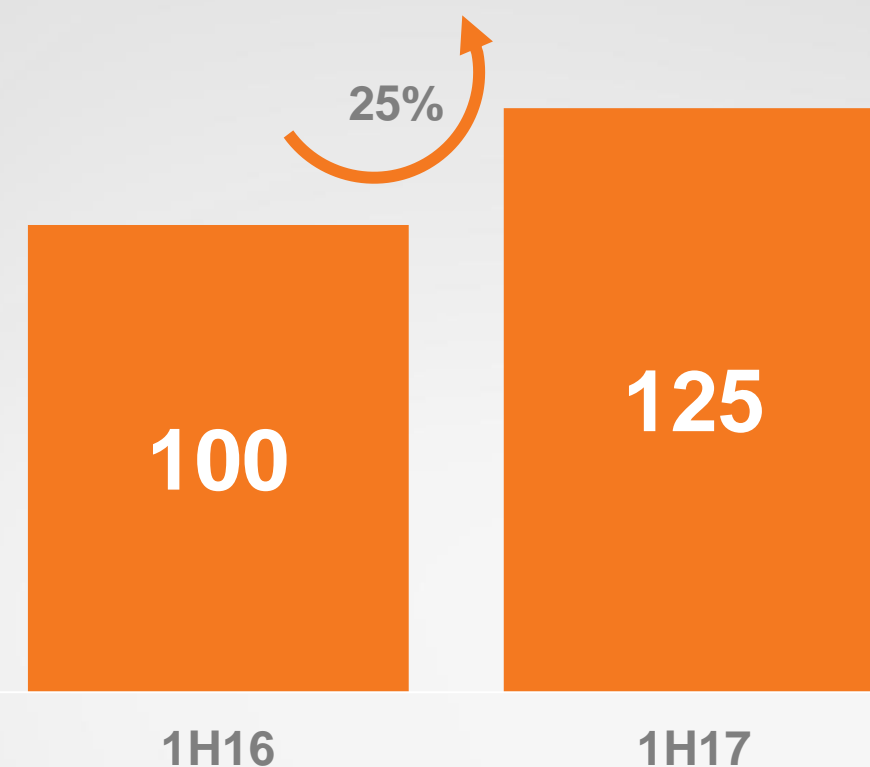
# Profitability | Evolution - Retail Banking

\*Base 100

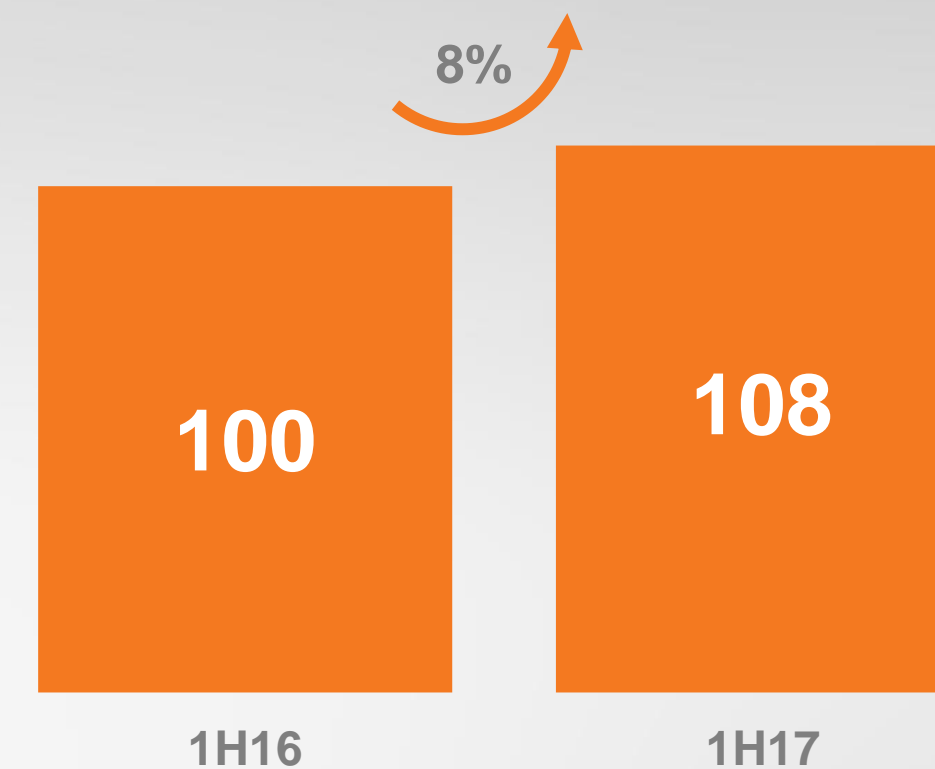
## Credit Card



Recurring Net Income\*



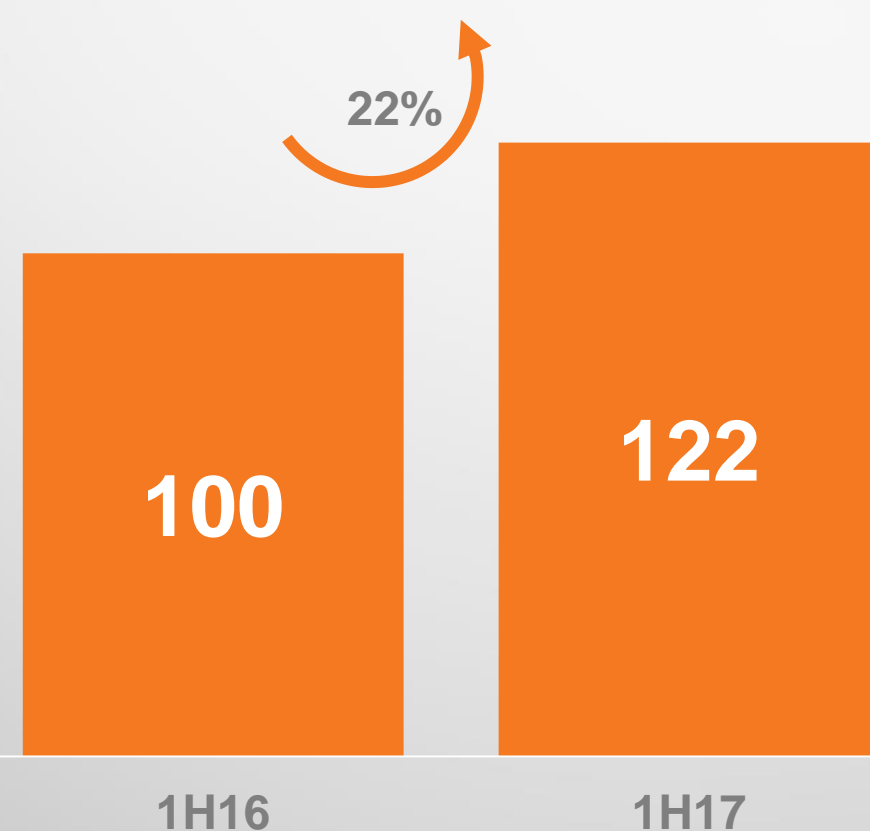
Credit Card Revenues\*



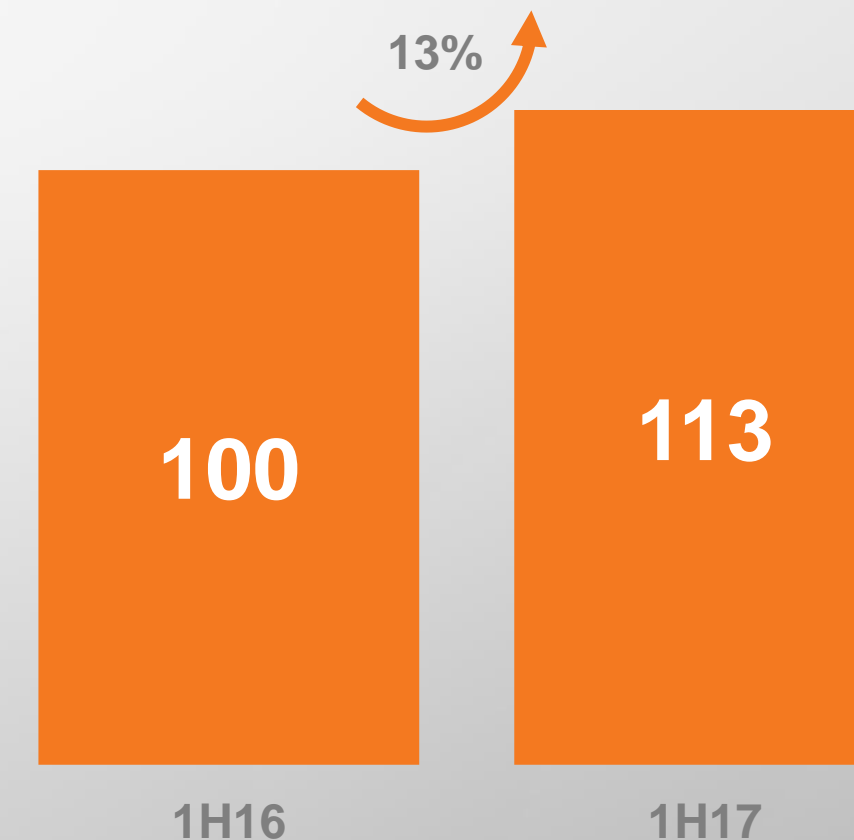
## Payroll Loans



Recurring Net Income\*



Operating Revenues\*



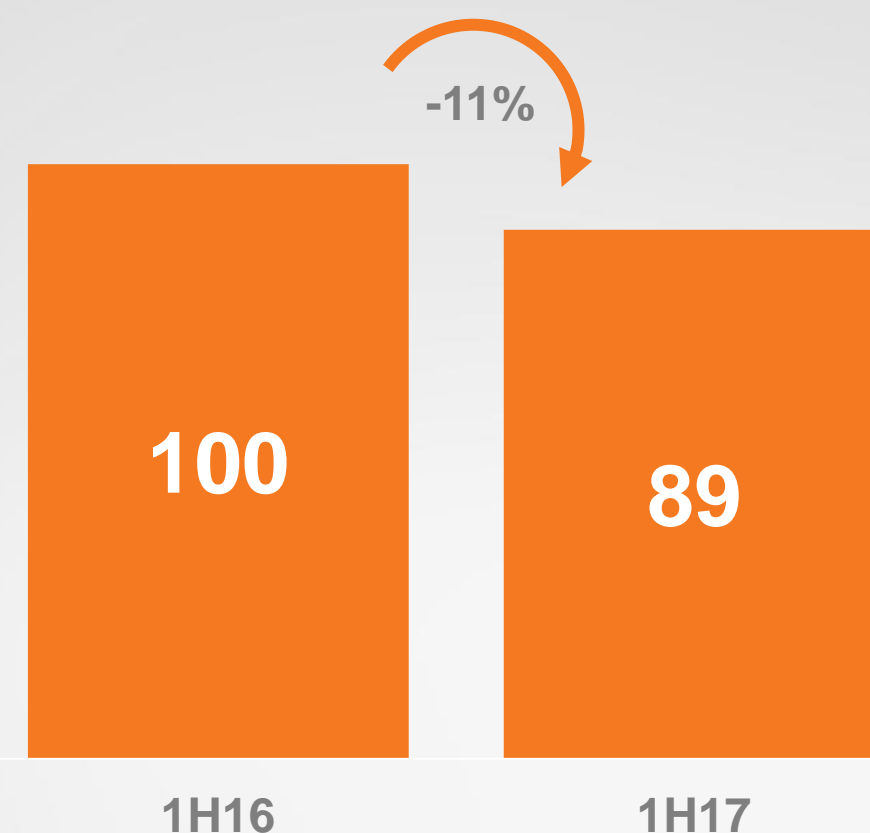
# Profitability | Evolution - Retail Banking

\*Base 100

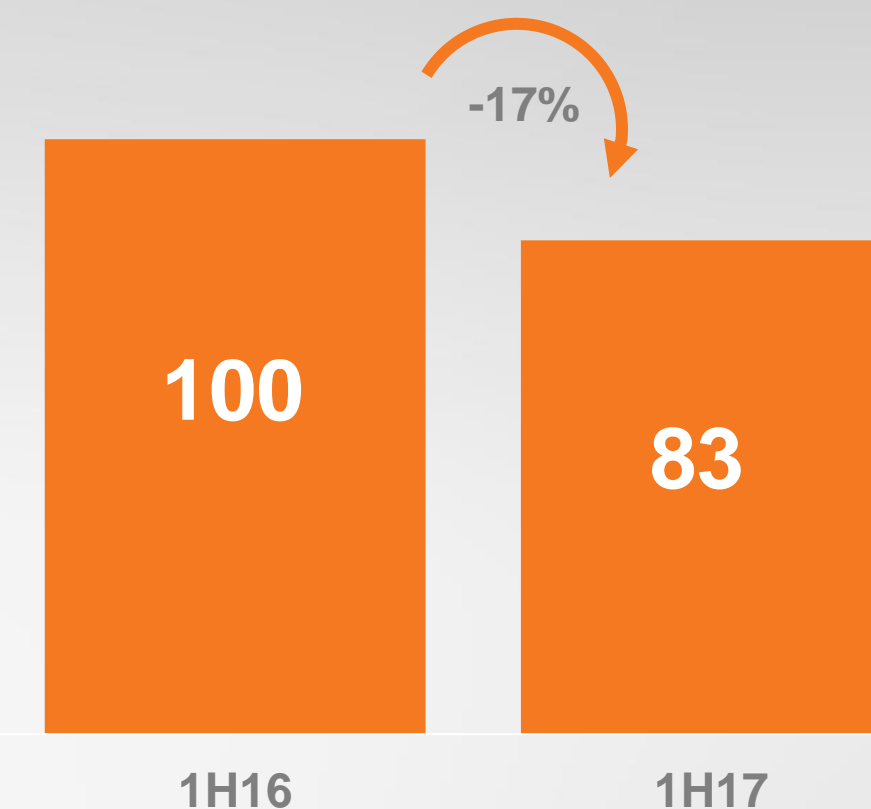
## Rede



Recurring Net Income\*



Active Accounts\*



	2016 1Q	2017 1Q	1Q17 x 1Q16
Operating Revenues	100	97	-3%
Administrative Costs	100	110	10%
Recurring Net Income	100	89	-11%

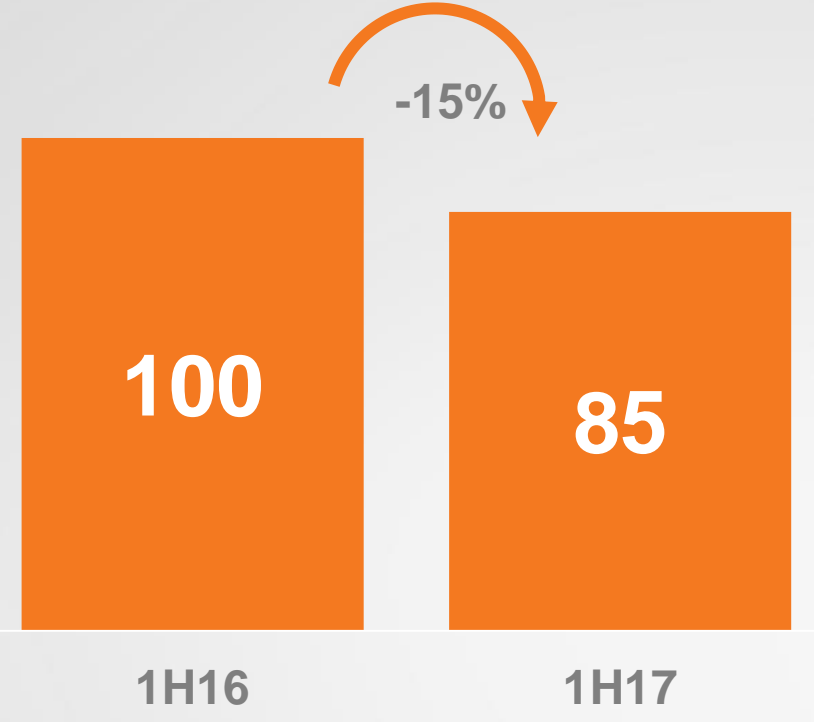
# Profitability | Evolution- Retail Banking

\*Base 100

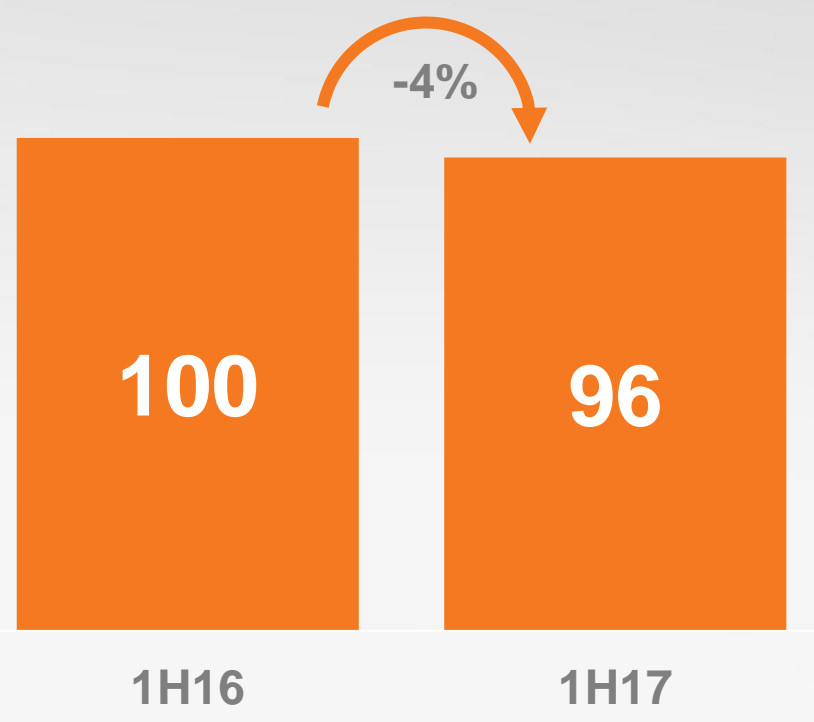


Operating Revenues\*

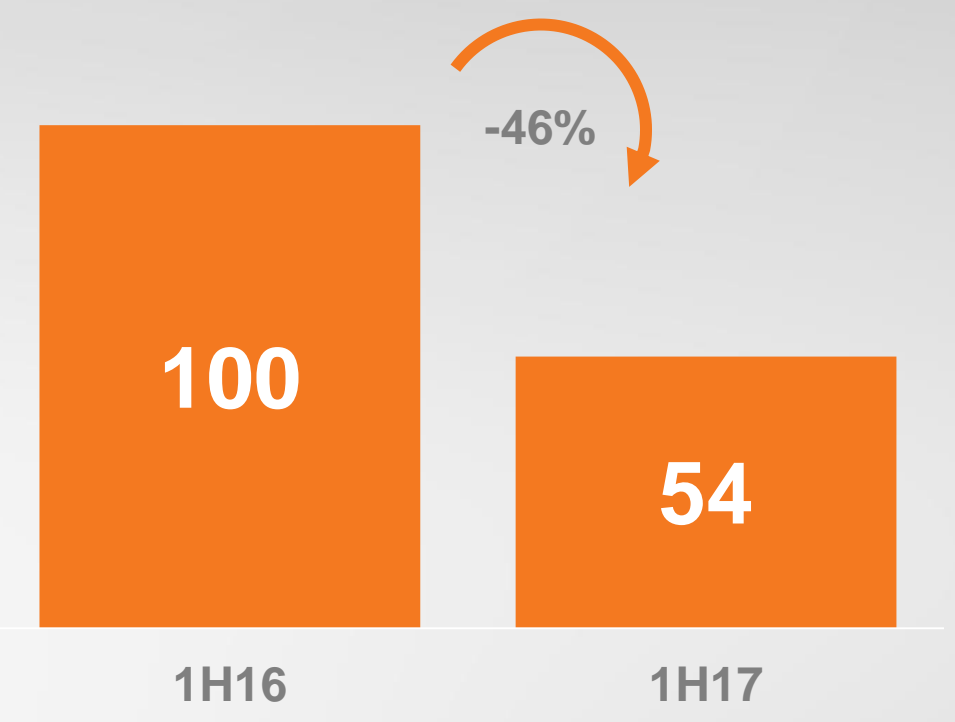
Insurance and Premium Bonds Total



Insurance and Premium Bonds Bancassurance



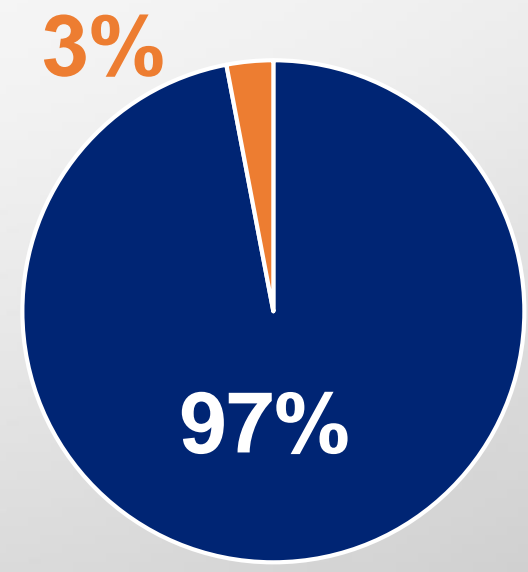
Insurance Run off<sup>1</sup> and Portfolio Sale<sup>2</sup>



Volume of Sales – Individuals and Companies\*



Operating Revenues from Insurance Operations

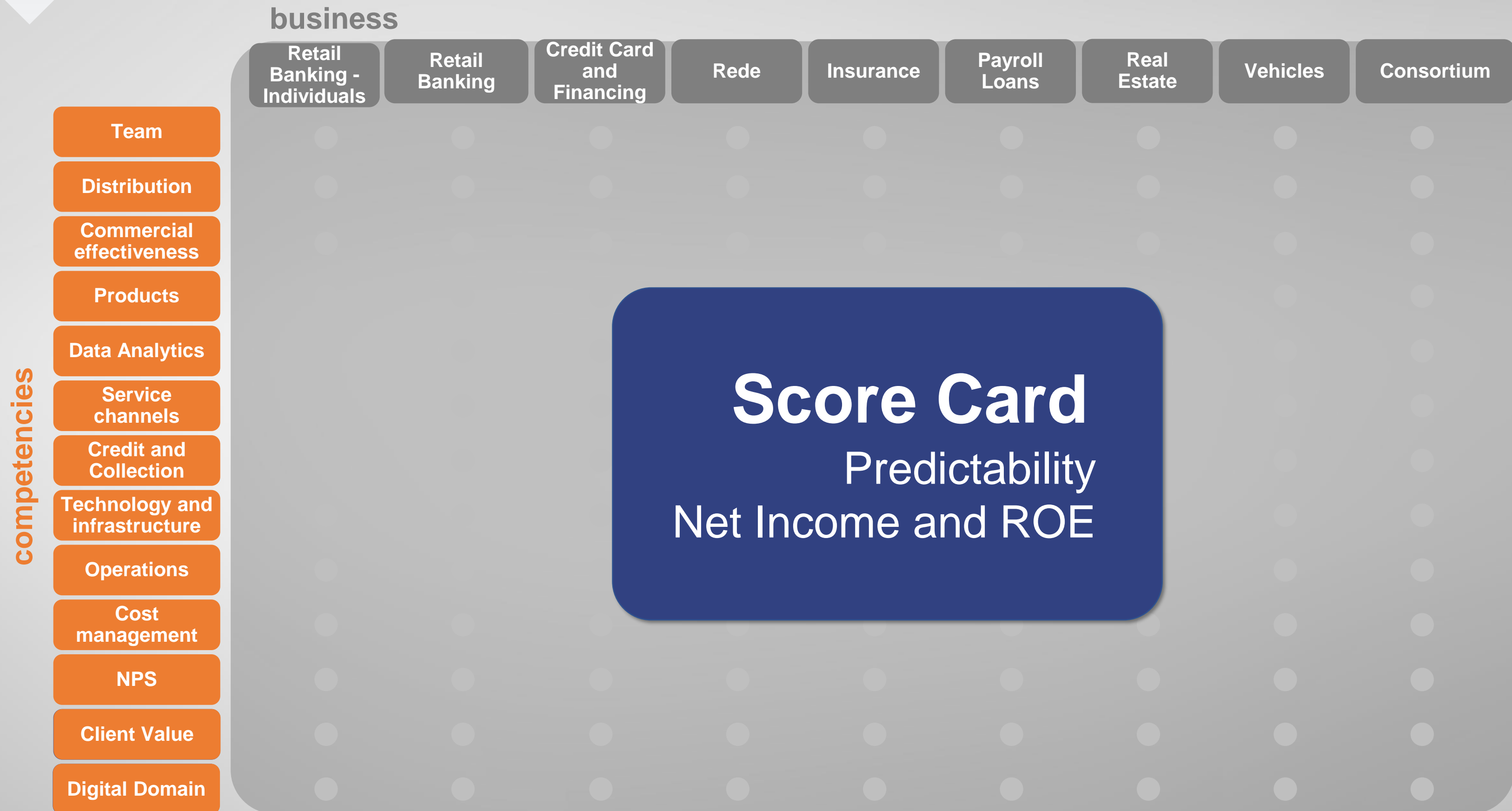


- Focus on distribution
- Expansion of the open platform

Own Insurance      Third-party Insurance



# Retail Banking | Strategic Competencies Matrix



# Schedule



Profitability



Risk Management



People



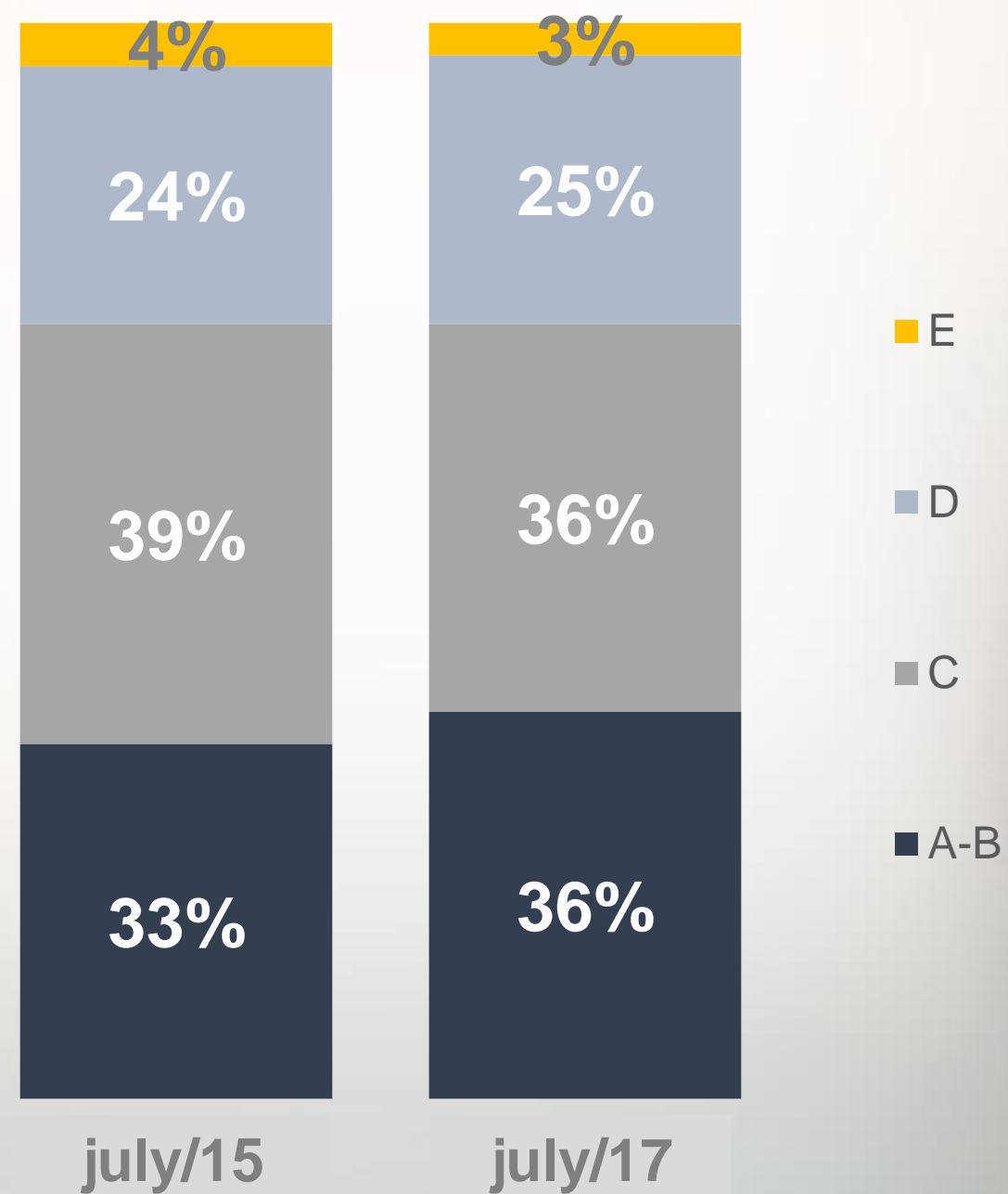
Client Satisfaction



Digital Transformation

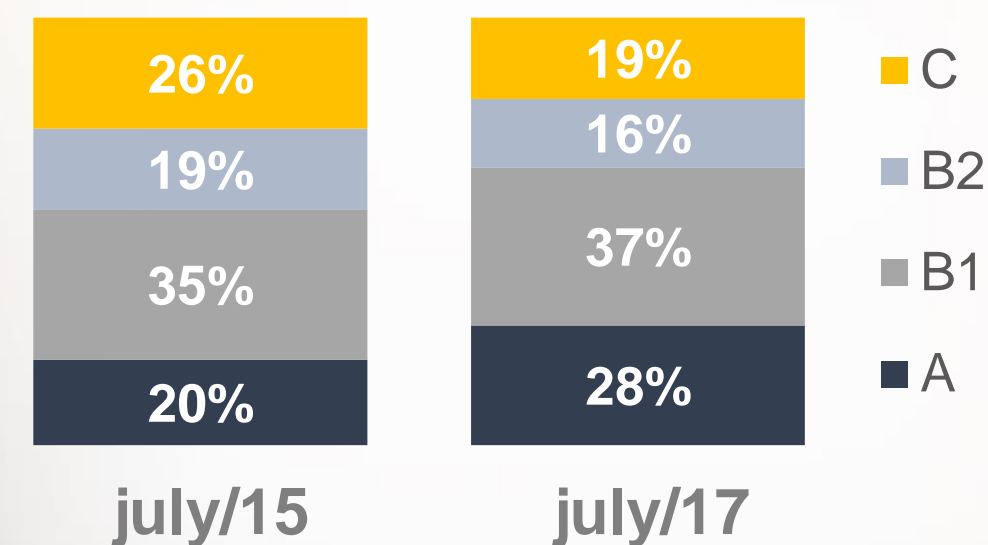
# Risk Management – Credit - Individuals

## Loan per Rating

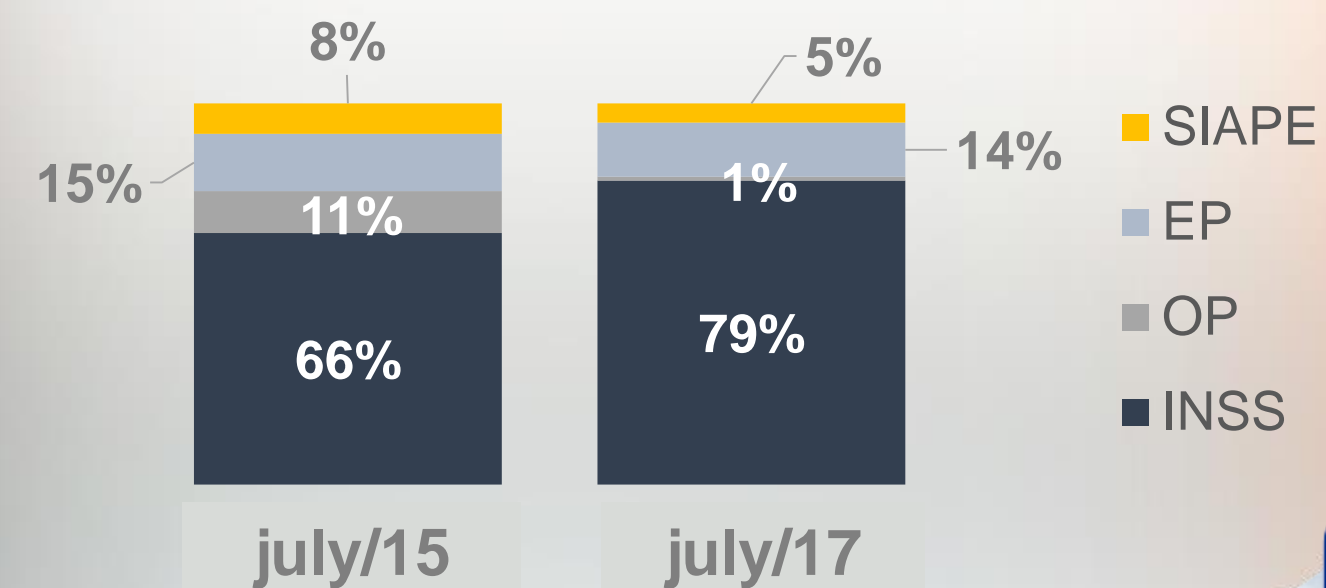


## Quality of Granting

Credit Rating

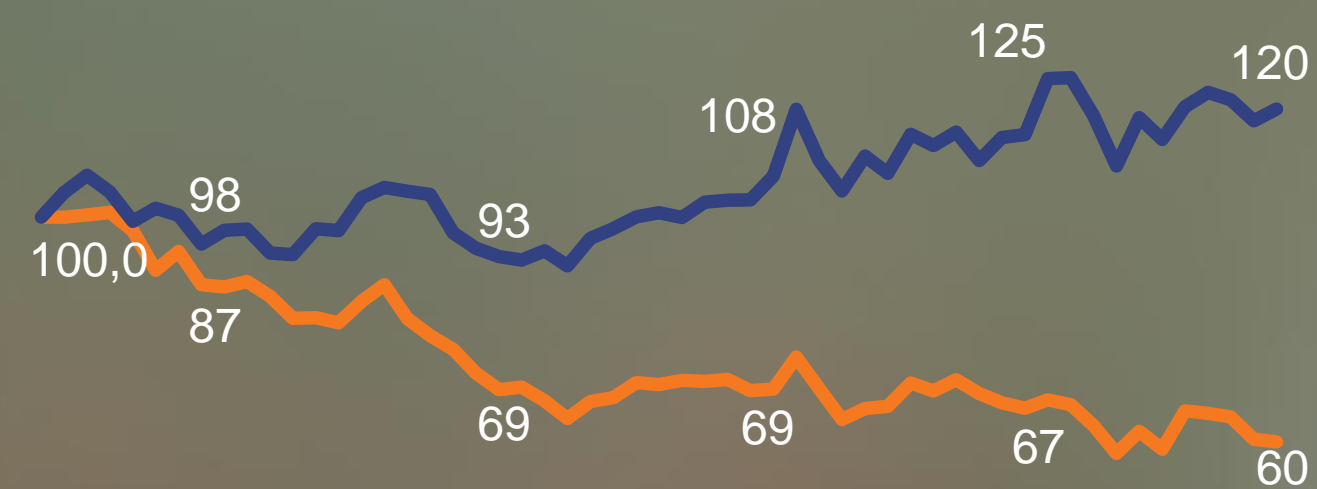


## Payroll Loans Granted





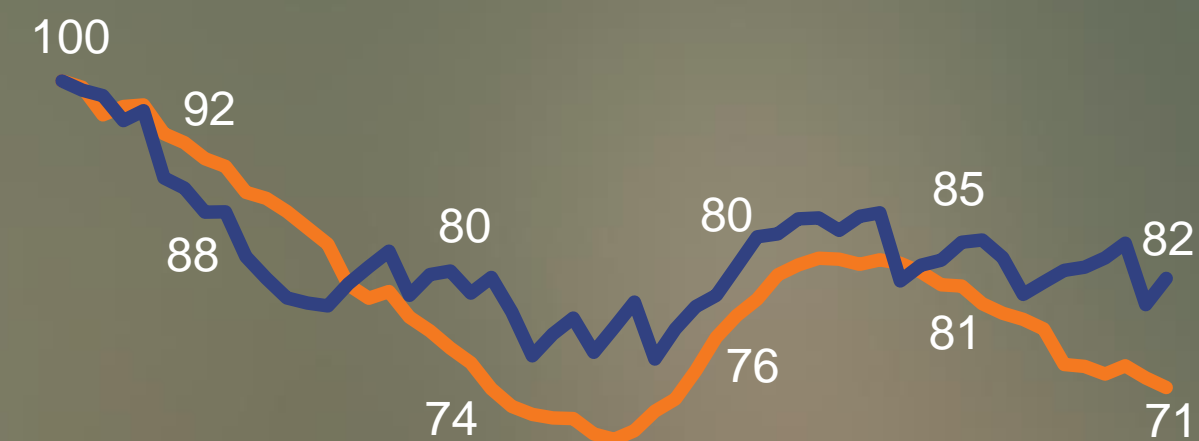
## 15-90-day NPL



jan/13    sep/13    may/14    jan/15    sep/15    may/16    jan/17

— Itaú    — Market

## NPL over 90 days

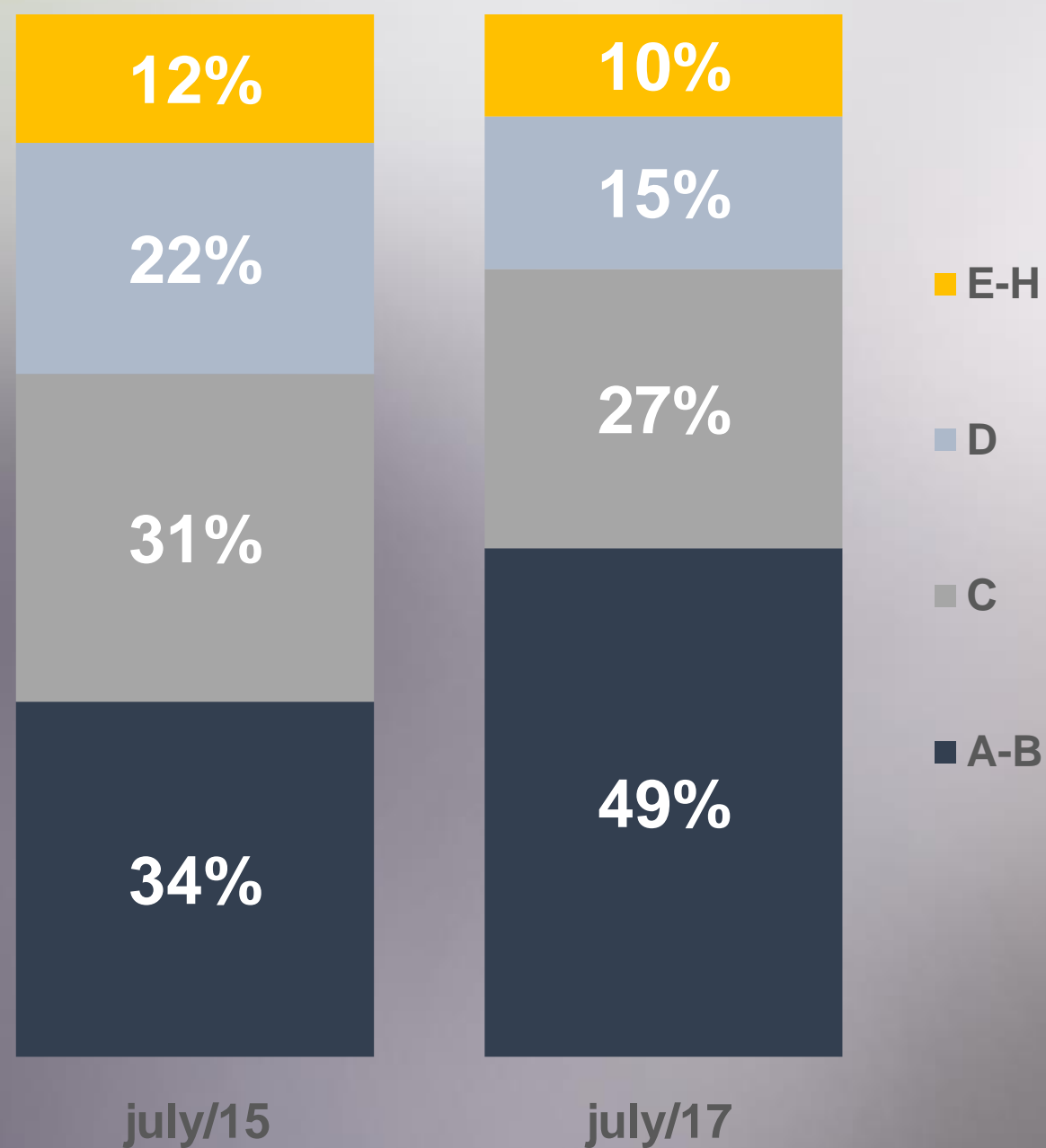


jan/13    sep/13    may/14    jan/15    sep/15    may/16    jan/17

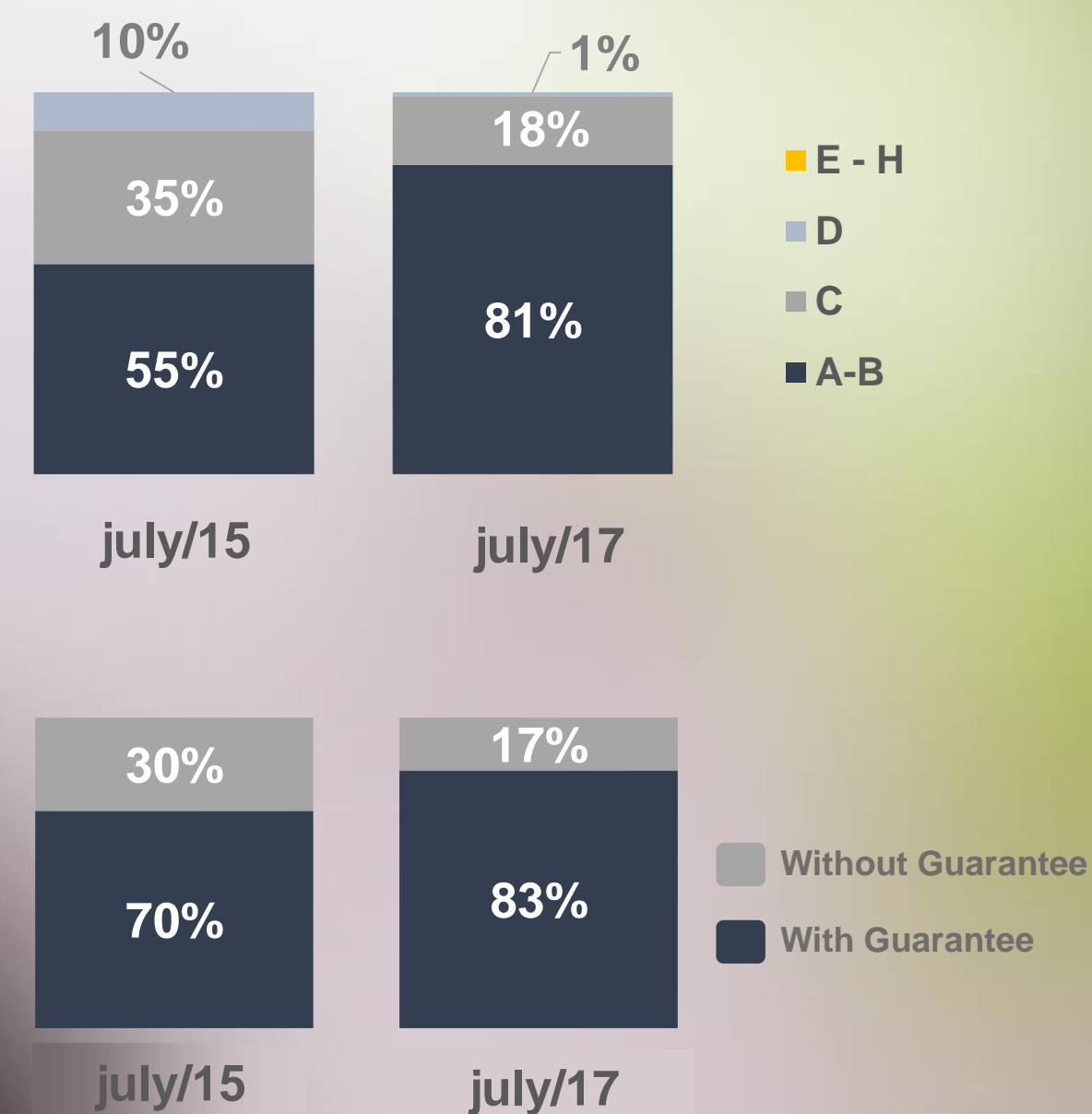
— Itaú    — Market

# Risk Management – Credit – Medium businesses

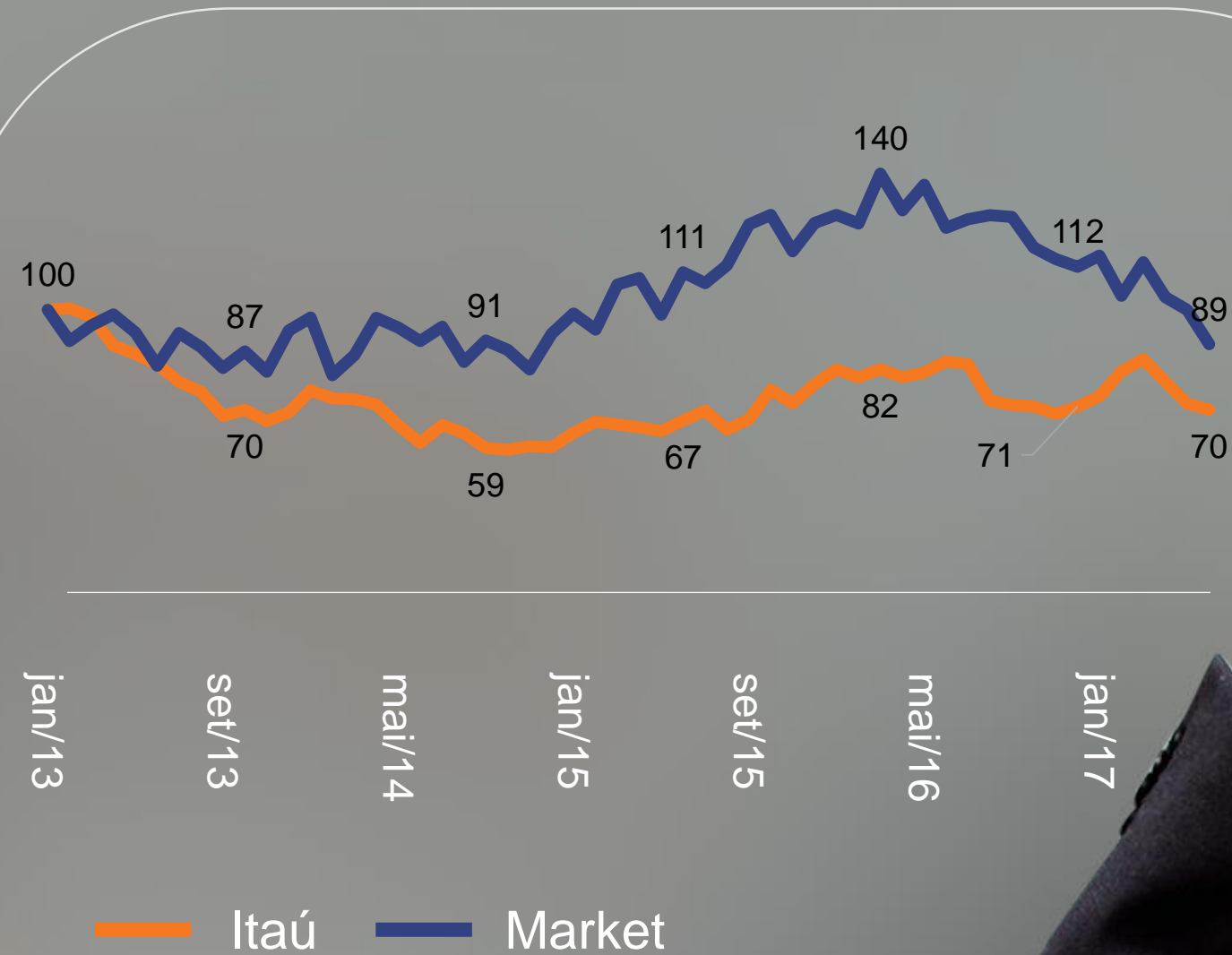
## Loan per Rating



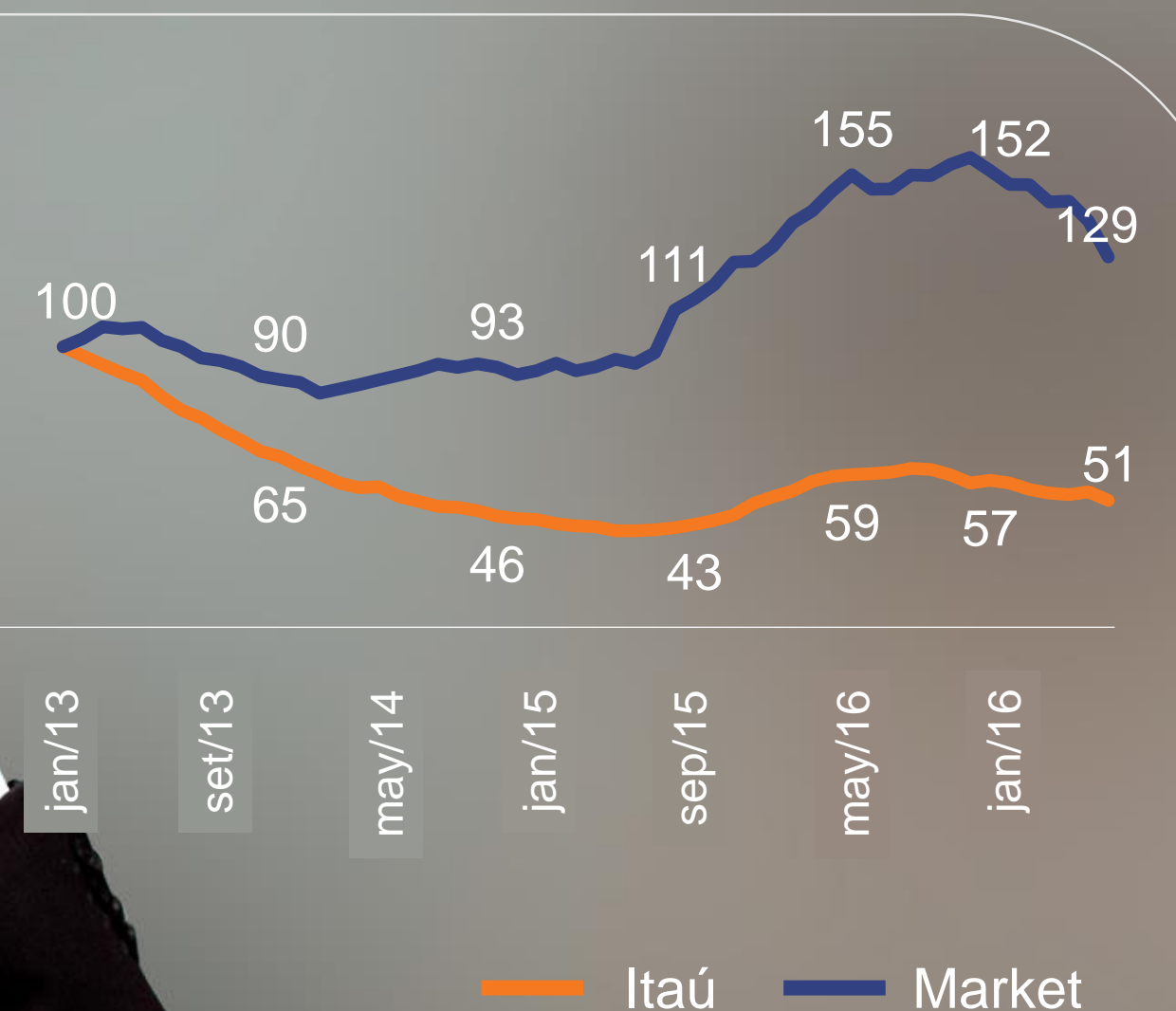
## Working Capital Granted



## 15-90-day NPL



## NPL over 90 days



# Schedule

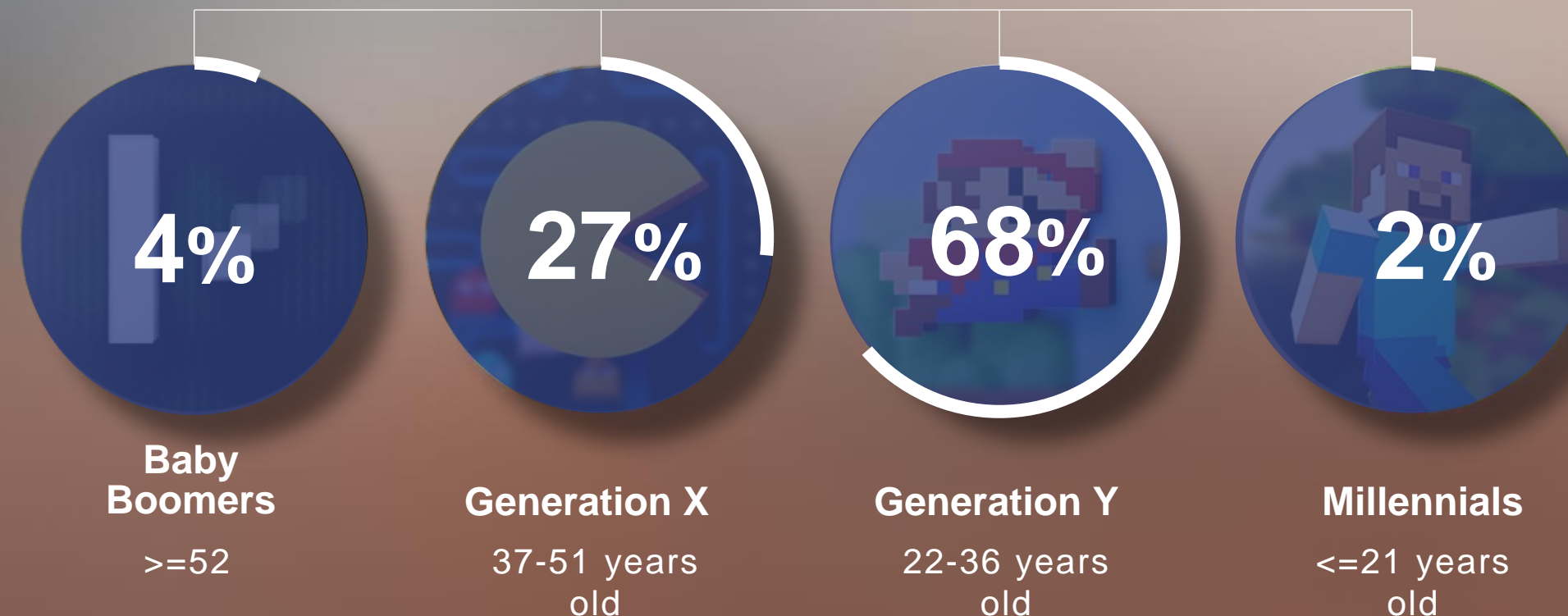


The **General Retail Office** has **40,000** employees, **87%** in business departments and **13%** in administrative departments

Distribution per Gender

	Women: 64%
	Men: 36%

Distribution per Age





The 90s TEAM



The 2017 TEAM

# Schedule



Profitability



Risk Management



People



**Client  
Satisfaction**



Digital  
Transformation

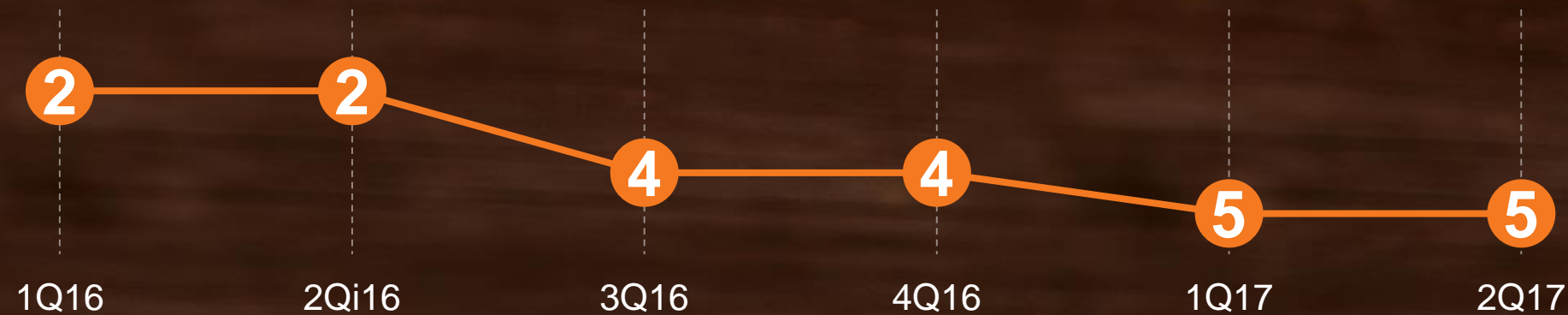
9:41



# Client Satisfaction - Indicators



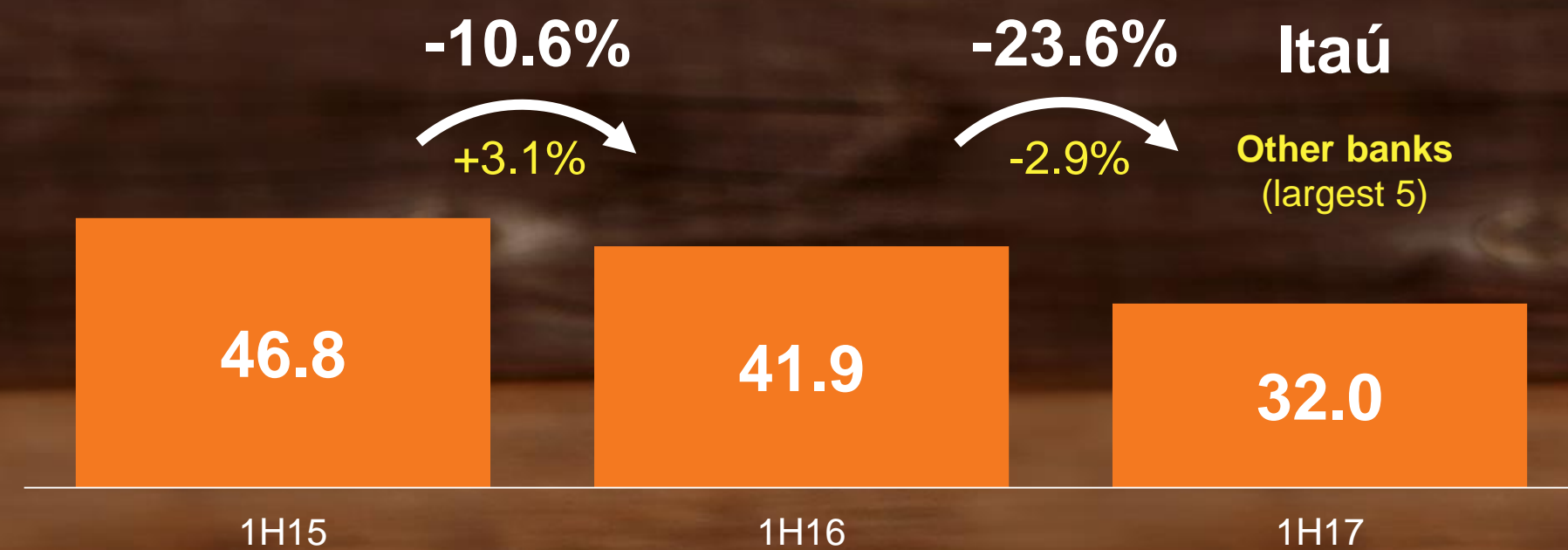
## Accepted Complaints | Historical ranking



**Great evolution** in Complaint Ratios

Average position in the ranking per quarter

## Procon | Complaints (thousand)

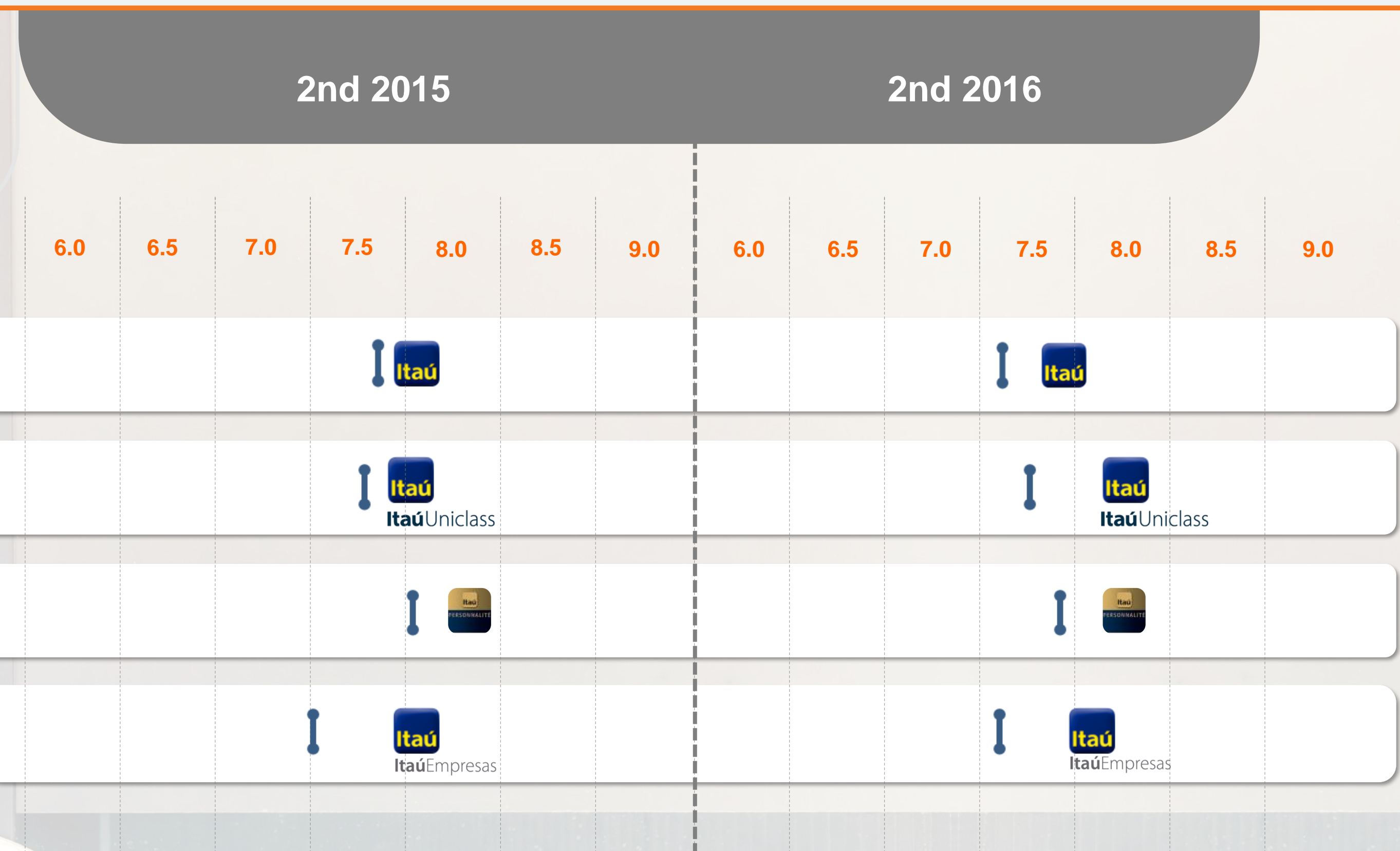


**Highest reduction** among major banks





# Client Satisfaction | Competitiveness Survey



— Market average

\* Question modified in 2016.



# Client Satisfaction

Operating in client experience dimensions



## NPS

Single measure for client satisfaction

Client experience dimensions



Time and effort



Integrity



Management of expectations



Empathy



Customization

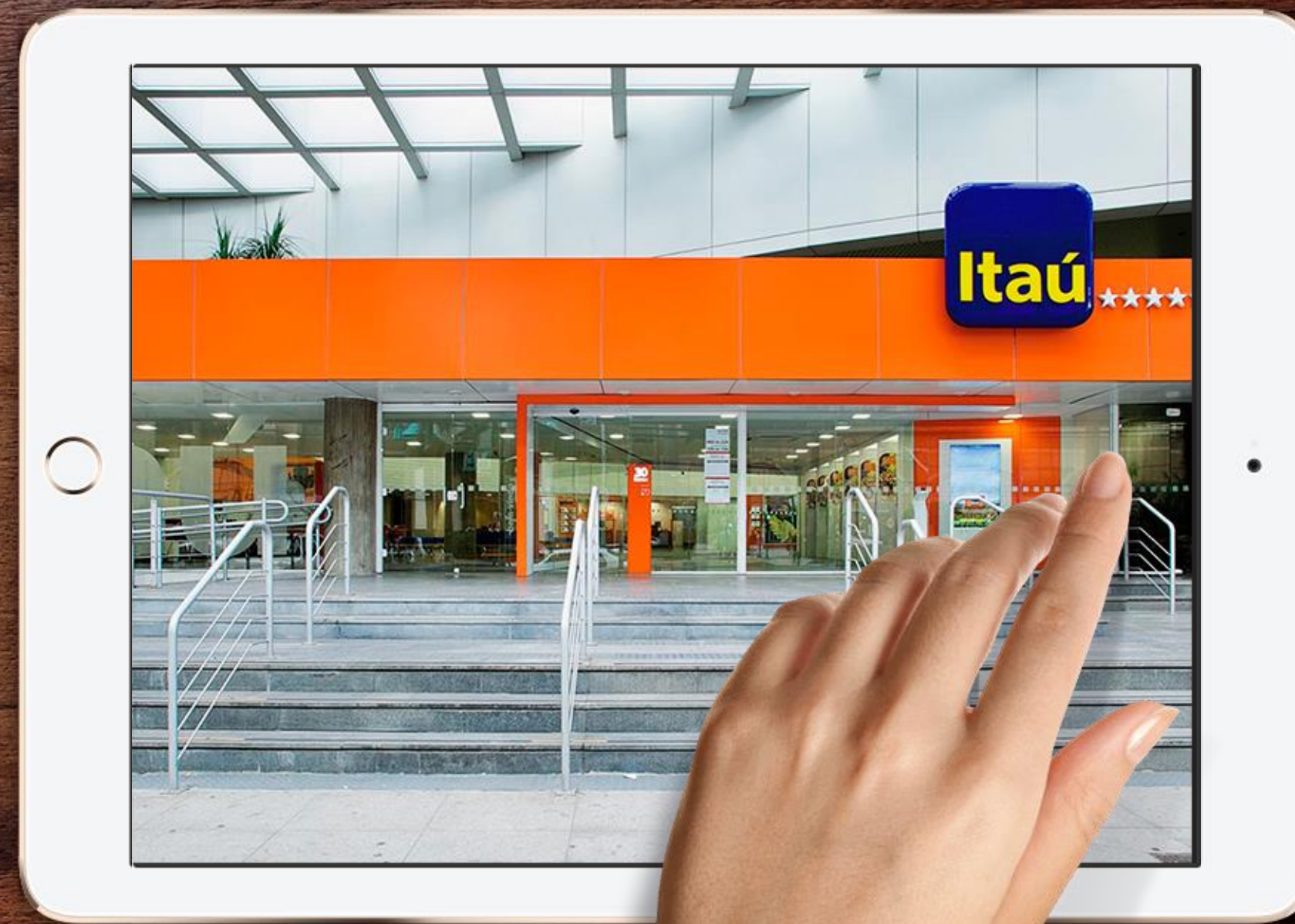


Purposefulness

# Client Satisfaction | Evolution in our branches



The 90s BRANCH



The 2017 BRANCH

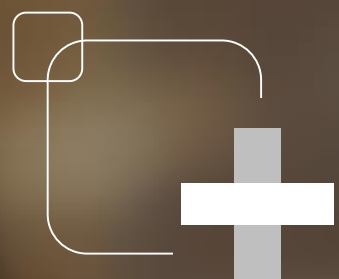
# the pillars\_



Knowing and understanding you



Experts in bringing opportunities on a timely basis

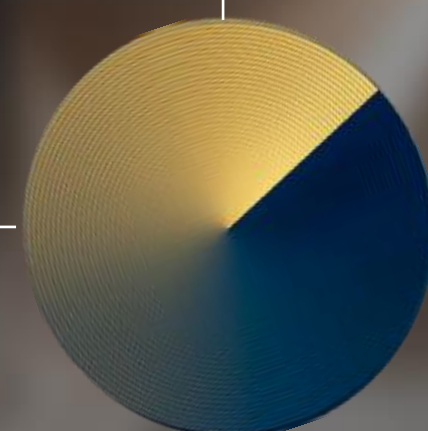


The best Itaú investments and a selection of the best choices in other institutions



Always making recommendations with transparency and impartiality

Meeting client needs in all Segments



# Schedule



Profitability



Risk Management



People

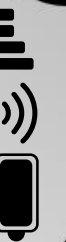


Client Satisfaction



Digital Transformation

9:41

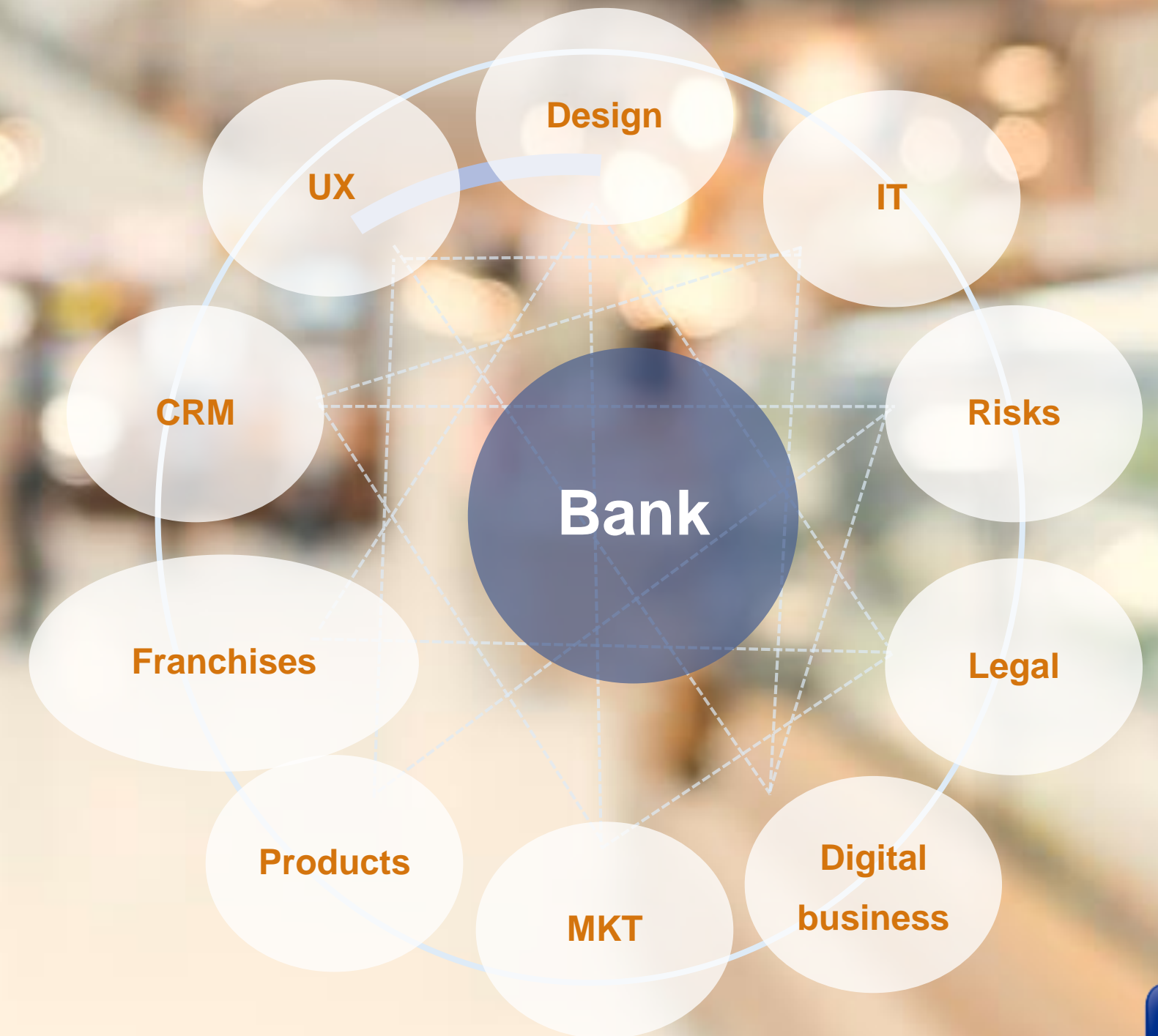


# Digital Transformation | Highly-connected clients and business

## A highly-connected client

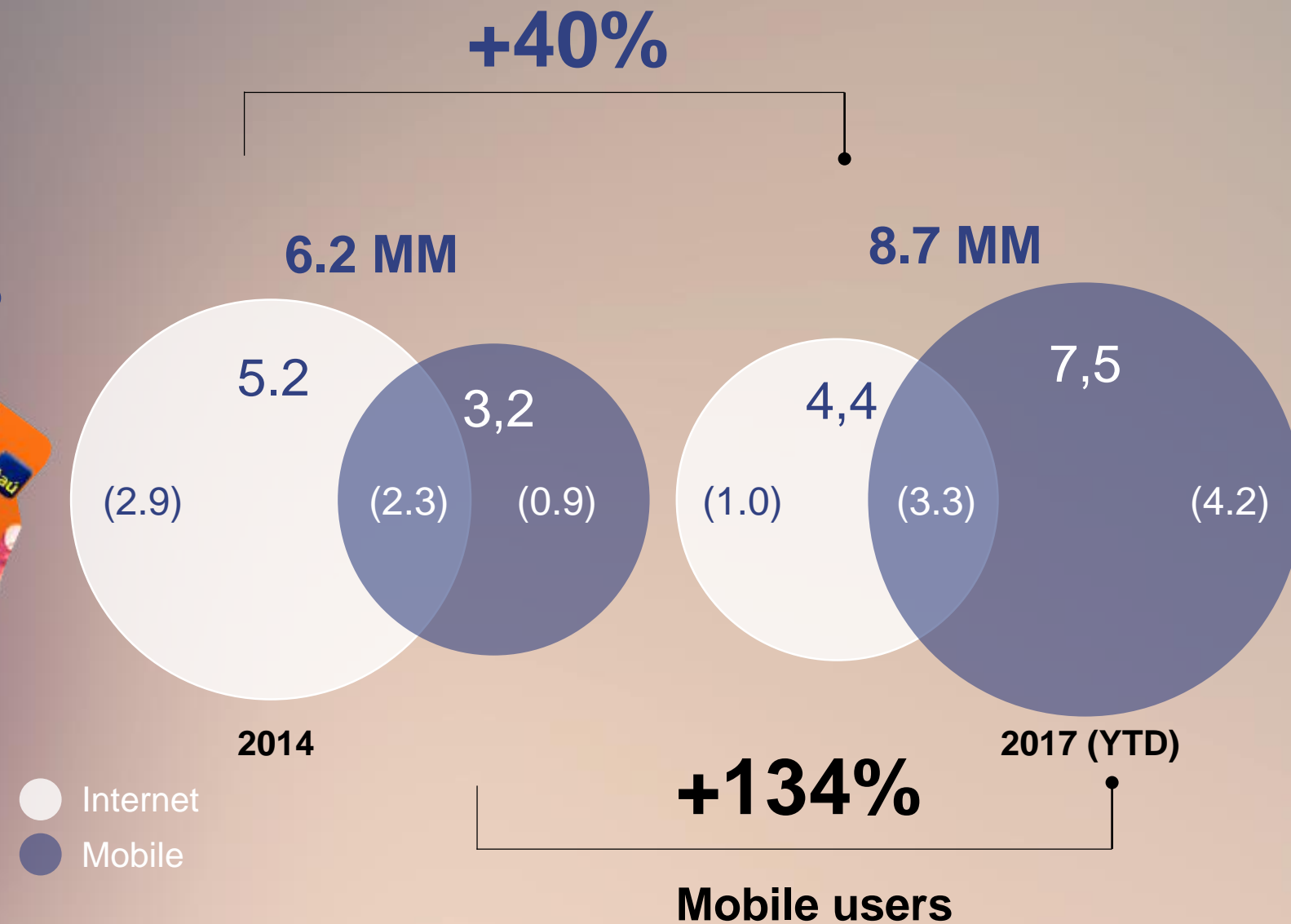


## A highly connected bank

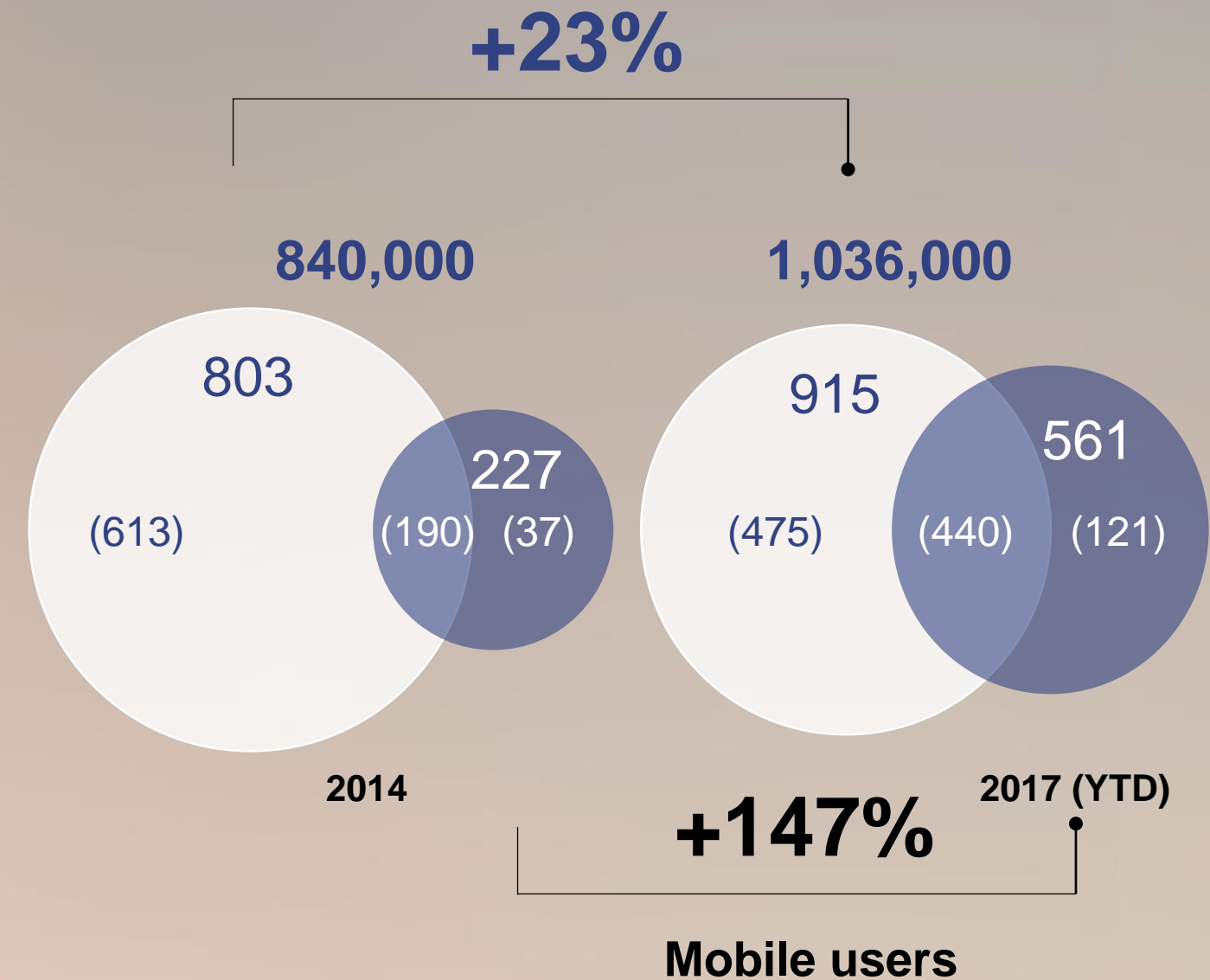


## Individuals

Total clients



## Companies



Digital expansion

- Itaú Branches **46%**
- Itaú Uniclass **64%**
- Itaú Personnalité **85%**

Digital expansion

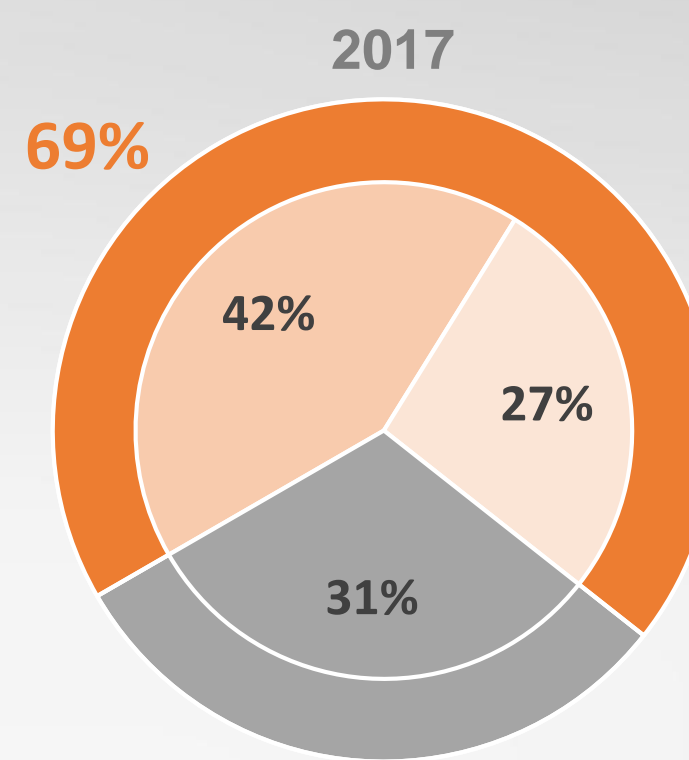
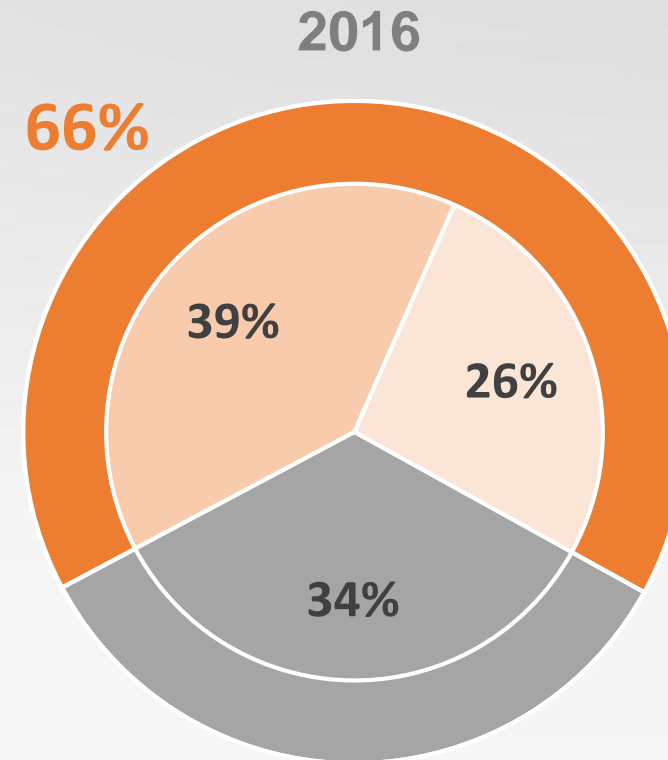
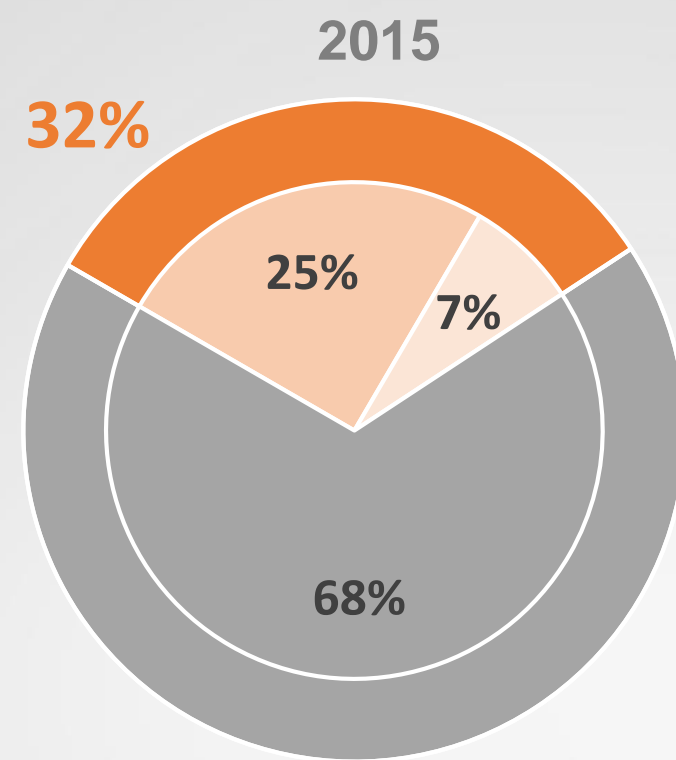
- Companies 4 **60%**
- Companies 3 **82%**
- Companies 2 **87%**



# Digital transformation | profitability



Recurring Net Income – Individuals + Companies



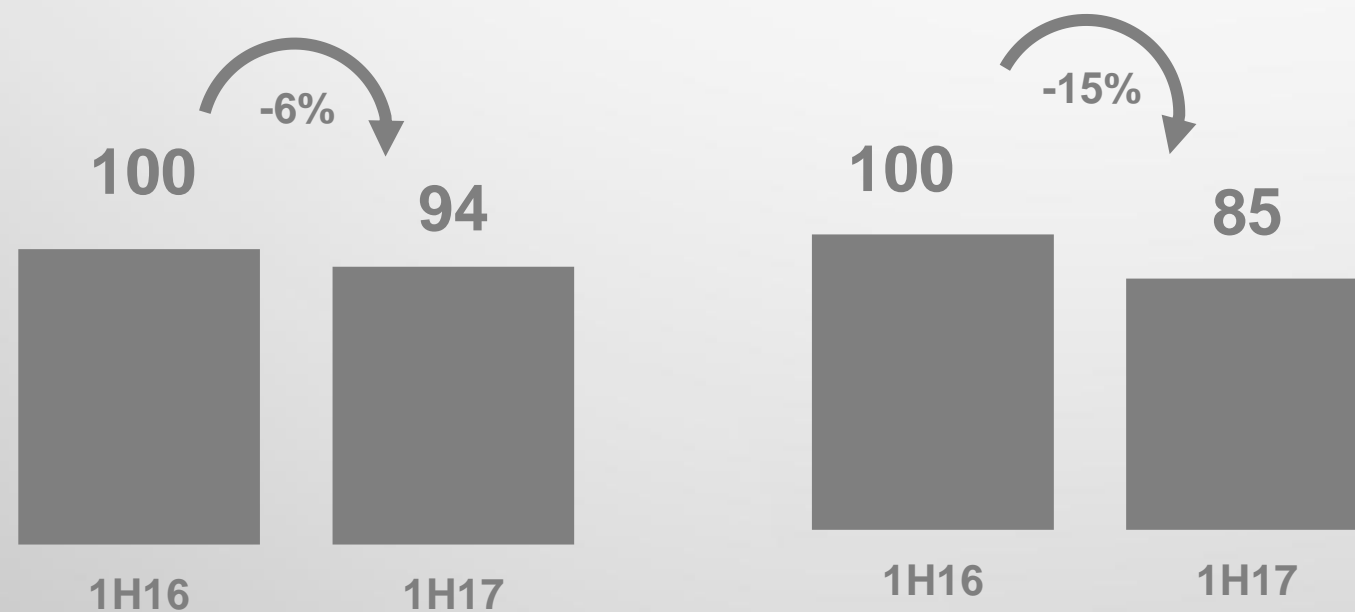
● Physical ● Digital

● Physical branch

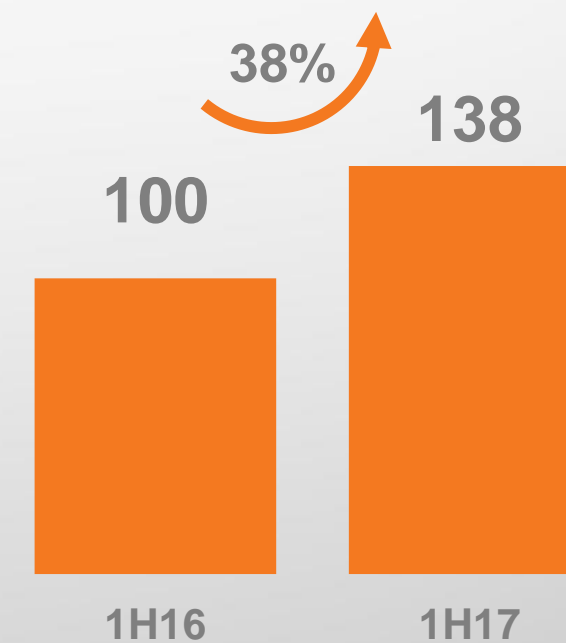
● Digital channel

● Digital branch

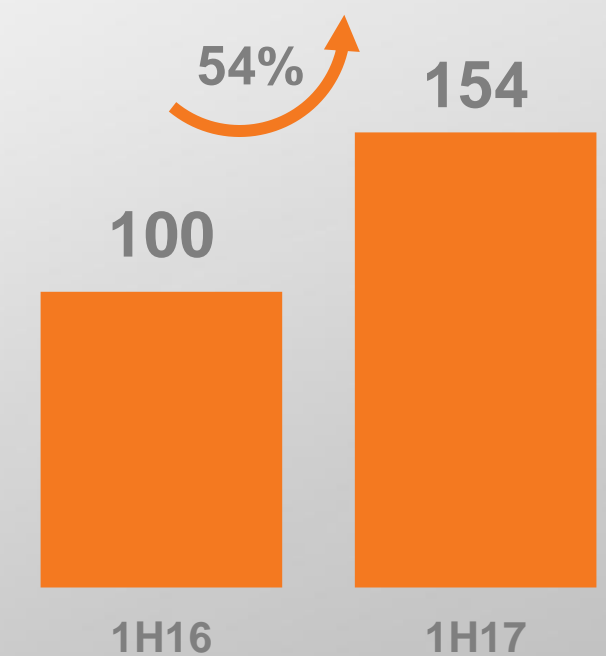
Operating Revenues - Physical Net Income - Physical



Operating Revenues - Digital



Net Income - Digital

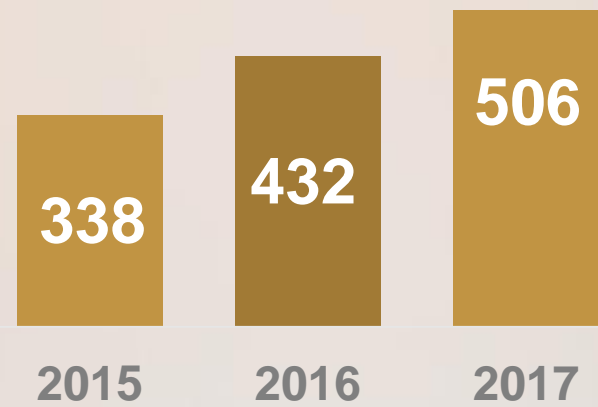


Indicators  
(Base 100)

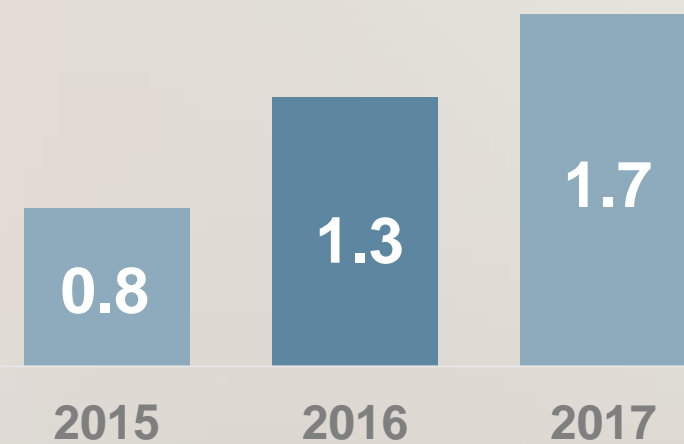


## #individuals

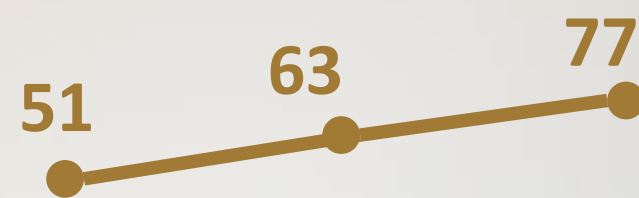
**Personnalité Clients**  
(in thousands)



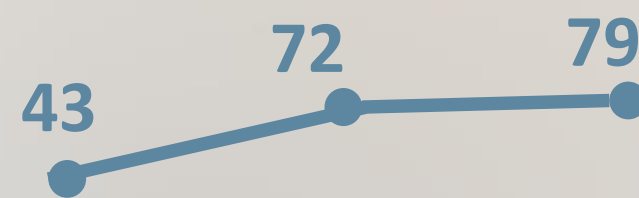
**Uniclass Clients**  
(in thousands)



**Personnalité Branches**



**Uniclass Branches**



## #companies

**100%**

managers with:



smartphone

tablet

conference call

Over  
**300 thousand**  
companies served



**Extended Hours:**  
7:00am-12:00pm  
8:00am-10:00pm



**Available Media:**  
Telephone, SMS,  
Internet message  
and E-mail



**Dedicated Team:**  
Interaction Routing  
→ Client always  
served





# inbox

e-mail | telephone | sms |  
conference call | online messages

**Client always served**

Conference calls  
with experts



Remote business  
formalization

TOIP for  
100% managers



Automatically  
sensitized tools

conference calls | tablet  
smartphone | app for self-training

**Manager always available**

Conference calls with  
experts



Smartphone for  
100% managers



Tablet for business  
operations



App for expeditious  
self-training





## Search

+ 4 MM searches/month

16% of clients

- Payments
- Transfers
- **Quick consultations** (e.g.: balances, statements, investments)



## Chat

+900,000 chats/month

### Virtual Assistant (Artificial intelligence)

Understands **97%** of questions

Retains **74%**

Already available on internet and soon available on **APPS**

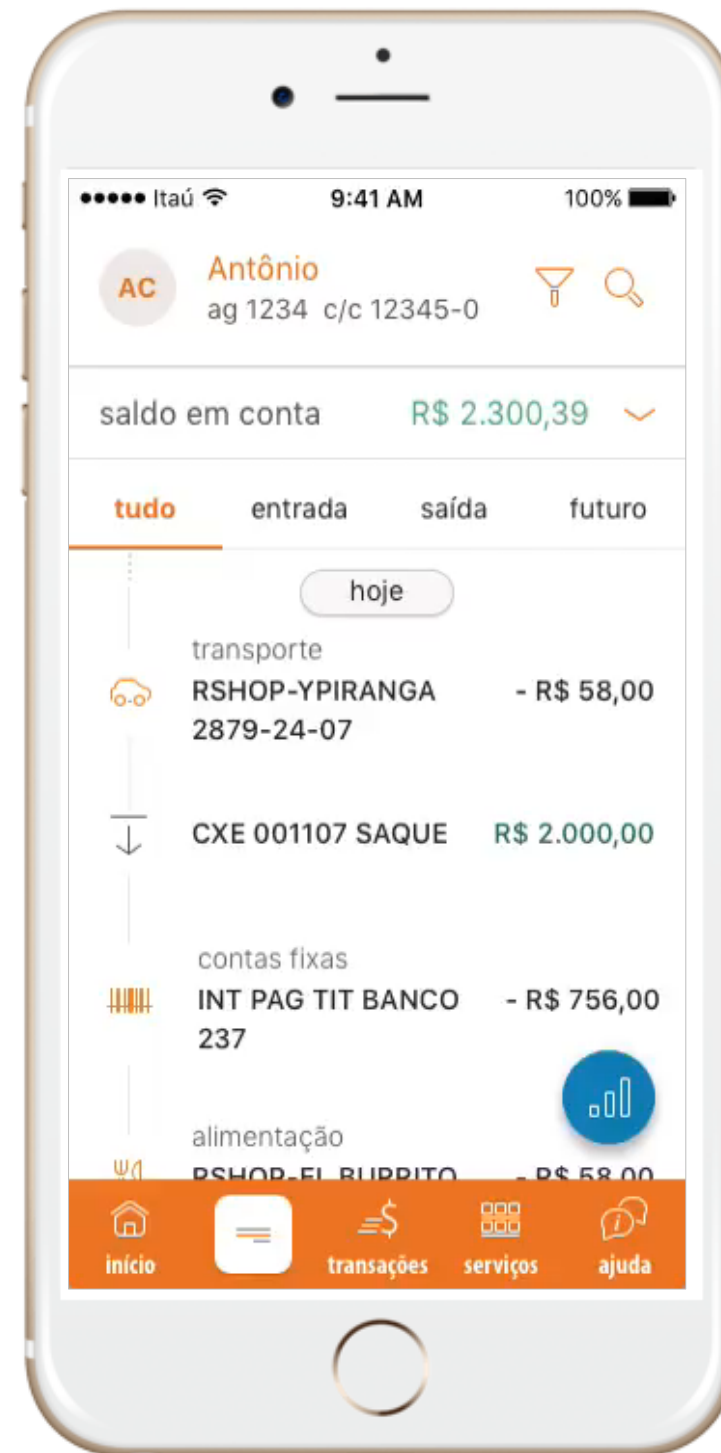


Itaú Unibanco is the only financial institution in the world and the first large Brazilian group to join the testing phase. Other smaller Brazilian companies will join the experience.

## Customized expenses management individuals



97% approved the pilot



## Issuing and consulting payment slips companies



- Issuing payment slips on a single screen
- Simple and online sharing
- Detailed consultation, with payment status



## Web Analytics\_

Monthly volumes

**+ 1 TB** data from digital interactions

**+ 19 MM** cookies

**+ 10M** tags

**+ 7M** mapped pages

## Big Data\_

Web analytics in data processing

Digital events for branches

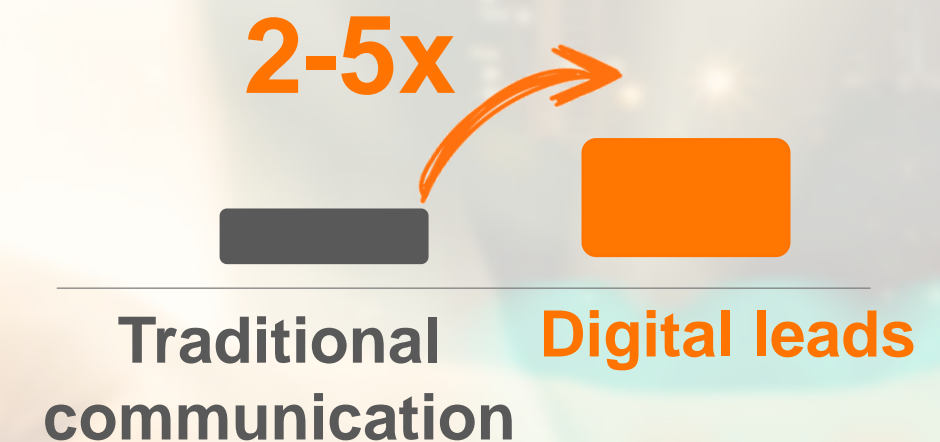
**+ 1 MM** leads per month

Advanced Machine Learning techniques for data handling

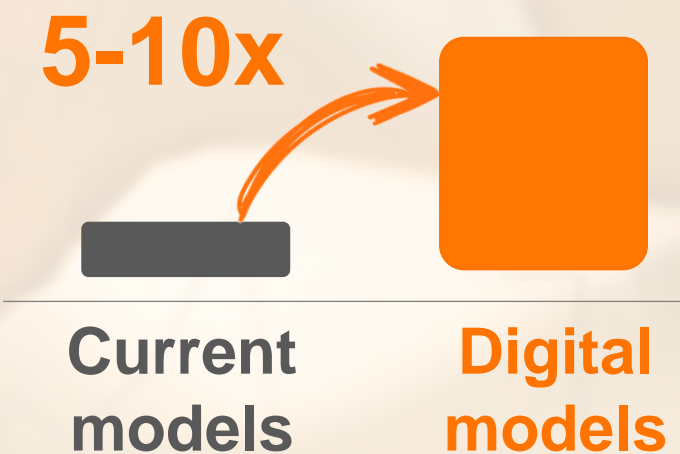
## Web Analytics + Big Data\_

Results

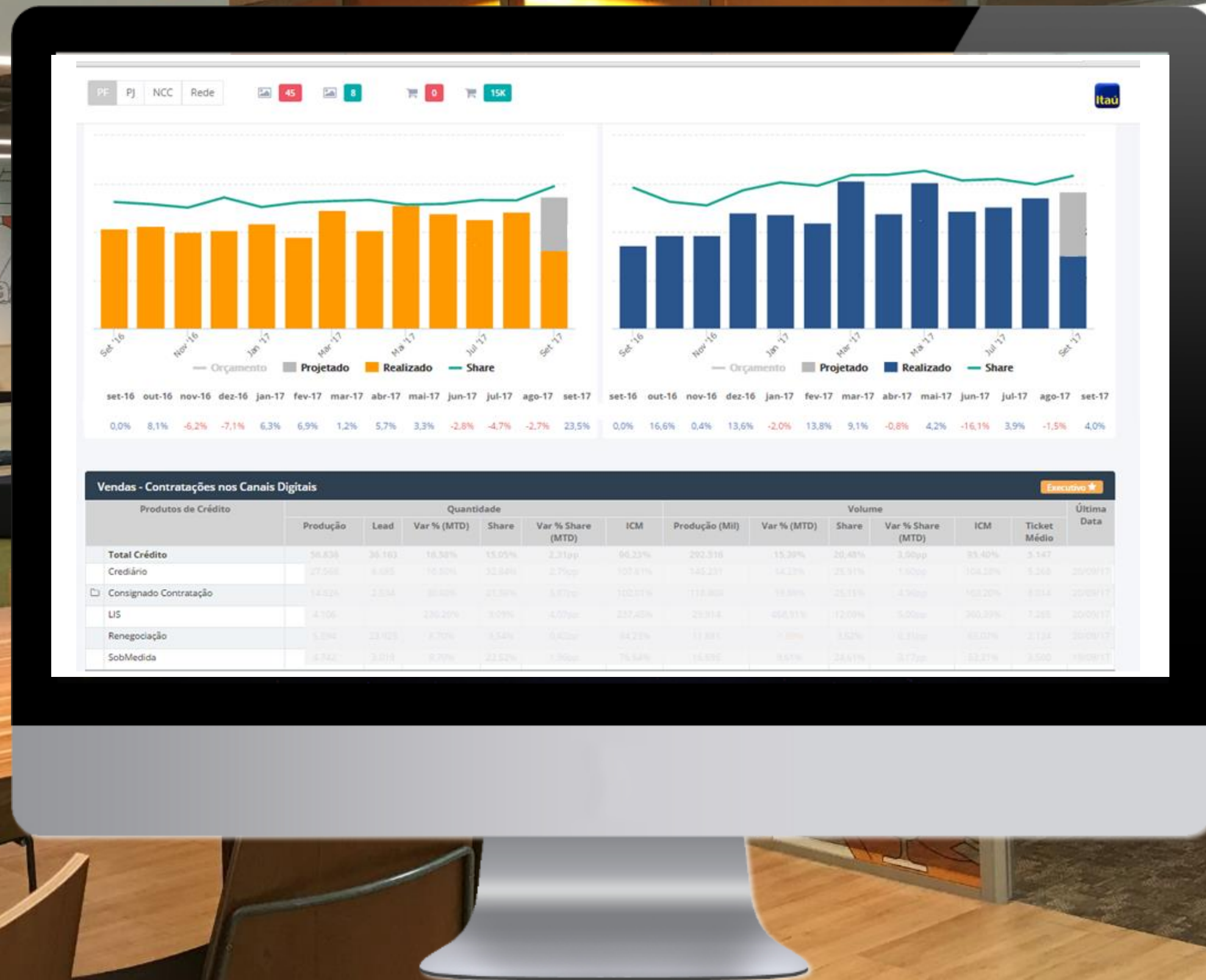
\_conversion in the branch



\_model precision





# Digital Transformation | Real-time monitoring of operations







## APP ITAÚ Individuals

Ranked First  
in client  
satisfaction


 4.1  4.0

-  Elected the best App (Folha de SP newspaper - May/17)
-  Must-have App (App store May/17)

## APP LIGHT

First Bank  
with app for low-  
income clients

 4.4

-  Most downloaded App in Google Play May/17





## APP ABRECONTA

### First Bank

proving the opening of  
accounts through mobile



 3.5  4.5

## APP Credit Card

Ranked First  
in client satisfaction




 4.1  4.5

## APP ITAÚ Companies

Ranked First  
in client satisfaction



 4.1  3.0

## ACHIEVEMENT

- \_ 1 year operation
- \_ +180,000 accounts opened in 2017

## SALES

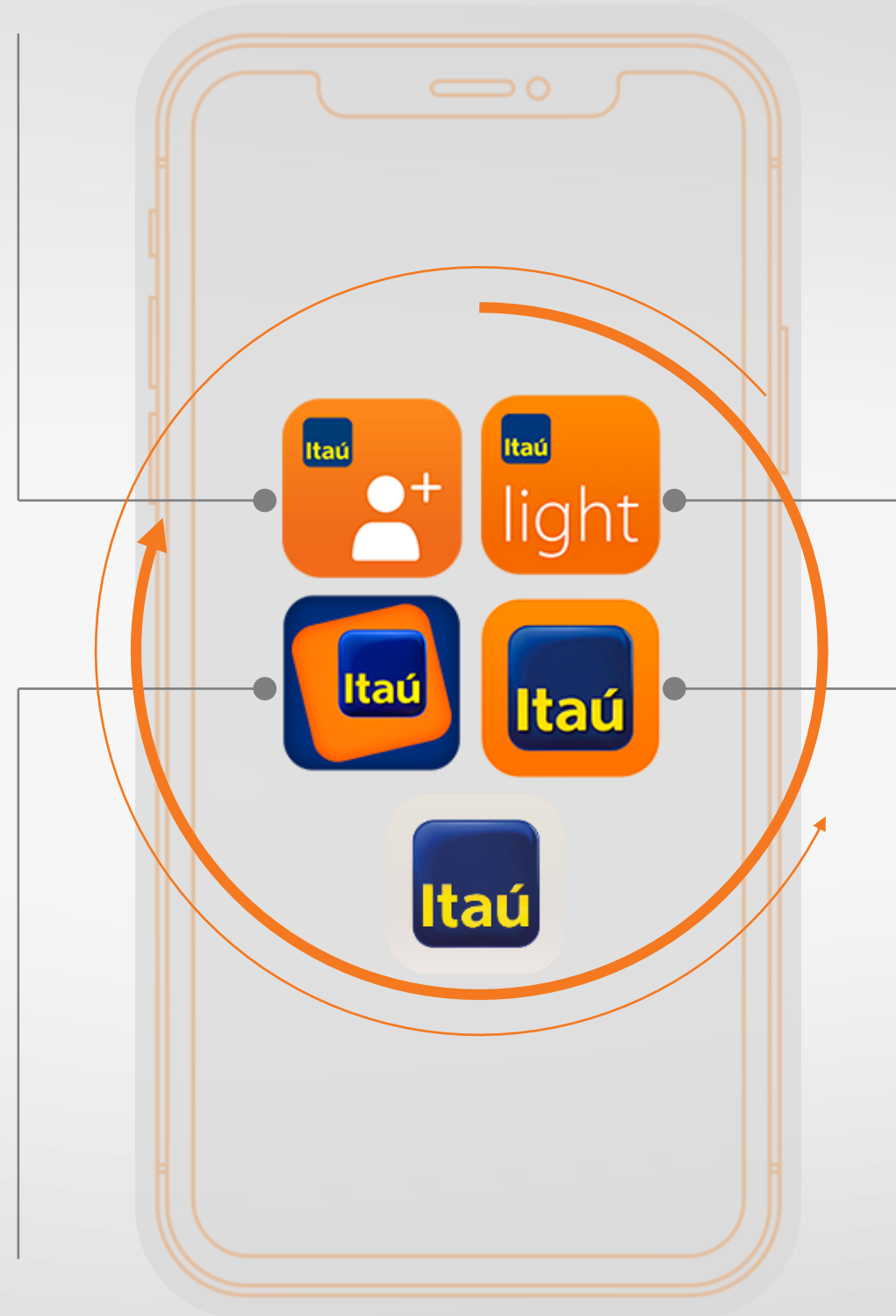
- \_ + 59% increase in sales in 2017 (compared to 2014)

## TRANSACTION + CONSULTATION

- \_ + 11 MM consultations and transactions through digital channels

## CLIENT SERVICE

- \_ 80,000 chats per month
- \_ 4 MM searches through the search bar (+60%)





# General Retail Manager



# apimeccycle2017\_:) Itaú Unibanco Holding S.A.



## Digital Transformation

**André Sapoznik**

Vice-President of Technology and Operations



 [www.itaun.com.br/investor-relations](http://www.itaun.com.br/investor-relations)

 [facebook.com/itaunibancori](https://facebook.com/itaunibancori)

 [@itaunibanco\\_ri](https://twitter.com/itaunibanco_ri)

## \_Technology benefiting customers



**Branch**  
Since  
1924

**3.199**  
Branches  
**629**  
PABs



**ATM**  
Since  
1983

**2,5 BI**  
transactions  
per year



**Call Center**  
Since  
1990

**360 MM**  
calls  
per year



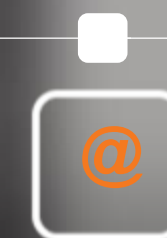
**Internet  
banking**  
Since  
1995

**300 MM**  
access  
per year



**Mobile  
banking**  
Since  
2008

**1,2 BI**  
access  
per year



**Digital  
Branch**  
Since  
2013

**2 MM**  
customers



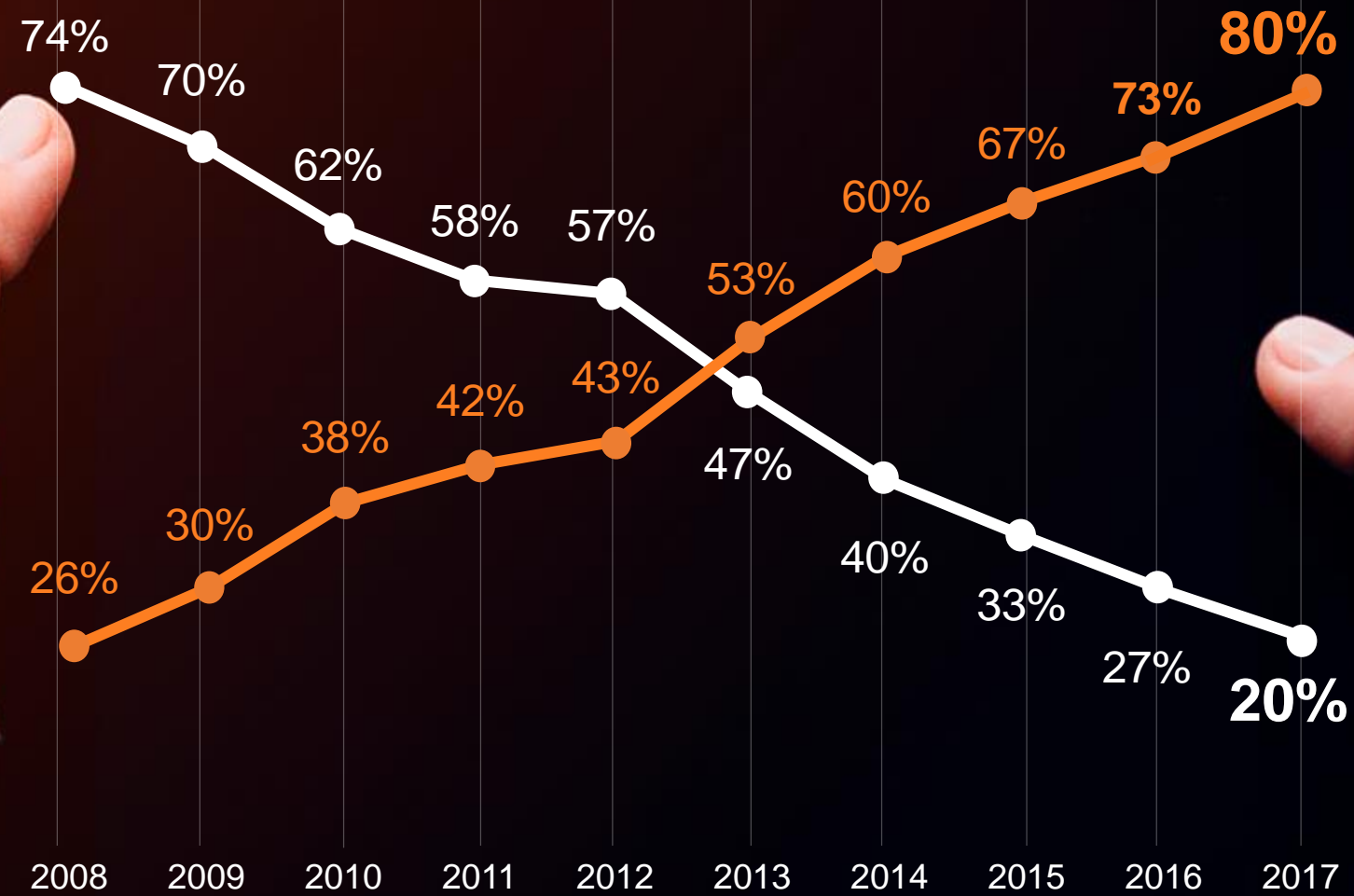
**Voice  
Assistant**  
Since  
2017

**3 MM**  
searches and  
transactions in  
the last 2  
months

# Digital\_technology transforming the banking experience

## Itaú customer's transactions

- Digital Channels (internet and mobile)
- Traditional Channels (branches, ATMs and call center)



Estimate for 2017

- In 2017...
- **+ 1MM** of digital customers
  - ↑ **29%** in mobile
  - **11BI** transactions in digital channels
  - ↑ **20%** in mobile

# Digital Itaú\_business in a global scale

## Traditional Itaú

**3.828 = 1,2MM**m<sup>2</sup>  
Branches and PABs

**283**  
Maracanã 

**46.000**  
ATMs  
stacked is the  
same as

**217**  
Empire States 

**2MM** people  
visit our branches  
every day

**the entire  
Brazilian  
population**  
2x per year in  
one of our  
braches 


**440MM** people per year

## Digital Itaú

**7MM** mobile  
monthly accesses

Bigger than  
Denmark  
population 

**100K**  
simultaneous  
access

The whole **Rock  
In Rio** accessing  
our **app at the  
same time** 

We have  
**17petabytes**  
of information

**9 entire  
Netflix  
catalogues** 



# Digital Transformation \_our cornerstones



## Customer Centricity

\_a new bank concept philosophy



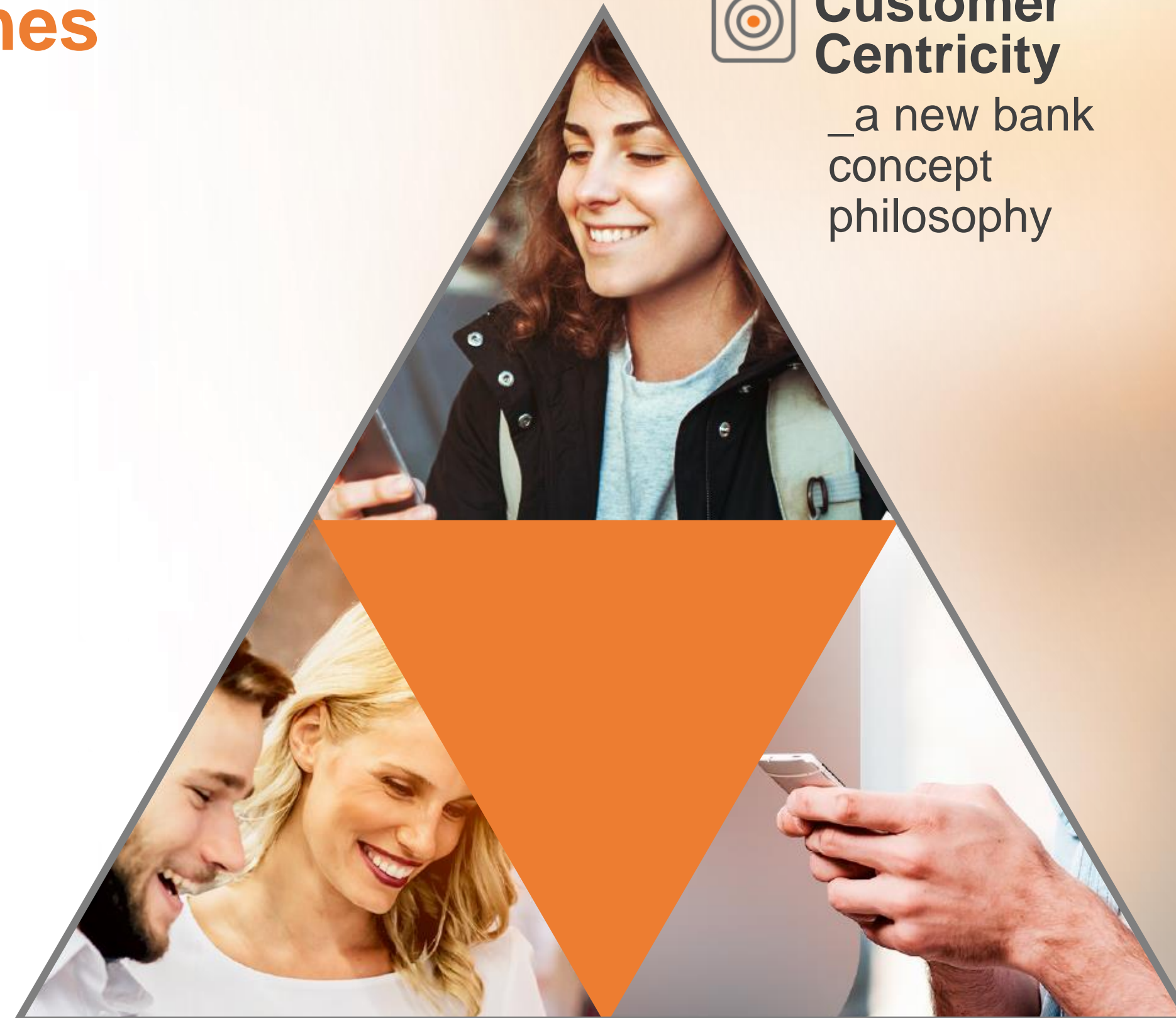
## People

\_new digital tribes in the financial market



## Technology

\_efficiency and ownership for business development



# Digital Transformation \_our cornerstones



Relationship evolution in  
the Entrepreneurship Age  
—  
Itaú's new human tissue:  
digital tribes and traditional  
professional side by side



## People

\_new digital  
tribes in the  
financial market



## 10 years ago

- \_ Hierarchy
- \_ Offices
- \_ Conservative



Company

- \_ Competition
- \_ Payback
- \_ Stability
- \_ Acceptance



Values

- \_ Classic education background
- \_ Predictability
- \_ CV and academic formation



Profile

## Today

- \_ Autonomy
- \_ Close leadership
- \_ Change and adapt



- \_ Collaboration
- \_ Purpose
- \_ Flexibility
- \_ Questioning



- \_ New specialities
- \_ Adaptability
- \_ Valuation of diverse experiences



# Digital tribes\_the growth of the new bank

People



## Traditional Professionals

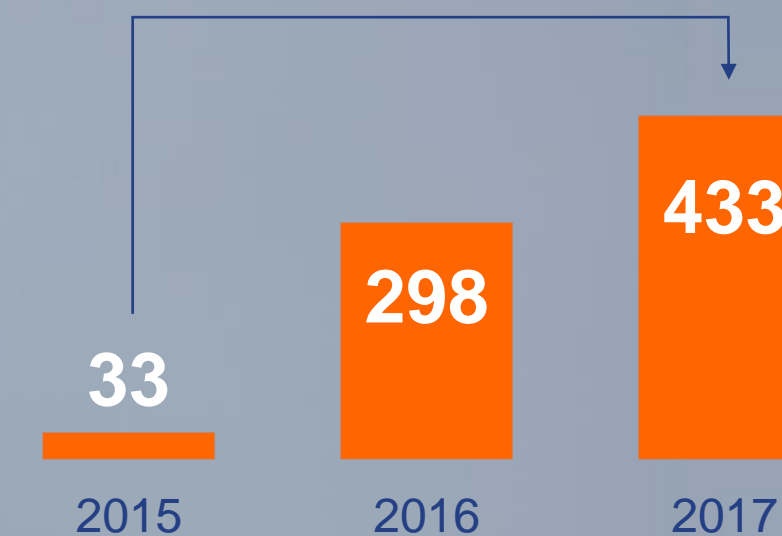
- \_engineering
- \_management
- \_economy
- \_law
- \_accounting

## Techies

- \_design
- \_ux
- \_digital media
- \_data science
- \_web analytics
- \_cyber security

# +13X

professionals of the new economy



## #digital experts

# Case\_the fraud and money laundering prevention challenge

How to verify if a company really exists?

People



## The traditional statistician

“How can I identify riskier companies by analyzing my database?”

### 1. Account and financial variables

- \_ Industry
- \_ Lifetime
- \_ Partnership changes
- \_ Primary activity
- \_ Financial transactions

### 2. Linear Regression Model

### 3. Face-to-face visits

**156K +R\$100MM**

visits per year

cost per year

# Case\_the fraud and money laundering prevention challenge

How to verify if a company really exists?

People



## The traditional statistician

"How can I identify riskier companies by analyzing my database?"

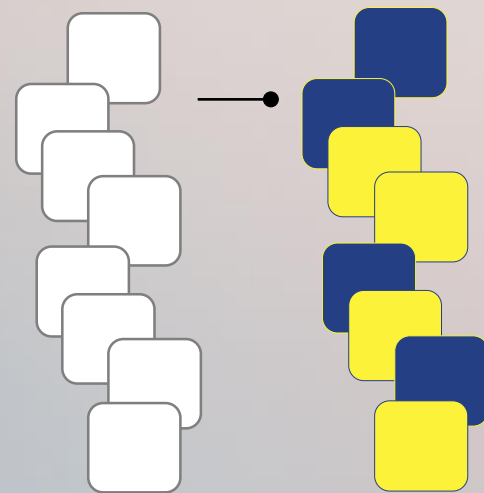


## The data scientist

"I bet we are able to extract information about establishments from images to prevent fraud"

### 1. Selection of suspicious images

images proof template



**Non-suspicious**

- Bakery
- Gym
- Gas station
- Restaurants

**Suspicious Address**

- Wasteland
- Abandoned buildings
- Open fields

### 2. Deep learning

**85%**

precision

**+25%**

efficiency

0,991



0,002



# People.com\_carrier in the techie world

People



## New language and attraction model



Language and media closer to the target public

Data scientists

+5k views

LinkedIn

+2 thousand participants in attraction events

3x more hiring

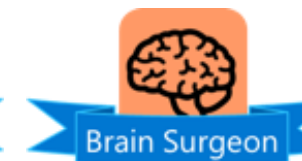
join\_us.py

```
> help ACE.vagas  
[1] "Mande e-mail para  
cienciadedados@itau-unibanco.com.br  
com o assunto sendo o resultado de:
```

```
sum_hex([x.Unicode\  
.replace("u+","") for\  
x in [🏠, 🎲, 🖥️, 📚, 🚀]])
```

## New development and work model

Incentive to customized self-development



Learn by doing



<Data Battle>



Lab P&D

Global radar



+10K hackathon participants

+24K hours online courses

# Cubo\_4x more entrepreneurship

People



# cubo\_

Entrepreneurship reference hub in **Brazil**

Total area **+5K m2**

Startups **50**

Entrepreneurs and residents **250**

**+1 year**

waiting time for new startups to join

**6**

startups quit due to physical space limitation

Repressed demand

**4x**

Entrepreneurship reference hub in **the world**

Total area **+20K m2**

Startups **+210**

Entrepreneurs and residents **+1.000**

Growth of scope  
**Cubo Digital**



**Itaú**



# Digital Transformation \_our cornerstones



Technology-business symbiosis  
as a fundamental axis

Quick decisions, precise  
choices: keys for accelerating  
digital transformation



**Technology**  
\_efficiency  
and ownership  
for business  
development



## Data Center

- **R\$3.4bi** invested in buildings and equipments
- Biggest **green data center** of Latin America, LEED Certification (Leadership in Energy and Environmental Design)



## Private Cloud

- **100k cores** of processing capacity
- **Full-stack capacity**
- Dozens of applications running on cloud



## +1000 APIs

- Apps built with **96%** of API reusage



## Blockchain

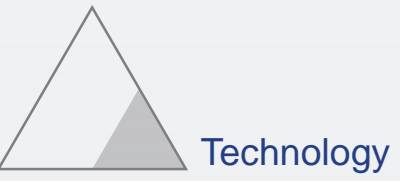
- Participating on R3 consortium
- Participating on 100% of applications developed in Brazil for the financial market



## Investment in Technology

**+40%** of growth in the past 2 years

# Mindset and working model\_the real change epicenter



## Scenario

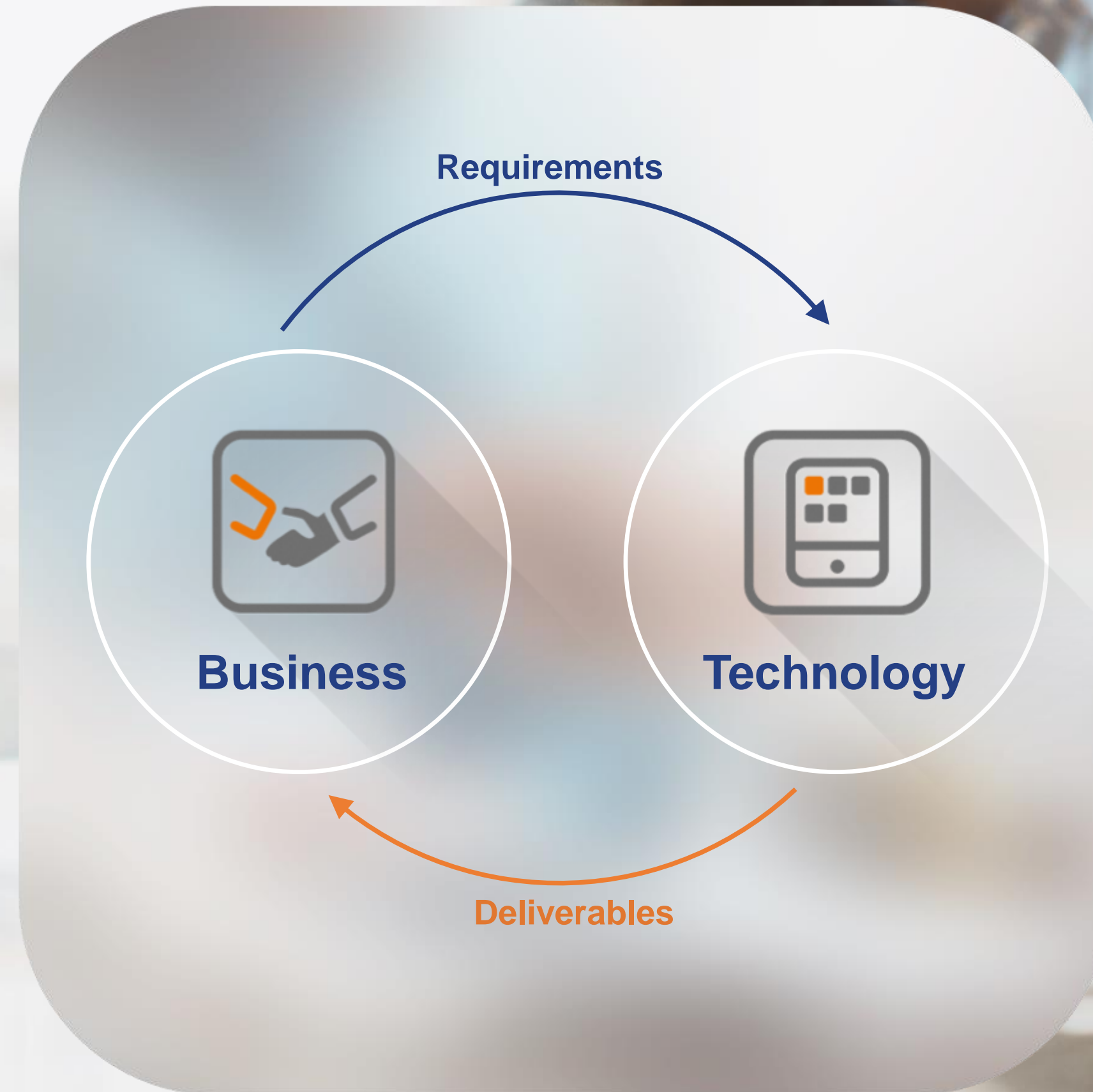
### Traditional

Business command, technology evaluates the technical solution and executes them.

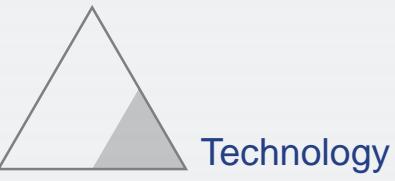
### Why did it work?

- \_ Long cycles of **technological change**
- \_ Restricted access to **cutting-edge technology**
- \_ **Established** markets
- \_ **Mid-term** complex projects

Time Unit:  
**Months / Years**



# Mindset and working model\_the real change epicenter



## Scenario

### Traditional

Business command, technology evaluates the technical solution and executes them.

### Why did it work?

- \_ Long cycles of **technological change**
- \_ Restricted access to **cutting-edge technology**
- \_ **Established** markets
- \_ **Mid-term** complex projects

Time unit:  
**Months / Years**

Joint conception of  
best solutions



**Business**



**Technology**

### Digital

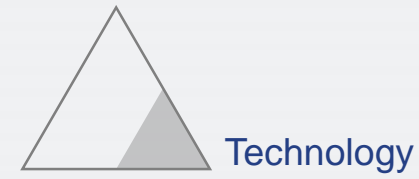
Business and technology **co-create** transformative solutions

### Why did the change make itself necessary?

- \_ **Exponential Evolution** of technologies
- \_ Accelerated Innovation Frequency and disruption with new tech companies that demand **less lead time and shorter delivery cycles**
- \_ Experimentation

Time unit:  
**Days / Weeks**

# Mindset and working model\_the real change epicenter



## Specialize to strengthen\_

Reference architecture conception

Strengthening of **technological specialities** (Data Engineer, IT Architect, Mobile Engineer, etc)



## Integrate to accelerate\_

Creation of integrated **multi-specialities squads**

Introduction to **lean and agile** principles for working in scale

**+5.000** employees involved

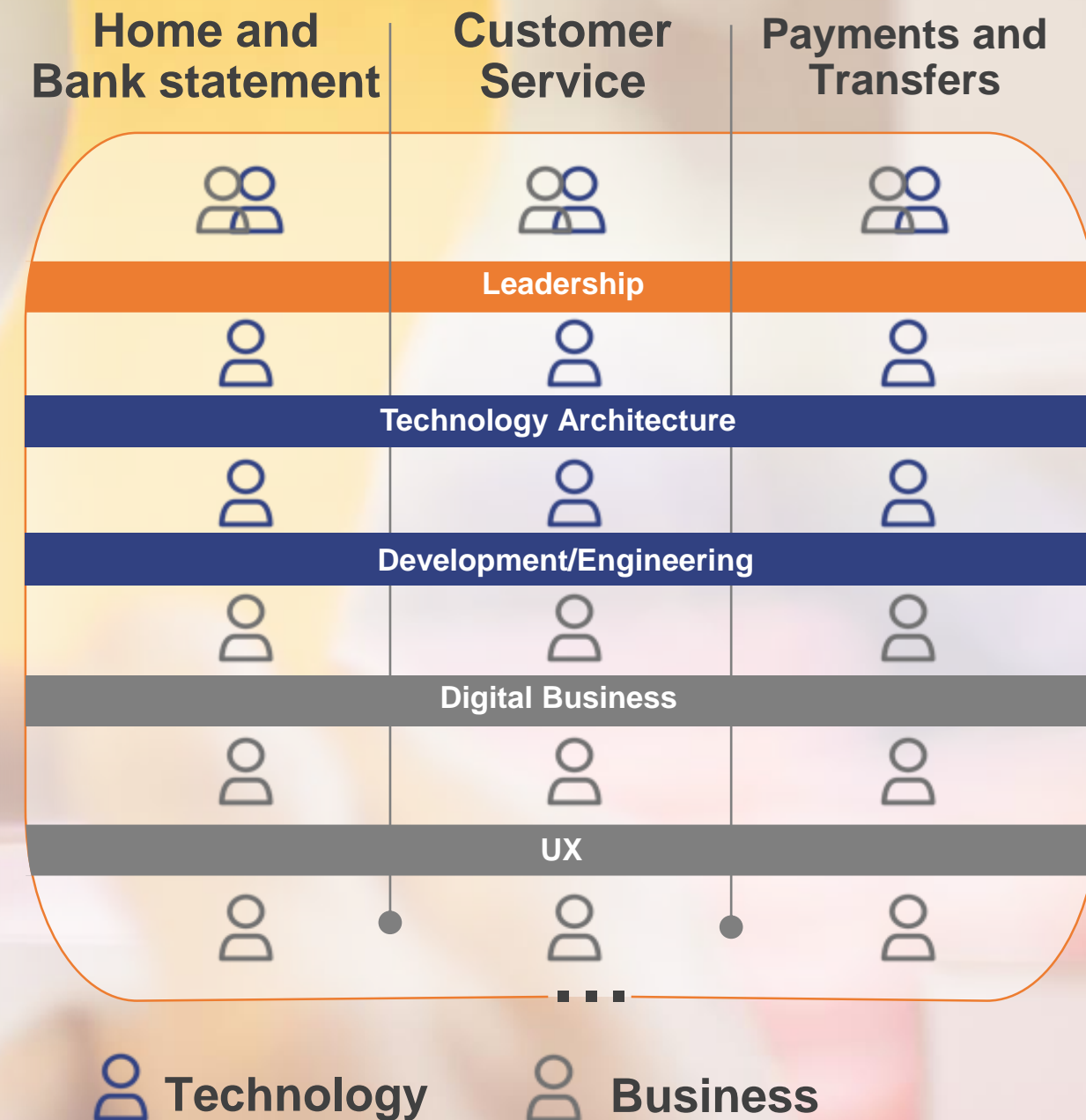


## Delegate to exponentiate\_

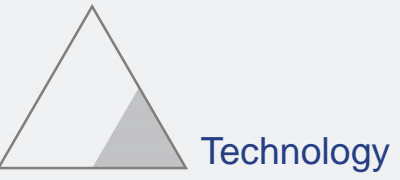
Determining **purpose and business goals** for the squads

**Autonomy** within the governance in order to capture opportunities of synergy and efficiency

## Mobile\_example



# Technology\_increasing and sustainable results



## Efficiency

More value delivery  
Synchronized planning

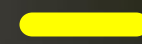


Increase in productivity

**+9%**

## Time to Market

Reduced cycles of deliverables  
Lean e Agile Methods



Reduction of average time on project deliverables

**-30%**

## Quality

Faster tests and homologation, lean and automated



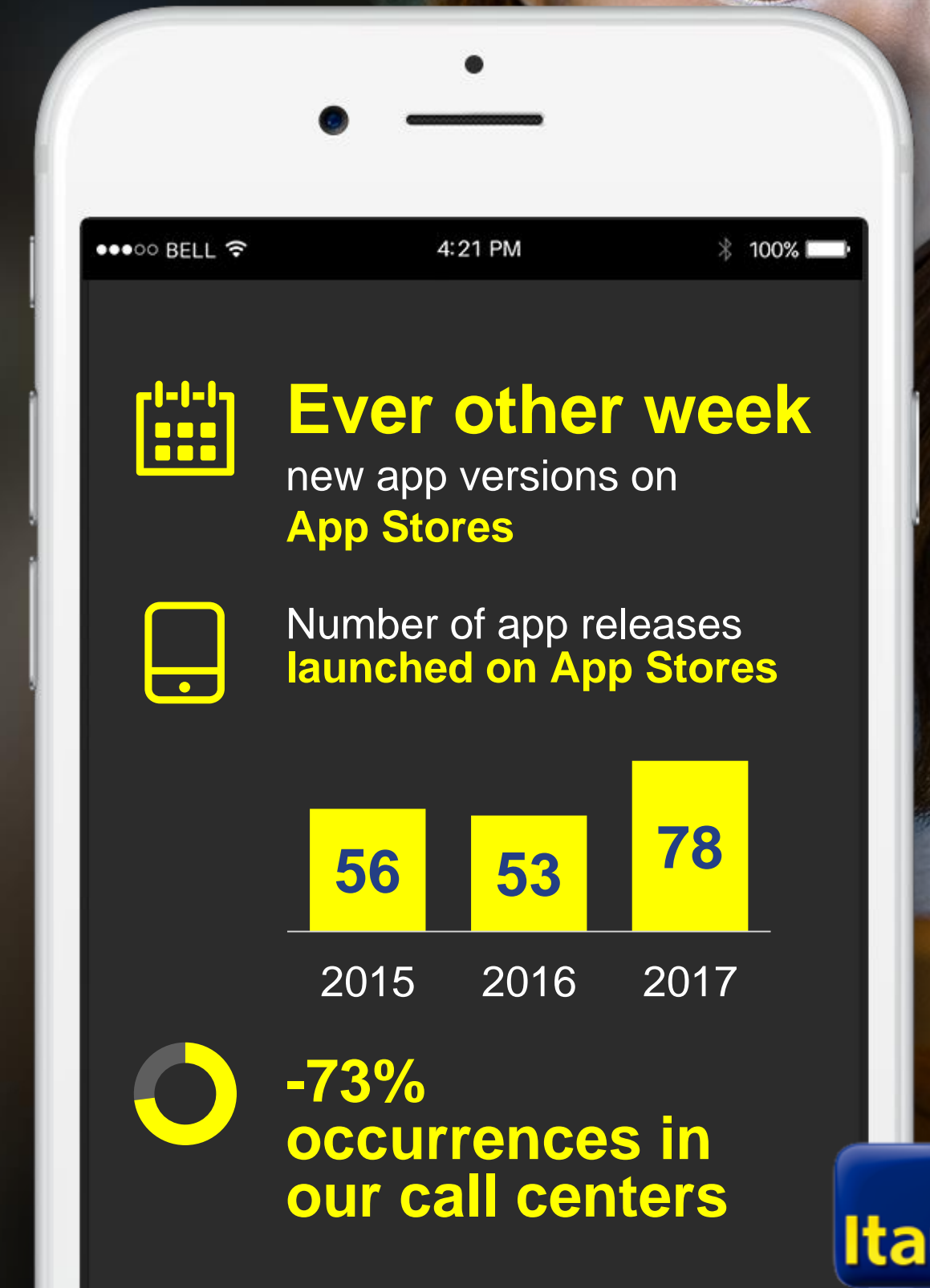
Reduction in unavailability

**-39%**



Reduction in number of incidents

**-58%**



## Attack sophistication increases every year

MENU G1 TECNOLOGIA E GAMES

12/05/2017

**WannaCry** Ciberataques em larga escala atingem empresas no mundo e afetam Brasil

Ataques ocorreram em ao menos 74 países, com 'vírus de resgate' que exige dinheiro, diz empresa de segurança. No Brasil, sites de empresas e órgãos públicos saíram do ar. Hospitais na Inglaterra foram atingidos no início do ataque.



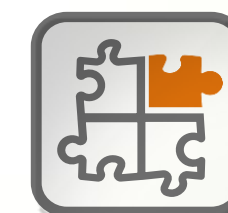
Non affected transactions

Fonte: <https://alwaretech.com/> Impacto do WannaCry no mundo

### Our principles



Balance between **transactions** and **customer experience**



Security is inserted in the **technological solution chain**



**Constant simulation** of attacks and defenses



Client information **protection along several layers**

# Digital Transformation \_our cornerstones



## Customer Centricity

\_a new bank  
concept  
philosophy

Customers in charge:  
the new digital hierarchy

From research to big data:  
insights in scale for new  
business model solutions



# Customer-centricity\_the imperative

Customer  
centricity



Customers increasingly are **PROTAGONISTS** in the economic model

Experiences	↑	Companies and customers co-creating solutions	↑	Reputation	<b>Hoje</b>
Services	↑	Companies listening to customers in order to innovate	↑	Ethics and innovation	<b>90-2000s</b>
Tangible	↑	Companies generating ideas	↑	Scale and profitability	<b>70-80s</b>



**Product**



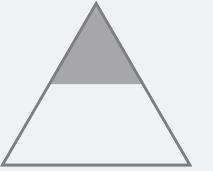
**Innovation**



**Business models  
foundations**

# Case\_the low income challenge

Customer centricity



## Bank as a protagonist

- 1 Hypothesis generation
  - They don't have smartphones
  - SMS familiarity
- 2 Benchmark M-Pesa
- 3 Solution drawing
  - SMS 2-way with basic transactions
- 4 Validation with customers
  - "Would you use SMS for basic banking?"



## 4 Final solution

### 3 Co-creation with customers and testing

### 2 Learning synthesis

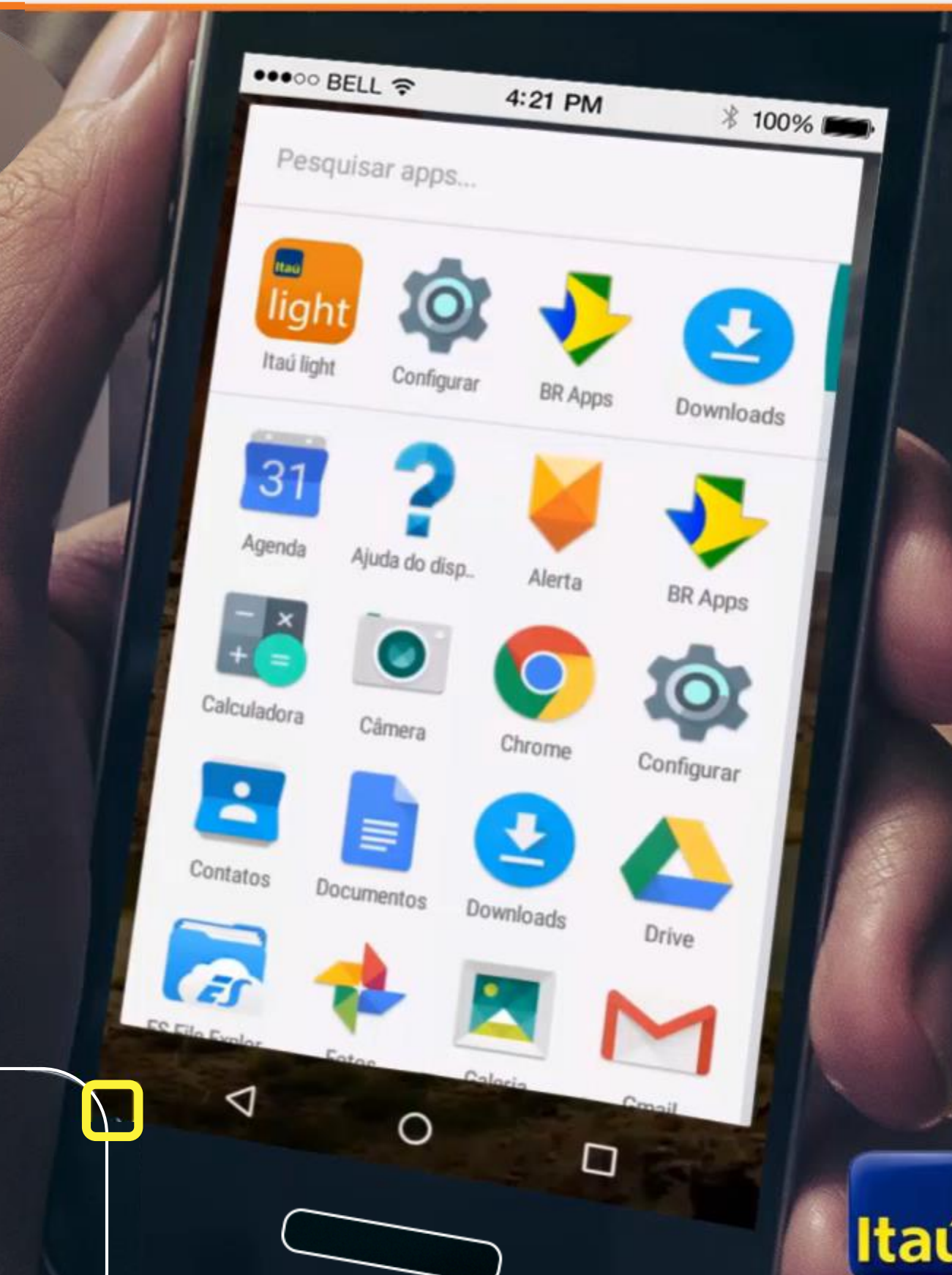
- Navigation needs to be simple
- The data consumption makes usage unfeasible
- The app size is a restriction
- The access password is a barrier

### 1 Understanding needs

**"What do you need to make banking simple and in your own way?"**



## Customer as a protagonist



# Case\_the SMS that turned into an app

Customer  
centricity



“Featured Apps”  
(Google Play – May/17)



“Best apps”  
(Exame – Jun/17)

Lighter app and low data  
usage

(- than 5MB to download)

1st access using  
debit card password

Simplified navigation

Only the most used  
features



400k

users  
in 3  
months



93% loyalty

80% of the retail public

+20% in access with  
debit card password

1 access every 2 days



Sergio T. December 9th 2016

★★★★★

Amazing! Fast, practical and  
extremely functional app!



Filipi B. December 8th 2016

★★★★★

Excellent. I love it, i'm anxious for  
the next versions :)



Suellen December 8th 2016

★★★★★

Love it. Very fast and light.



Leandro M. December 9th 2016

★★★★★

Very practical. Very simple app with easy  
interaction, ideal for people who don't have  
much contact with technology.

# Centricity @scale\_the challenge

Customer  
centricity



## Qualitative information

What do the customers explicitly say?

## Quantitative information

How can we understand the customers without asking him/her?



# Centricity @scale\_the challenge

Customer  
centricity



## Beta testers

Technological-engaged customers that promote feedback of our beta Apps

## Social Media

Spontaneous testimonials, comments and conversation analysis

Customer Initiative

Bank Initiative

## LAB customers

In 1 year...

**+275** Engaging activities

**+6k** Customer contact hours

## App Stores

**245k** Mapped comments

## Qualitative information

What do the customers explicitly say?



# Centricity @scale\_the challenge

Customer  
centricity



## Qualitative information

What do the  
customers  
explicitly say?



### Web Analytics

**160MM**  
visits

**34MM**  
Visitors  
passing  
through  
invoice  
pages

1,6BI page views

**21MM**  
Visitors on  
credit pages

**14MM**  
Visitors on  
investment  
pages

**1,2MM**  
Visitors on  
financing  
pages



# Analyzing the customer\_web analytics

Customer  
centricity



## One user

Uniclass

32%   New internet session	12%   Portals
20%   Other bank	9%   E-commerce
18%   Online docs	9%   Other

Home

Statement (21%)

Investments (14%)

Checking account (13%)

Close (7%)

Cards (6%)

Payments (6%)

Transfers (5%)

Saving account (2%)

Other (16%)

Detailed balance (27%)

Close (16%)

Home (8%)

Cards (6%)

Statement (4%)

Other (39%)

Access the statement before accessing cards

Shop at e-commerces

Directed communication on statement page

Incentive to use the virtual card

**\_Dado**

Use other banks

Use online docs frequently

**\_Ação**

Potentialize the loyalty

Campaign in these vehicles

# Digital Transformation



\_Cutting-edge **technology** with no talent is a commodity.

\_**Talent** with no focus on customer generates irrelevant solutions.

\_**Focus on customer** without technology is in the past.

#thischangestheworld

**This transformation has already begun\_**



# apimeccycle2017\_:) Itaú Unibanco Holding S.A.



## Optimizing the Use of Capital

**Roberto Setubal**  
Co-Chairman of the Board of Directors

September 26, 2017



 [www.itaunibanco.com.br/investor-relations](http://www.itaunibanco.com.br/investor-relations)

 [facebook.com/itaunibancori](https://facebook.com/itaunibancori)

 [@itaunibanco\\_ri](https://twitter.com/itaunibanco_ri)

# Regulatory Capital

- **Central Banks define the minimum capital requirement for banks.**
  - The purpose is to ensure the bank's financial health.

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# Regulatory Capital

- **Central Banks define the minimum capital requirement for banks.**
  - The purpose is to ensure the bank's financial health.
- **This capital is a result of the risks assumed by the bank.**
- **The Basel Committee is the body responsible for defining the global capital standards for G-20 countries.**

# Risks Assumed by Banks

- **Asset Risks (loans, securities, and other)**
- **Market Risks (interest, foreign exchange rates...)**
- **Operational Risks**



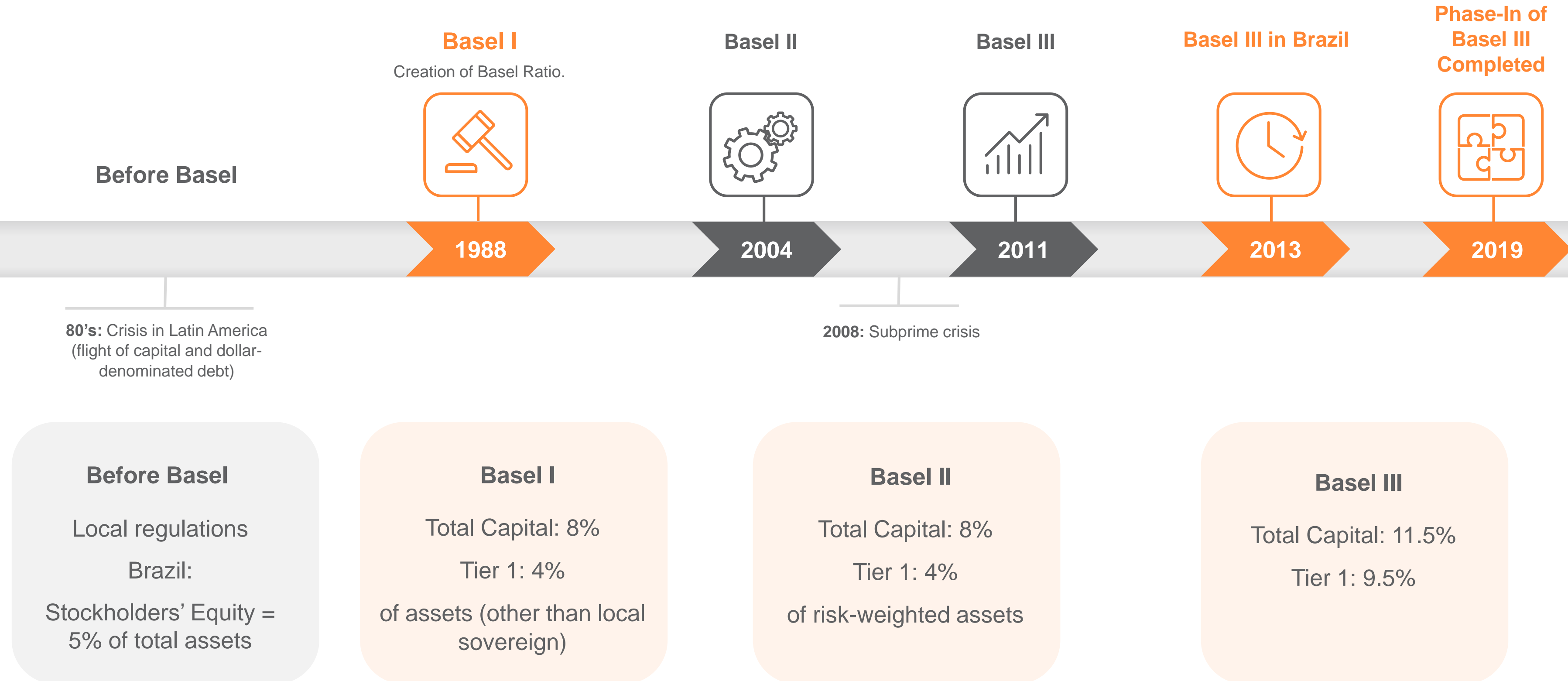
# Risks Assumed by Banks

- **Asset Risks (loans, securities, and other)**
- **Market Risks (interest, foreign exchange rates...)**
- **Operational Risks**



The required capital will be a % of the risk-weighted assets (RWA).

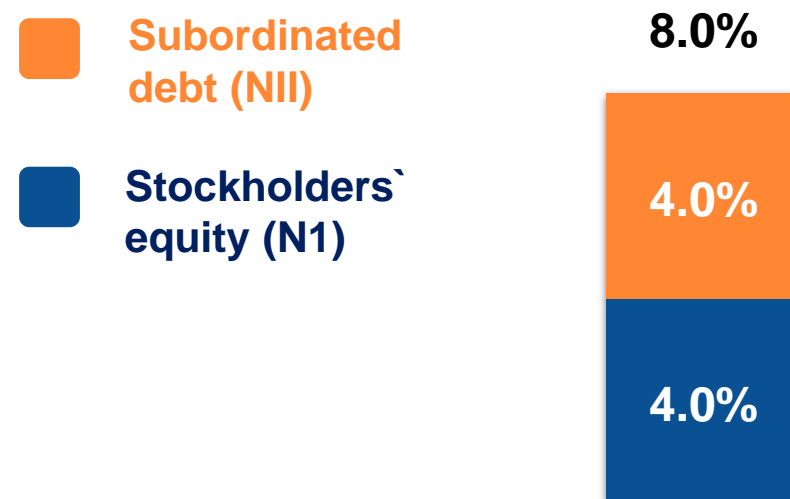
# Migration to Basel III



# Capital Requirement under the Basel Committee, BACEN and ITUB Target

## Minimum Capital Required

### Basel II



2004  
(Basel)

Deductions

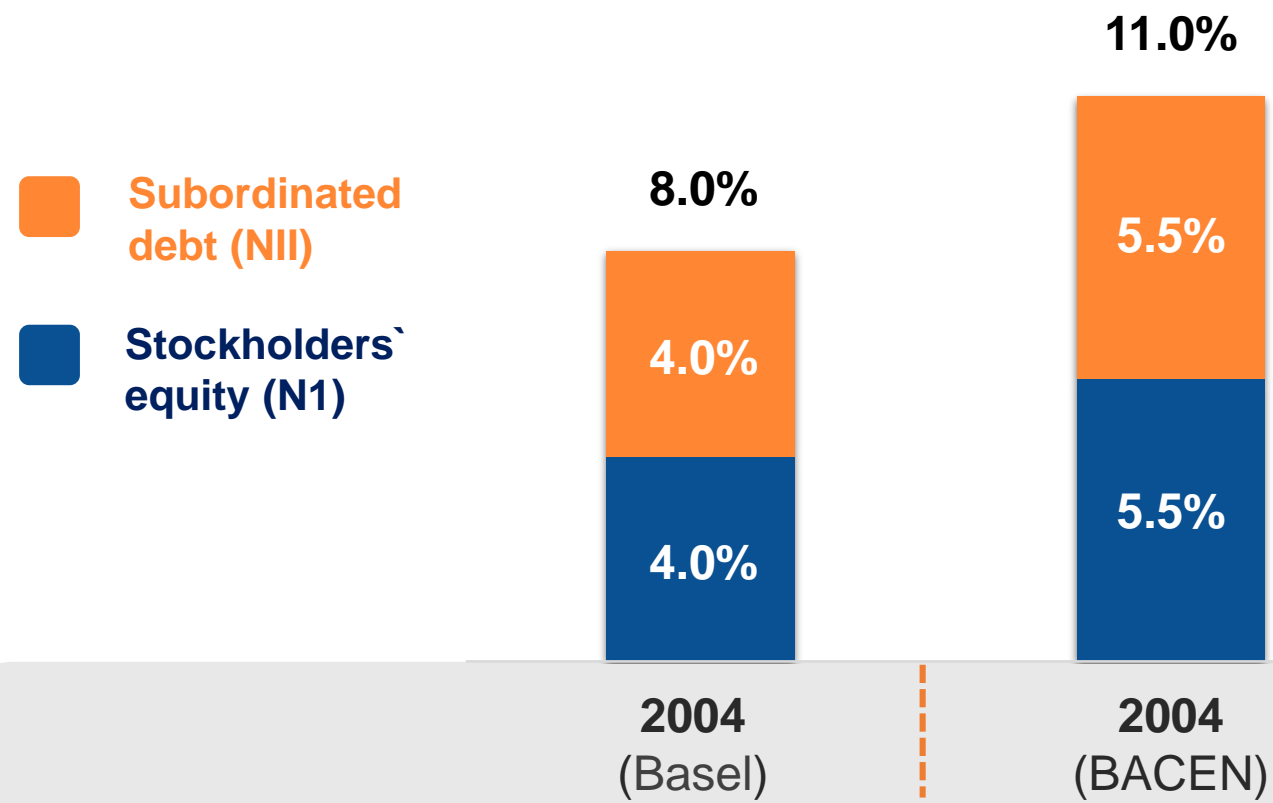
0%



# Capital Requirement under the Basel Committee, BACEN and ITUB Target

## Minimum Capital Required

### Basel II



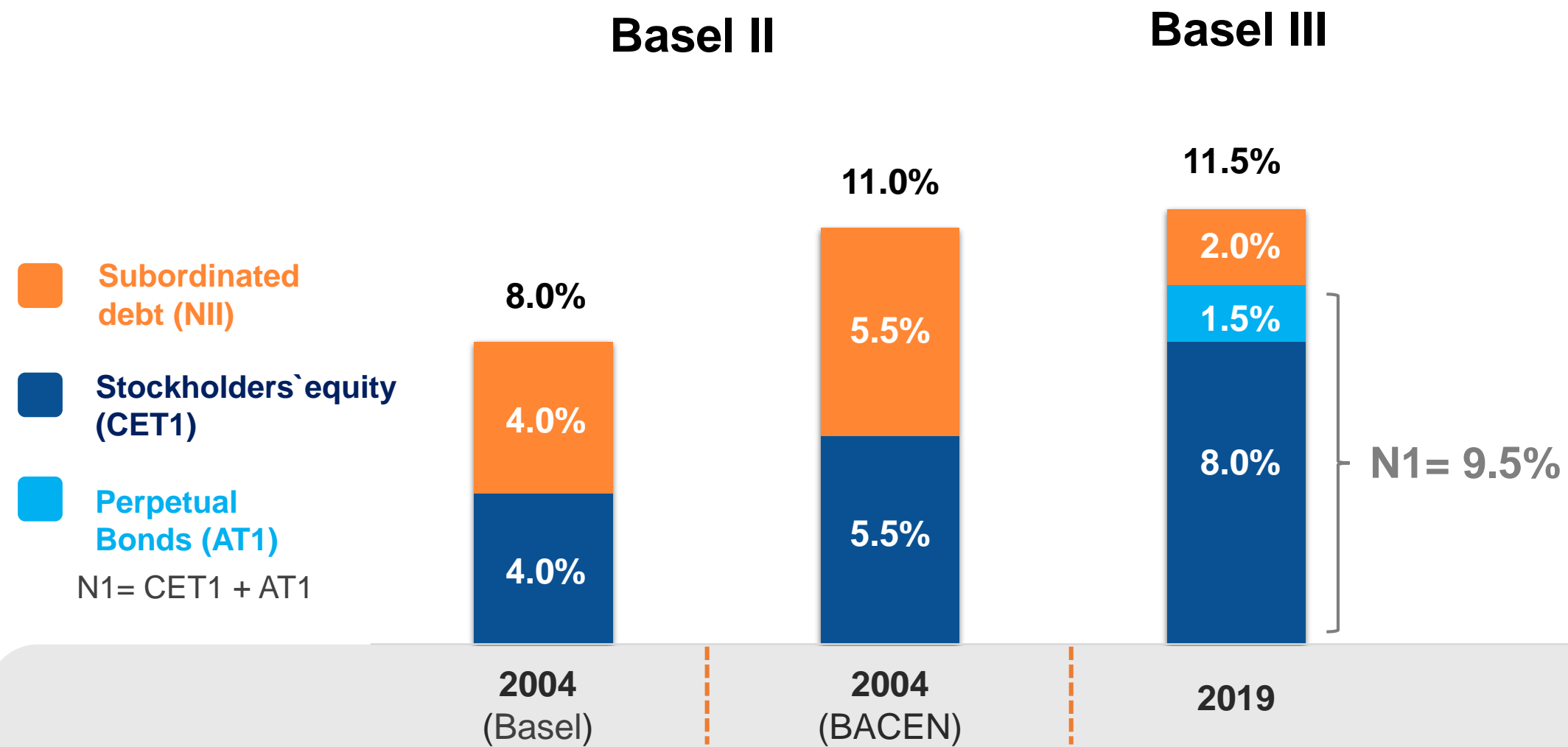
Deductions

0%

0%

# Capital Requirement under the Basel Committee, BACEN and ITUB Target

## Minimum Capital Required



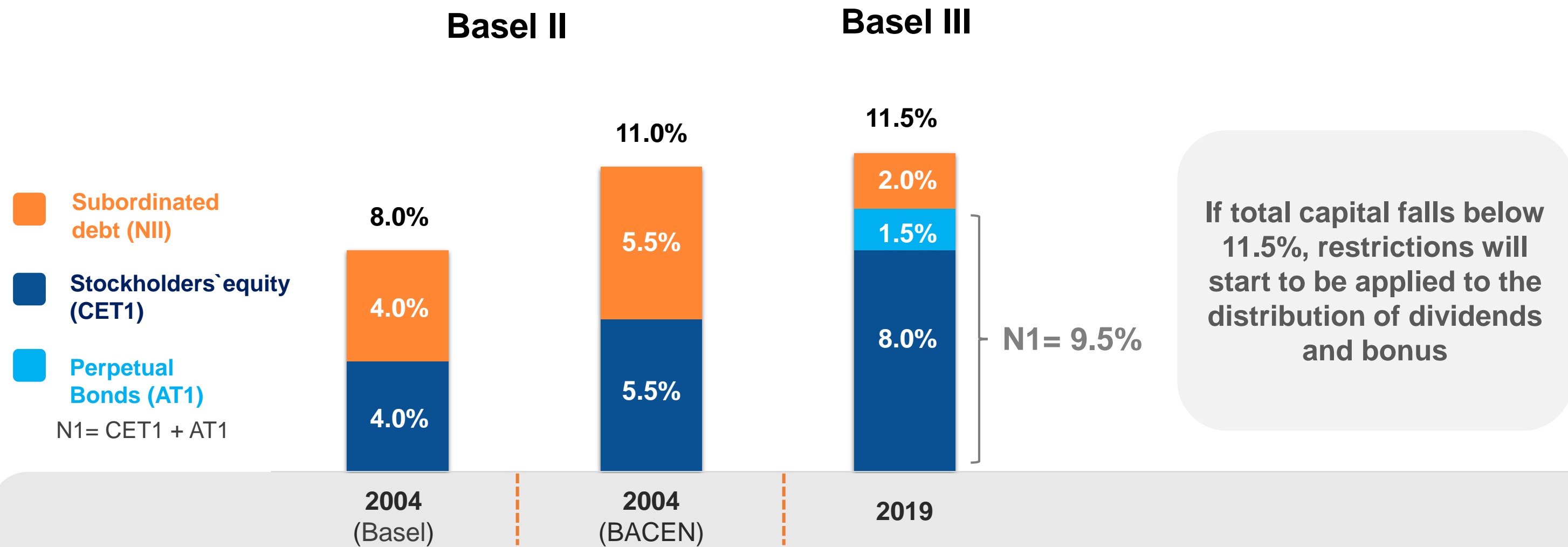
Deductions	2004 (Basel)	2004 (BACEN)	2019
	0%	0%	100%

**Notes:**

- BACEN requirements do not include the countercyclical capital buffer of 2.5%

# Capital Requirement under the Basel Committee, BACEN and ITUB Target

## Minimum Capital Required



**Deductions**

0%

0%

100%

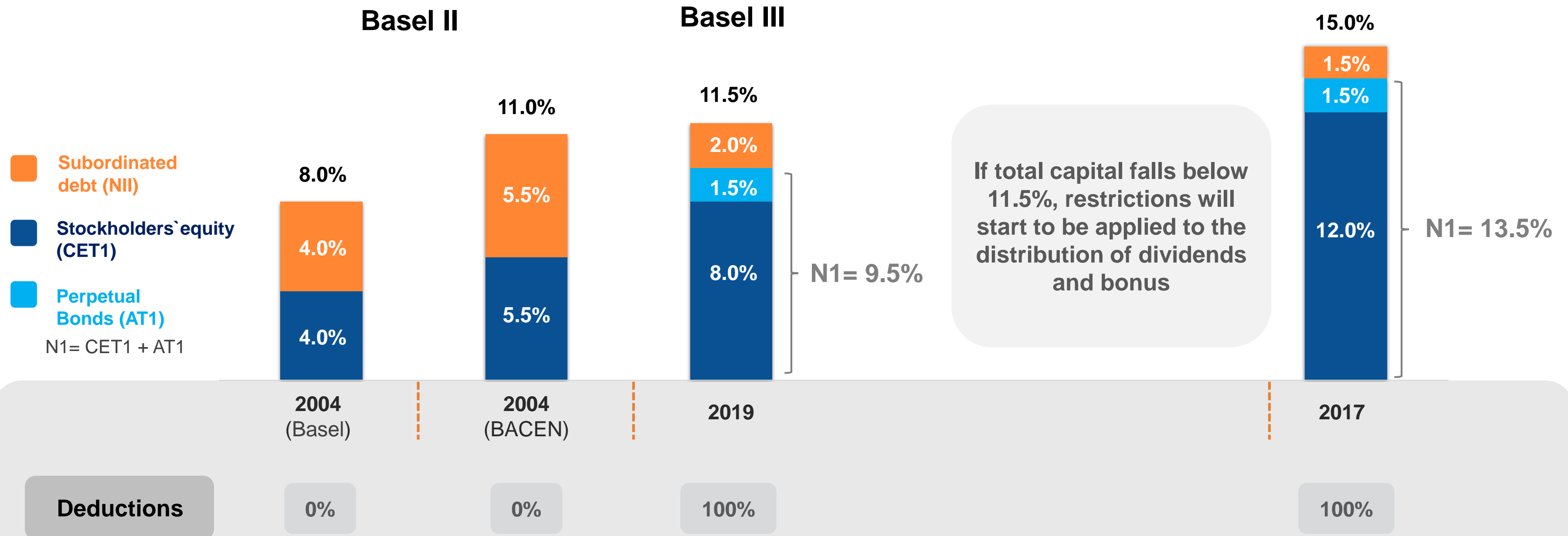
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# Capital Requirement under the Basel Committee, BACEN and ITUB Target

## Minimum Capital Required

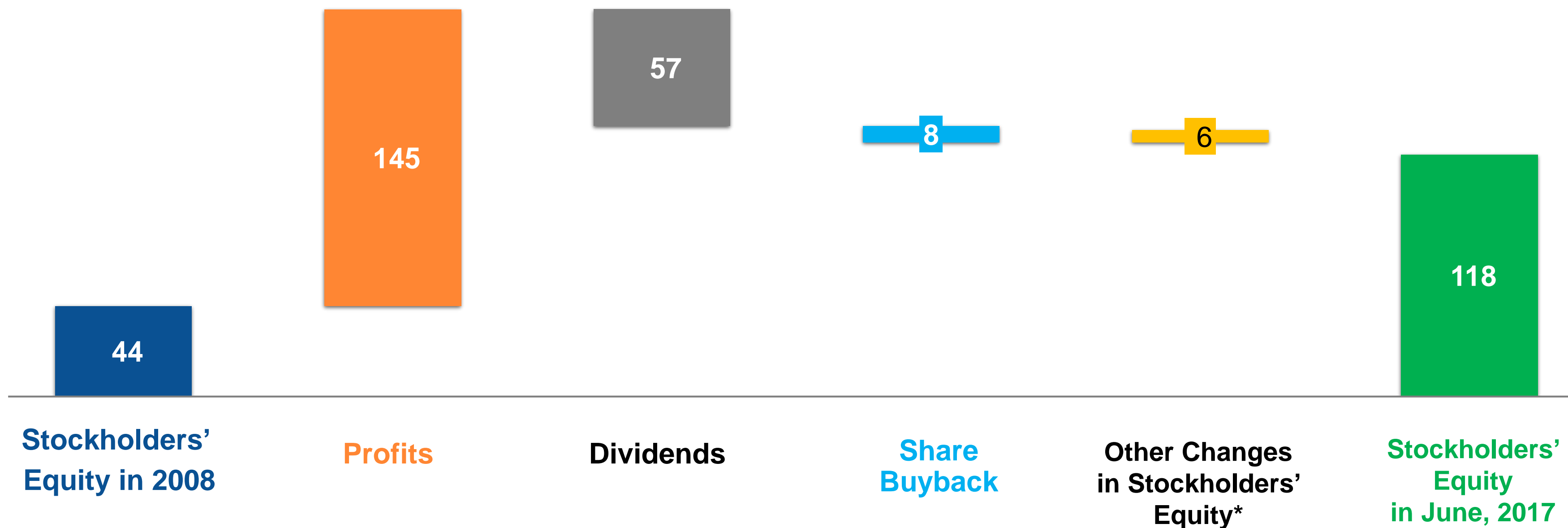
## ITUB Target



# Sources of Capital

## Changes in Stockholders' Equity (SE) since 2008

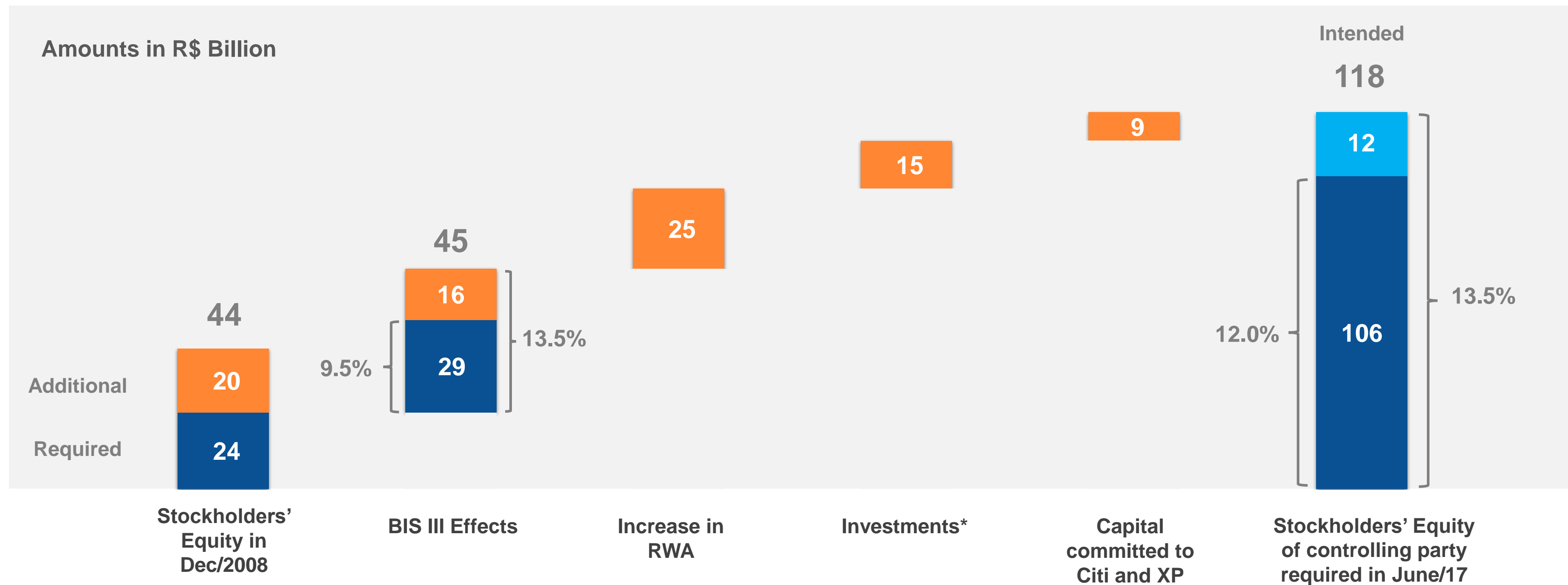
Amounts in R\$ billion



\*Basically composed of asset valuation adjustments.

# Uses of Capital

## Changes in Capital Requirements



\* Main investments: CorpBanca and REDE.

■ Regulatory Capital

■ ITUB Additional

**WE DO NOT INTEND TO HAVE EXCESS CAPITAL  
BEYOND OF THE LEVELS ESTABLISHED WITHOUT THE  
PROSPECT OF USING IT.**

**WE DO NOT INTEND TO HAVE EXCESS CAPITAL  
BEYOND OF THE LEVELS ESTABLISHED WITHOUT THE  
PROSPECT OF USING IT.**

**THIS POSSIBLE SURPLUS WILL BE RETURNED TO  
STOCKHOLDERS.**



# Prospect for Capital Demand in Coming Years

## Regulatory

---

- Basel III – Fully met;
- Revising RWA regulatory models (BIS IV) – New demands
  - Potential capital increase required due asset risks, and market and operational risks (we estimate a potential increase between 0 to 100 bps of impact on capital tier).

# Prospect for Capital Demand in Coming Years

Regulatory

---

**Investments**

- Few opportunities in Brazil;
- Disadvantages abroad:
  - Taxation
  - Either partial adoption or BIS III not adopted in some countries.
- Mandatory value creation (Return > Cost of Capital).

# Prospect for Capital Demand in Coming Years

Regulatory

---

Investments

---

**Business Expansion**

# Business Model

## Optimize return on capital

In R\$ billion	Consolidated
	1H17
Operating Revenues	54.5
Cost of Credit	(9.8)
Retained Claims	(0.6)
Non-interest Expenses and Other Expenses <sup>1</sup>	(26.1)
Recurring Net Income	12.3

Regulatory Capital (CET1 = 12%)	118.4
Value Creation <sup>2</sup>	4.1
Recurring ROE	21.8%

<sup>1</sup> Includes Tax Expenses (ISS, PIS, COFINS, and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

<sup>2</sup> The consolidated cost of capital, respective for each period, was used to calculate value creation for the consolidated and the parties.

# Business Model

## Optimize return on capital

In R\$ billion	Consolidated	Credit
	1H17	1H17
Operating Revenues	54.5	28.3
Cost of Credit	(9.8)	(9.8)
Retained Claims	(0.6)	-
Non-interest Expenses and Other Expenses <sup>1</sup>	(26.1)	(12.5)
Recurring Net Income	12.3	4.2

Regulatory Capital (CET1 = 12%)	118.4	56.6
Value Creation <sup>2</sup>	4.1	0.0
Recurring ROE	21.8%	14.5%

<sup>1</sup> Includes Tax Expenses (ISS, PIS, COFINS, and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

<sup>2</sup> The consolidated cost of capital, respective for each period, was used to calculate value creation for the consolidated and the parties.

# Business Model

## Optimize return on capital

In R\$ billion	Consolidated	Credit	Trading
	1H17	1H17	1H17
Operating Revenues	54.5	28.3	1.0
Cost of Credit	(9.8)	(9.8)	-
Retained Claims	(0.6)	-	-
Non-interest Expenses and Other Expenses <sup>1</sup>	(26.1)	(12.5)	(0.2)
Recurring Net Income	12.3	4.2	0.5

Regulatory Capital (CET1 = 12%)	118.4	56.6	2.6
Value Creation <sup>2</sup>	4.1	0.0	0.3
Recurring ROE	21.8%	14.5%	31.5%

<sup>1</sup> Includes Tax Expenses (ISS, PIS, COFINS, and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

<sup>2</sup> The consolidated cost of capital, respective for each period, was used to calculate value creation for the consolidated and the parties.



# Business Model

## Optimize return on capital

In R\$ billion	Consolidated	Credit	Trading	Insurance Operations & Services
	1H17	1H17	1H17	1H17
Operating Revenues	54.5	28.3	1.0	23.7
Cost of Credit	(9.8)	(9.8)	-	-
Retained Claims	(0.6)	-	-	(0.6)
Non-interest Expenses and Other Expenses <sup>1</sup>	(26.1)	(12.5)	(0.2)	(13.4)
Recurring Net Income	12.3	4.2	0.5	6.5

Regulatory Capital (CET1 = 12%)	118.4	56.6	2.6	30.0
Value Creation <sup>2</sup>	4.1	0.0	0.3	4.5
Recurring ROE	21.8%	14.5%	31.5%	44.7%

<sup>1</sup> Includes Tax Expenses (ISS, PIS, COFINS, and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

<sup>2</sup> The consolidated cost of capital, respective for each period, was used to calculate value creation for the consolidated and the parties.

# Business Model

## Optimize return on capital

In R\$ billion	Consolidated	Credit	Trading	Insurance Operations & Services	Capital
	1H17	1H17	1H17	1H17	1H17
Operating Revenues	54.5	28.3	1.0	23.7	1.4
Cost of Credit	(9.8)	(9.8)	-	-	-
Retained Claims	(0.6)	-	-	(0.6)	-
Non-interest Expenses and Other Expenses <sup>1</sup>	(26.1)	(12.5)	(0.2)	(13.4)	(0.1)
Recurring Net Income	12.3	4.2	0.5	6.5	1.2

Regulatory Capital (CET1 = 12%)	118.4	56.6	2.6	30.0	29.2 <sup>3</sup>
Value Creation <sup>2</sup>	4.1	0.0	0.3	4.5	(0.7)
Recurring ROE	21.8%	14.5%	31.5%	44.7%	8.9%

<sup>1</sup> Includes Tax Expenses (ISS, PIS, COFINS, and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

<sup>2</sup> The consolidated cost of capital, respective for each period, was used to calculate value creation for the consolidated and the parties.

<sup>3</sup> Includes XP and Citi that shall consume R\$ 9 billion capital, R\$ 11 billion from the difference from 12% to 13.5% of the required equity, R\$ 7 billion capital still not allocated to Itaú CorpBanca.

# Simulations - Payout

## Total Payout<sup>1</sup> to keep CET1<sup>2</sup> full at 13.5% under different return and growth scenarios:

Total Payout <sup>1</sup>		ROE <sup>4</sup>				
		15.0%	17.5%	20.0%	22.5%	25.0%
Increase in RWA	5.0%	65 – 70%	70 – 75%	75 – 80%	80 – 85%	85 - 90%
	10.0%	40 – 45%	45 – 50%	50 – 55%	55 – 60%	60 – 65%
	15.0%	25%	25 – 35%	35 – 40%	40 – 45%	45 – 50%

In accordance with the Material Fact issued today, we intend:

- To maintain the practice of paying minimum net interest on capital and dividends at 35% of the net income and exclude the maximum limit currently determined as 45%.
- The total amount to be distributed each year will be set forth by the Board of Directors, considering (1) the Company's capitalization level, according to rules issued by the Central Bank of Brazil, (2) the minimum level determined by the Board of Directors ( CET1<sup>2</sup> = currently 13.5%) , (3) the profitability in the year, (4) the expectations of capital use based on the expected business growth, share buyback programs, mergers and acquisitions and regulatory changes that may change capital requirement; (5) changes in tax legislation; (6) significant changes in risk-weighted assets (RWA<sup>3</sup>); among others.

Therefore, the percentage to be distributed may change every year based on the profitability and capital demands of the Company, always considering the minimum distribution set forth in our Bylaws.

(1) Includes total amounts of dividends and share buyback. Simulations include the June 2017 base and Citibank and XP Investimentos transactions. (2) Common Equity Tier I. (3) Risk-Weighted Assets. (4) Return on Equity.

# Prospect for Capital Demand in Coming Years

Regulatory

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Investments

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Business Expansion

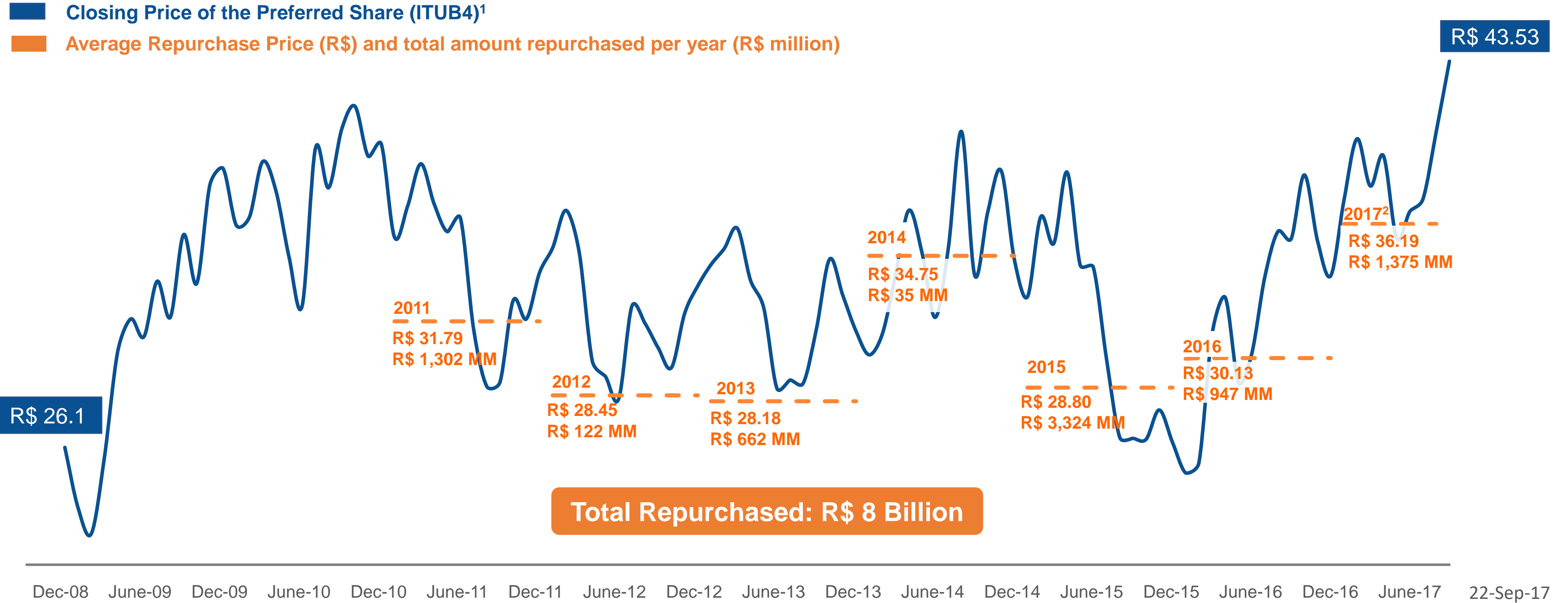
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**Share Buyback**

## Conditions:

- Capital Excess;
- Satisfactory Volume of Dividends ( $\geq 35\%$  of Recurring Net Income);
- Return to stockholders above the cost of capital, based on a conservative projection.

# Buy Back Timing



(1) Price not adjusted by payments (for example, bonus in shares)

(2) Up until August 2017.

# Buy Back Timing

- Closing Price of the Preferred Share (ITUB4)<sup>1</sup>
- Average Repurchase Price (R\$) and total amount repurchased per year (R\$ million)



(1) Price not adjusted by payments (for example, bonus in shares)  
 (2) Up until August 2017.

## Conclusion

- A Business Model focused on optimizing capital requirements.



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- A Business Model focused on optimizing capital requirements.
- Internal profit generation higher than capital demand for business growth.
- We do not intend to operate with the excess capital up to the determined levels.
- Payout will be determined by the Board of Directors, considering the capitalization level desired, the prospect of capital demand based on the expected growth, acquisitions, share buyback, regulatory and tax legislation changes, seeking to maintain the minimum distribution at 35%.