

# 2014 Integrated Report



### Our engagement with the IIRC

Even though we joined the Integrated Reporting Pilot Programme in early 2013, our contribution dates back beforehand. Our presence is felt since the creation of the Brazilian Integrated Reporting Committee in 2012, and we have contributed to the development of this topic in Brazil. We attended the last three world conferences organized by the IIRC, in Amsterdam, Frankfurt and Madrid. Personnel from the communications, finance, investor relations, and sustainability areas are included and actively involved in these commissions, generating synergy and more efficiency in the communication process.

We were acknowledged by The IIRC as having prepared one of the world's main reports in 2014, and made available our report in its database. In addition to download, you are able to see the major qualities, criticisms and comments stated by experts on the report.

To learn more about The IIRC, please access

# About this report

The contents we submit herein are the reporting of our strategies, structure, activities, operations, and mainly how we generate shared value and ensure the continuity of business, to our employees, clients, shareholders and the society.

This edition of the Integrated Report introduces some structural changes when compared to the previous one. These changes are the result of our search for innovation, integration and transparency in communicating with our stakeholders.

We simplified both the report presentation and wording to make it more accessible to our audiences. We include a glossary so our readers can have a better understanding of technical terms and expressions specific to the financial market.

We also developed a new methodology for presenting our material issues, in line with the main guidelines of the Dow Jones Sustainability Index (DJSI), New York Stock Exchange (NYSE), Business Sustainability Index (ISE) of BM&FBOVESPA, and the Global Reporting Initiative (GRI), in addition to the Conceptual Framework for Integrated Reporting, as proposed by the Integrated International Reporting Council (IIRC). The issues arising from this new guidance were grouped together into six different capitals: financial, social and relationship, human, intellectual, natural, and manufactured.

Additionally, we improved the level of presentation of certain information, mainly related to our capitals, without impairing the concision and

connectedness that characterize this report. We also improved the presentation of our Business Model to currently include our risk factors, strategies for allocation of funds, results and the major challenges we face. We adopted the Statement of Value Added concepts, in IFRS, to evidence the distribution of value in the period to each of the six capitals mentioned above.

The financial information presented in this report is in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The segment data, in turn, are managerial information and were not prepared in accordance with the IFRS. These figures and data are identified with the "Managerial Data" expression. This report presents data calculated in the period from January 1 to December 31, 2014, 2013 and 2012. This report was assured by PricewaterhouseCoopers (PwC).

We refer to links so you may have access to other sources of information and get a deeper understanding of our business. We also refer to links of external sources quoted in this report.

As we are aware that reporting is an ongoing work in progress, we expect to always provide our stakeholders with relevant information.

**Have a good reading!**

## ACCOUNTABILITY

The information in this report is available on Itaú Unibanco's Annual Report website.

We make available all main reports and publications on our investor relations website.

Access our Consolidated Annual Report - 2014.

Also access our Financial Statements.

## NAVIGATION ICONS



HUMAN CAPITAL



FINANCIAL CAPITAL



INTELLECTUAL CAPITAL



MANUFACTURED CAPITAL



NATURAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL



TALK TO US



LEARN MORE

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## GLOSSARY

- APIMEC – Brazilian Association of Investment Professionals and Capital Markets Analysts
- ATM's – Automatic Teller Machines
- BACEN – Central Bank of Brazil
- BCBA – Buenos Aires Stock Exchange
- CMN – National Monetary Council
- DJSI - Dow Jones Sustainability Index
- FOCUS – Economic survey reported by the Central Bank of Brazil
- GRI - Global Reporting Initiative
- IASB - International Accounting Standard Board
- IBRI – Brazilian Investor Relations Institute
- IFRS – International Financial Reporting Standards
- IGPM – General Price Index - Market
- IIRC - Integrated International Reporting Council
- ISE – Business Sustainability Index of BM&FBovespa
- JCP – Interest on Capital
- NYSE – New York Stock Exchange
- RWA – Risk Weighted Assets
- SEC – Securities and Exchange Commission
- SELIC – Special System for Settlement and Custody

# Message from the Chairman of the Board and CEO



**Pedro Moreira Salles**  
**Chairman**  
**of the Board**

**Roberto Setubal**  
**CEO**

**Dear Reader,**

In May 2013, we joined, on a voluntary and pioneering basis, the pilot program for integrated reporting based on the methodology proposed by the International Integrated Reporting Council (IIRC), and published our first integrated communication report. We are, therefore, proud to present our 2014 Integrated Report in a year that we celebrate our 90<sup>th</sup> anniversary, a milestone in our history, and disclose strong results. This report addresses all matters that are relevant for main stakeholders – employees, clients, institutional investors, long-term capital providers and society – and presents the organization's performance and its impacts.

The detailed results below are a consequence of the review, carried out two years ago, of our strategy for the banking operations. These are sustainable results in the long term, arising from the reduction of the risk profile of our loan portfolio, from the focus on banking service fees and revenues from insurance operations and from the intensification of efforts to improve our efficiency.

For us, to create long-term value means to carry out our business in a way that is sustainable and relevant for society of which we are an active part. We are guided by our internal guidelines and targets, which ensure that we properly share the value that we create among stakeholders as remuneration for the use of capitals. Our Sustainable Performance spiral identifies the major stakeholders, taking into consideration the issues that may impact our ability to create shared value.

We determined as material issues those that are very likely to significantly affect our ability to create value in the short, medium or long term. In this report, we present in detail both the issues identified as risks and the opportunities and matters that cannot be totally forecast. We carry out a periodic process to determine and

validate the relevant topics that can be used to both guide management in the carrying out of our strategies and to determine the matters to be addressed in our integrated report.

We also included issues established by the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) to the extent that they have a significant impact on our ability to carry out our strategy and create long-term value.

To create value for capital providers, we have a set of principles, guidelines and targets that guide the distribution of value added. Our principles are arranged in such a way that, in the long term, we first remunerate our stockholders with a return on average equity attributable to the controlling stockholders that is compatible with the risk assumed, which allows us to attract major investors. In 2014, this return was 24.1%.

The additional value created is distributed to employees, mainly in the form of discretionary bonuses, and to society, via taxes and projects related to culture, education, urban mobility and sports supported by the organization. Accordingly, our Statement of Value Added is presented as a percentage of the six different capitals and, in 2014, the value distributed reached R\$52,158 million, an increase of 23.7% in relation to the previous year.

Finally, we want to continue to grow as a result of a very clear vision: satisfy our clients and achieve a sustainable performance. We are moving in the right direction – and our journey will continue to be guided by the attributes and practices that we prioritize and that have brought us to where we are. It is based on meritocracy that we build an environment focused on high performance and we are only able to establish it when we assess and are assessed on our performance in a clear and transparent way. We try to offer what clients need when they need it in a close relationship and with the skills to identify and understand their needs. These practices show that the improvement of our ability to anticipate the different demands brought to us by people and companies is the starting point for us to serve our clients well and deliver what they expect from us.

We thank all our employees, clients and stockholders for their trust.

**Enjoy your reading!**



# Background

Approximately **3 million net jobs** generated by the US economy

The U.S. unemployment rate reached **5.6%**.

The US economy is expected to grow **3.2%** in 2015 and **2.9%** in 2016.

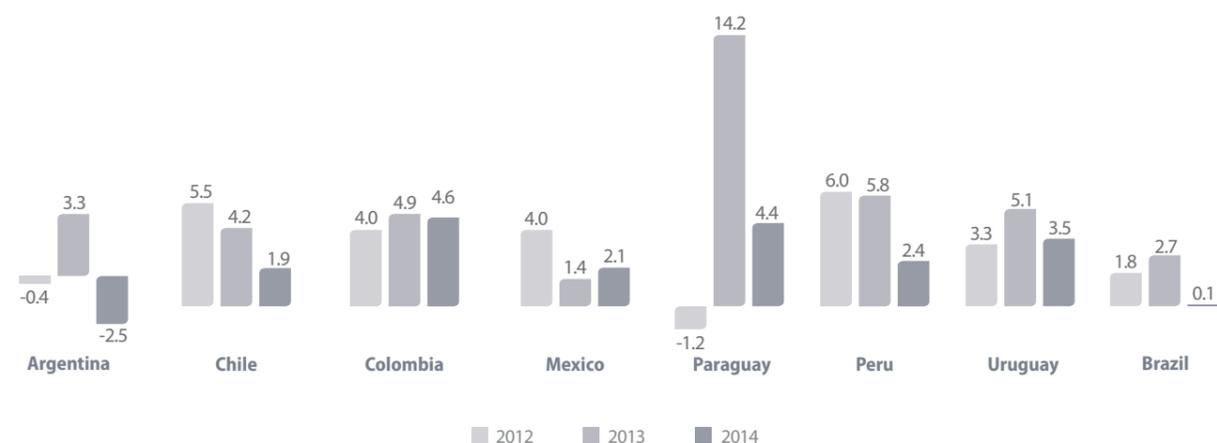
## Global

The recovery of the US economy strengthened in 2014. The economic activity in the Eurozone witnessed a modest recovery. The economic activity in China, in turn, continues to gradually slow down, as a result of economic policies aimed at greater business sustainability. Additionally, the world economy faces a steep drop in the prices

of commodities, which impacts many sectors of the economy.

The average economic growth in Latin America decreased in 2014, except for Mexico where it increased. In the region, currencies also depreciated in relation to the U.S. dollar, reflecting the monetary tightening in the U.S. and the depreciation of commodities.

Gross Domestic Product | GDP %



## Brazil

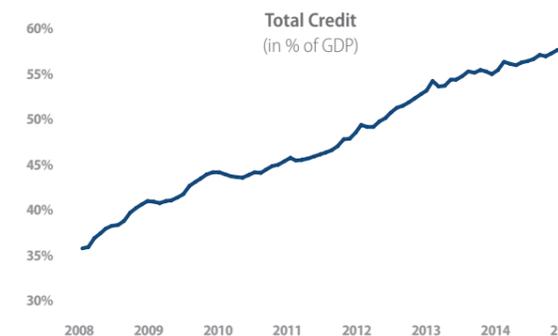
As most of our operations are carried out in Brazil, we are strongly impacted by the economic, political, and social conditions in the country. In the last years we benefited from the steady economic environment in Brazil, which enjoyed positive growth rates, leading to the total

increase of loan and deposit operations. In 2014, however, the economic activity in Brazil was lower than expected, with a reduction of consumer and businessmen confidence. Lending decreased in real terms and related systemic default remained stable at 2.9%.

In 2014, Inflation measured by IPCA reached 6.4%. In view of this scenario, BACEN resumed its policy of increasing the SELIC rate. This monetary tightening cycle is aimed at keeping inflation rates under control, although it may also impact the domestic economic activity.

The recent reduction in the primary surplus, combined with the increase in government debt financing costs, has contributed to a relative pressure on the public debt. Taking into account the need for fiscal adjustments, as well as the challenges in connection with the implementation, we believe there is a trend toward fiscal consolidation in the coming years.

The Brazilian real underwent a strong depreciation against the US dollar, due to some external factors, such as the US dollar appreciation and the fall in the prices of commodities, as well as internal factors, such as the rise in the current account deficit. Nevertheless, Brazil maintained its external liquidity in 2014, with US\$374 billion in international reserves and US\$347.6 billion in foreign debts.



To learn more about our Background, please access

# Highlights

## Corporate events and partnerships

**Itaú CorpBanca**  
In 2014, we entered into an agreement with Banco CorpBanca for the merger with Banco Itaú Chile. This transaction was approved by the BACEN and is subject to approval by other international regulatory authorities.

## Association with Banco BMG

In 2012, we entered into a business unification agreement with Banco BMG in connection with payroll loan activities carried out by Banco BMG and Banco Itaú BMG Consignado S.A.

## Large Insurance Risk Operation

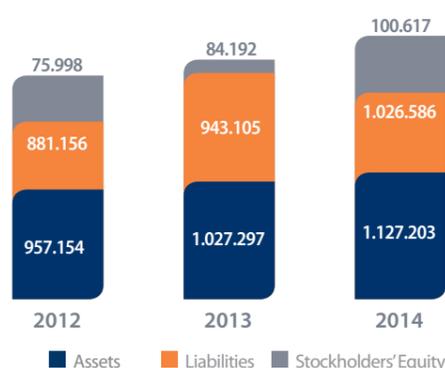
In Em 2014, we entered into an agreement with ACE INA International Holdings to sell our shares in Itaú Seguros Soluções Corporativas, which carried out our large risk insurance operations, to ACE Seguradora SA.

Approximately three years ago, we forecasted the current economic scenario and worked to reduce our credit risks and improve cost control by focusing on efficiency and diversification of revenues, mainly from insurance and service fees. This proved to be a winning

strategy that favored our results over the past few years.

We present below the main highlights for the period, with the increase in our results and the operations that most contributed to such growth.

Equity Composition | R\$ million



Income | R\$ million



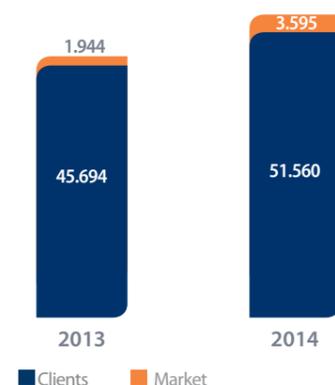
Performance Indicators



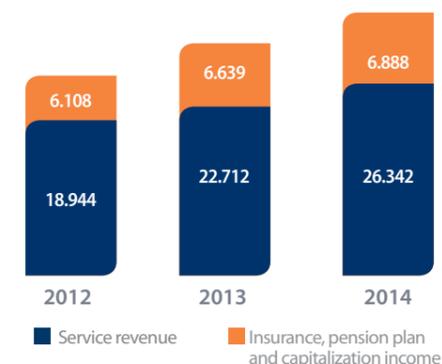
Loan Operations | R\$ million



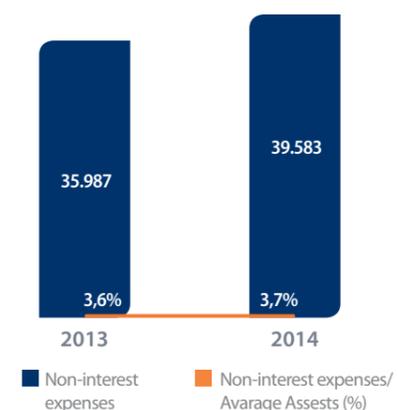
Net Interest Income | R\$ million



Service, insurance, pension plan and capitalization | R\$ million



Non-interest expenses



Closing quotation shares evolution on BM&FBOVESPA



## TecBan

In 2014, we executed a new Shareholders' Agreement, by which part of our external network of Automatic Teller Machines (ATM) will be substituted for Banco24Horas Network ATMs within the next four years.

## Repurchase of shares

In 2014, we acquired 1 million preferred shares in the total amount of R\$34.8 million at an average price of R\$34.75 per share. We also renewed our repurchase program, by which the acquisition of up to 10 million common shares and 50 million preferred shares was authorized.

## 10% Bonus for Itaú Unibanco shares

In 2014, our stockholders received one new share for each ten shares of the same type they held.

## Shareholders' compensation

In 2014, dividends and interest on capital, net of taxes, reached R\$6.6 billion. Net payout was 30.8%.

## Strategic Alliance with MasterCard

In 2015, we announced the execution of a new commercial agreement with MasterCard for the operation of a new electronic payment network in Brazil. This strategic agreement is subject to approval by the applicable regulatory authorities.

Our securities traded on BM&FBovespa reached **R\$112 billion**

▲ by **30.9%** when compared to 2013

On Ibovespa our preferred share **ITUB4** is the most **widely traded**

Our earnings per share were **R\$3,94**

Average daily trading volume



To learn more about our Highlights, please access



The Itaú Unibanco merger in 2008 created the largest financial conglomerate in Latin America, one of the ten largest in the world. Our ambition is to be the world's best financial institution.

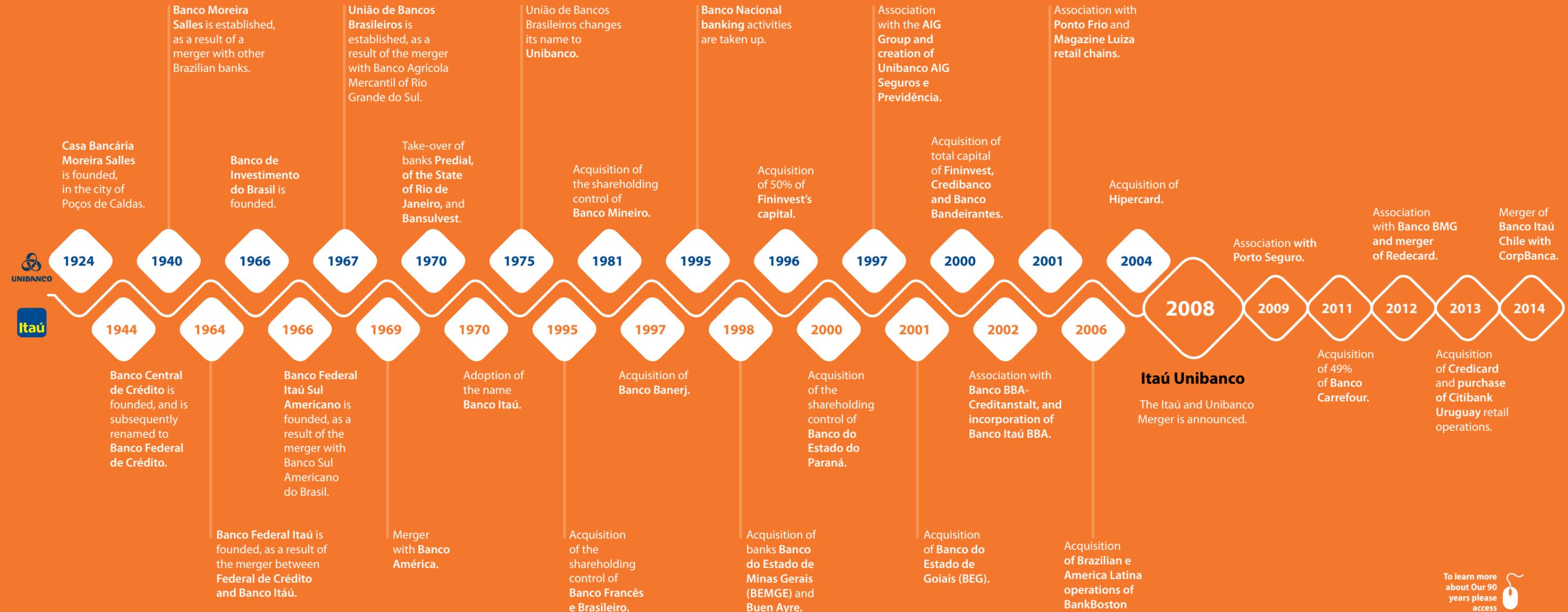
This goal has not come up with the merger. It is otherwise the inheritance of two journeys characterized by a pioneering spirit, the search for excellence, the ability to set up partnerships, the ongoing investment in the expansion of operations and the engagement of daring leaders, who encourage arts, culture and social and environmental responsibility, such as Messrs. Eudoro Vilella, Walther Moreira Salles and Olavo Setubal.

## OUR CULTURE

Our culture is manifested by a set of ten principles that direct how we conduct business. This set of principles is named Our Way of Making It Happen. We are permanently reinforcing these values with our staff members through events, communication campaigns, and employee performance evaluations.

- Processes serving people**
- Leave your stripes at the door**
- Focus on innovation and focused innovation**
- All-Stars who are Team Players**
- Nimble and Uncomplicated**
- Ethical and Responsible Leadership**
- A sparkle in one's eyes**
- All for the client**
- Dream big**
- Passion for Performance**

**Our Vision**  
Be the leading bank in sustainable performance and customer satisfaction. For us, sustainable performance is to create shared value for employees, clients, shareholders and the society, so as to ensure the longevity of our business.



# Management with a vision of the future

Over these nine decades, we have grown with Brazil. We have followed the Brazil's evolution and supported its development. We have been loyal to the principles of our founders to continue to build a solid, respectful and consistent institution, keeping our eyes on the future.

## The importance of our journey to build the bank of the future

Our successful and pioneering journey, associated with the development of Brazil, was essential to consolidate an institution with well-defined principles and purposes. Besides contributing to the projection of future challenges, our journey allows us to continue to grow as a result of a very clear and objective vision: **satisfy our clients and achieve a sustainable performance.**

We are moving in the right direction – and our journey will continue to be guided by the attributes and practices that we prioritize and that have brought us to where we are. This is how we remain as the people's choice.



A good work demands discipline and consistency. This also depends on being focused on performance. We must leave aside everything that does not create value over time and focus on what is really important to our organization's growth. By simplifying, we are able to improve our relationship with clients, offering them what they need when they need it. Meanwhile, the meritocracy – a key element of our culture – is aimed at building an environment focused on high performance, able to allocate the best people to each position and develop the quality of the teams. This is the only way we can be the bank our clients expect.

For our management to continue to evolve, we must improve the practices that brought us here, focusing on efficiency and with well-defined challenges.

We highlight some short, medium and long-term prospects and challenges that are relevant for the management of our businesses:

Be among the **leading** institutions in terms of **return on equity**

Maintain **30% of our consolidated assets** not related to Brazil

Be the **leading** bank in **technology**

▲ **15%** per year in our main revenues by means of organic growth, partnerships and mergers and acquisitions

Be a **benchmark** in terms of behavior, recognized by the market, authorities and clients

Be the **dream company** and the first choice of talented professionals in Brazil and in the world

# Business strategy

Our Board of Directors is responsible for defining our strategy guidelines. The strategic decisions made by the Board are supported by the Board's Strategy Committee, which provides data and information on strategic matters of our business areas. The Strategy Committee is supported by the Economic Scenario Subcommittee, which provides macro-economic data to support discussions on strategies, investments and budgets.

To learn more about our Business strategy, please access



## EXPANDING OUR OPERATIONS IN BRAZIL AND ABROAD

Our goal is to expand our operations in Brazil and abroad. In 2014, we announced the merger of Banco Itaú Chile S.A. with CorpBanca S.A., for the incorporation of Itaú CorpBanca S.A., which will be controlled by us. By means of this transaction, we expect to become the fourth largest bank in Chile and the fifth largest bank in Colombia in terms of loans.

In Latin America, we purchased Citibank Uruguay, including the credit card and retail banking operations.

Additionally, to consolidate and expand operations in Europe, we completed the transfer of the central administration and the headquarters of Banco Itaú BBA International from Lisbon to London, by way of an international merger.

We were successful to acquire the remaining 49.9% of Redecard from minority shareholders, through a public offering, for R\$11.8 billion.

In 2012, we entered into an association agreement with Banco BMG S.A., aimed at offering, distributing and marketing payroll loans. We also organized our investment and wholesale banking operations through Itaú BBA S.A. Colombia.

## ONGOING IMPROVEMENT OF EFFICIENCY

We created an Efficiency Program, with the purpose of identifying, implementing and monitoring costs and revenues, in addition to promoting a robust operational efficiency culture.

We focused on reducing unnecessary costs, by promoting the simplification and centralization of processes and job descriptions, thus providing synergy gains and combining the management of certain business units.

For illustrative purposes, in 2013 we announced changes to our executive structure, which we believe will lead to a simpler and more efficient organization of our operations.

## STRENGTHENING OUR CLIENT RELATIONSHIPS

We will continue to work on the strategy to segment and identify needs, improve our client relationships, and increase our market share. We believe that our client segmentation tools and strategies provide us with a competitive edge. Our goal is to meet our clients' needs through a wide portfolio of products, including the cross-sale of banking and insurance products by means of a number of different channels.

We are focused on providing the best services in the market, so that we keep and even increase client satisfaction and our portfolio profitability.

In 2013, we transferred our middle-market service area (companies with annual revenues from R\$30 million to R\$300 million) from our Commercial Banking – Retail to the Wholesale Banking segment. In the first quarter of 2013, these clients became Itaú BBA clients, and accordingly they are provided with services more adjusted to their needs.

## EXPANDING OUR LOAN OPERATIONS WHILE KEEPING THE ASSETS PORTFOLIO QUALITY

The expansion of our loan portfolio and the quality of the assets portfolio are matters of essence for our strategy. We are always seeking to improve our risk management models, economic forecasts and scenario models. We aim at raising the average lending volume to keep and even increase our market share, based on the type of products, segment and clients, including by developing new products for specific groups.

Our focus is now on the improvement of our assets quality, through greater selectivity in credit granting and change in our loan portfolio mix, prioritizing sales of lower risk products, such as mortgage and payroll loans, and reducing the origination of higher-risk portfolios, such as vehicle financing.

## HIGHER SERVICE FEE-BASED INCOME GROWTH

We are always seeking to implement and focus on the sale of new products and services we believe add value to our clients and concurrently provide for the growth of our banking service fees. This growth is mainly due to the larger number of packages and services sold, one of the most significant of which is a package that converts monthly fees paid by clients into mobile phone credits. New subscriptions to current account service packages and the adjustment of services provided to our Uniclass clients and by our Itaú Empresas business unit also contributed for this growth. In addition, we continue to focus on increasing our revenues from insurance services.

# Sustainability

Sustainable development means “to satisfy the present needs of humankind without undermining the capacity to meet the needs of future generations”. The balance between economic, social and environmental aspects is built upon this definition. The expression “sustainability” is used to define the state of balance reached when one takes into account the three legs of this tripod.

Sustainability for us is to do business that is good for the bank, our clients, shareholders, employees and the society.

## Business sustainability strategy

Our sustainability strategy was defined based on a thorough analysis of our vision, Our Way of Making It Happen, our corporate policies and other voluntary commitments and agreements, in addition to surveys and meetings with stakeholders.

Our Sustainability Map drives our operation through three strategic focus points: Dialogue and Transparency, Financial Education, and Social and environmental Risks and Opportunities, made available by four enabling fronts – governance and management, efficiency, incentives and culture. Accordingly, the Map guides our several business and operational units to incorporate sustainability values in their decision-making processes. Additionally, we maintain constant discussions with our senior management to understand their expectations with respect to sustainable performance.

## Sustainability governance and management

Sustainability is incorporated into our corporate strategy by means of a consolidated governance structure integrated into business, which permits the internalization of social and environmental topics into daily activities and processes, the identification of areas able to lead them and the monitoring of the performance indicators regarding these matters.

In 2014, we advanced this integration by way of two initiatives: (1) priority and valuation given to social and environmental projects; and (2) monitoring of these projects and risk-prevention process.

We have a management dashboard for project management, providing for the follow-up, monitoring

and evaluation of all the bank’s projects. In addition, we incorporated the DJSI and ISE parameters as market benchmarks to address issues for improvement, mitigate risks and capture sustainability trends.

Sustainability is also part of our governance, permeating debates, meetings, and committees to ensure the incorporation of topics into the decision-making process and the effective integration into our business.

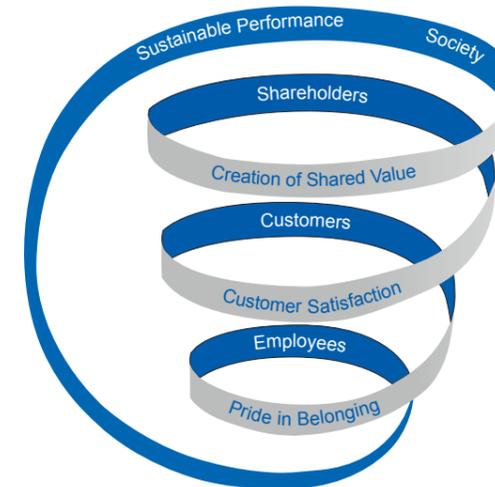
## Assessment and development of products and services

Based on our Corporate Policy for the Assessment of Products, the main objective of this governance is to ensure that plans, initiatives and decisions comply with the guidelines, strategies, and values defined by the organization and the purviews established by the regulation in effect.

All projects to create or change products and services go under strict analysis procedures focused on risk management. This process requires integration between the product and the assessing areas, including the Legal, Tax, Corporate Security, Accounting, Internal Controls, and Sustainability areas, among others.

Additionally, the governance also counts on the Retail and Wholesale Products Committees, composed of officers from the assessing areas, who periodically meet to discuss and check conditional issues of each project. In 2014, the Retail Products Committee assessed over 350 projects.

## Sustainable performance spiral



Our vision is to be the leading bank in sustainable performance and customer satisfaction. This challenge may only be met with a cooperative work, involving the main bank’s audiences. We understand that challenging careers and a meritocracy environment contribute to make our employees feel proud of belonging to the organization. Accordingly, engaged employees provide better services to clients, who, in turn, are more satisfied and tend to keep the bank among their choices, thus developing enduring relationships that create value to shareholders and ensure financial results to enable Itaú Unibanco to develop initiatives focused on the development of the society.

To learn more about Sustainability, please access



## Sustainability strategy



## Challenges

- Taking the learning points of the employees agenda to clients;
- Daily direct relation with clients through orientation and appropriate offer of financial solution;
- Enhancing the agenda with the society, introducing a differential positioning to market.

- Improving the integration of social, environmental and governance aspects in the bank’s business lines;
- Evaluating social and environmental business opportunities;
- Facilitating the transfer of social and environmental knowledge and skill between our business areas.

- Strengthening the sustainable performance culture;
- Transparency in communication of products and services;
- Strengthening systematic dialogue processes.

Financial education – One way of contributing to the development of society is to understand the needs of people in order to provide knowledge and suitable financial solutions and help them develop a healthy relationship with money. People who make conscious choices tend to acquire products and services that fit their life purposes, thus resulting in lower default rates. This is sustainable performance and client satisfaction.

Social and environmental risks and opportunities – We are connected with all productive sectors of the economy and have considerable potential to influence positive changes in society. Therefore, we manage risks and seek to uncover business opportunities based on market trends, regulations and demands of clients and stakeholders. Our social and environmental risk management is aimed at identifying, measuring, mitigating and monitoring our risks. We organize engagement actions with our employees, such as training, workshops and lectures, always seeking the constant improvement of our controls.

Dialogue and transparency - With the purpose of improving our business activities and inspiring positive changes in society, we seek to hold a close dialogue and a relationship of trust with our stakeholders. Internally, we want to understand our employees’ demands and engage them in the development of our strategy. Externally, we develop initiatives to establish a positive relationship with our clients and drive our efforts to be assertively and transparently accountable to investors and the society.

# Relationship with market and society

## Engagement with strategic audiences

We have conducted a stakeholder mapping, classification, and prioritization process, defining the level of engagement desired for each of them, including employees, customers, shareholders, society, and suppliers.

This analysis process considers the relevance of the audience involved and the social, environmental, and economic impact of our activities, especially of each material topic, such as: customer relations, efficiency, employee relations, social and environmental risks and opportunities, financial education, and dialogue and transparency.

In 2014 our main engagement initiatives were:

Employees	Customers	Shareholders	Society
<ul style="list-style-type: none"> <li>- Organizational climate survey (Speak frankly)</li> <li>- Internal Ombudsman</li> <li>- <i>Portas Abertas</i> (Open Doors)</li> <li>- Idea management initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- Customer forum</li> <li>- External Ombudsman</li> <li>- Relationship with consumer protection agencies</li> <li>- Surveys and Focus Groups</li> </ul>	<ul style="list-style-type: none"> <li>- Apimec meetings and roadshows</li> <li>- Website and social media for investor relations</li> <li>- Disclosure of results</li> <li>- General meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Positive agenda with the government (Executive, Legislative, and Judicial branches)</li> <li>- Social media</li> <li>- Panel discussions and workgroups with specialists</li> <li>- Crisis Management Program and Reputation</li> </ul>

## Voluntary initiatives and commitments

We assumed a number of voluntary commitments, acknowledged in Brazil and in the world, and we guide our activities based on these initiatives.

 AA1000 Standards	 Carbon Disclosure Program   CDP	 Global Reporting Initiative   GRI	 Greenhouse Gas Protocol   GHG Protocol	 Brazilian Pact for the Eradication of Slave Work
 Principles for Responsible Investment	 Equator Principles	 Principles for Sustainable Insurance   PSI	 UNEP – Finance Initiative	 Global Pact
 UNCTAD – United Nations	 The IIRC	<a href="#">To LEARN MORE about our Voluntary agreements and commitments, please access </a>		

# Awards and recognition

In 2014, we received a series of awards and acknowledgements that contributed to strengthen our reputation. We highlight some of our main accomplishments below:

- IR Magazine Awards Brazil 2014** – Organized by IR magazine, in partnership with the Brazilian Institute of Investor Relations (IBRI), this award acknowledges Brazilian companies with the best investor relations practices. We were acknowledged in 7 categories in 2014.
- Apimec Award** – Organized by Apimec, this award acknowledges the companies with the best market relations, considering transparency, timeliness and quality of the relationship.
- Latin America Executive Team 2014** – Organized by Institutional Investor Magazine, this ranking considers a survey with the main market players in Latin America. We were acknowledged in six categories.
- World's Best Banks 2014** – Organized by Global Finance Magazine, this award is based on a survey with analysts, executives and consultants from financial institutions. We were acknowledged in four categories.
- The Most Admired Companies in Brazil** – Organized by Carta Capital magazine, this award ranks the most admired companies in Brazil. We were acknowledged in two categories in 2014.
- Bank of the Year 2014** – We were elected the bank of the year - 2014 in Americas, by British Magazine.
- 15<sup>th</sup> Modern Consumer** - Excellence in Customer Service award - We were elected the Bank with the best consumer service practices in 2014, according to the Padrão Group.
- Reactions Latin America Award** – Published by British Magazine Reactions, we were acknowledged as the best Investment Bank in Latin America and the best Global Insurance Company in Brazil.
- Global Council 2014 Award** – Sponsored by International Law Office, we were acknowledged as the best legal team in the financial service regulation category. This is the first time this award was granted to a Brazilian bank.
- Ombudsman Brazil 2014 Award** – Organized by the Consumidor Moderno magazine, we are one of the best Ombudsman teams in Brazil, focusing on innovation, performance, governance, integration and social responsibility.
- Valor 1000** – Organized by Valor Econômico newspaper, this award ranks the financial statements of the 1,000 largest companies in Brazil, in the results category. We were ranked first in two categories.
- ABERJE 2014 Award** – In this edition, we were acknowledged in two categories. Our 2013 Integrated Report was acknowledged in the “Special Publication” category.
- Cash Management 2014 Award** – We were acknowledged by the seventh consecutive year as the Best Cash Management Bank in Latin America by Euromoney magazine.

To learn more about Awards and Recognitions achieved, please access 

# Our business

We provide a broad range of banking services to a diverse client base, on an integrated basis, through the following operating segments:

To learn more about our Commercial Banking – Retail operations, please access

## Commercial Banking – Retail (\*)

We offer banking services to a client base of individuals and companies with annual revenues up to R\$30 million. These services include insurance, pension plan and capitalization certificates, credit cards, asset management, and credit products, and are customized and developed to meet the clients' demands by way of specialized units.

Our marketing strategies are adjusted to each client profile and are implemented through the most suitable distribution channels. Our goal is to increase the number of products used by our clients, thereby diversifying our sources of income. This segment represents an important funding source for our operations and generates significant financial income and banking fees.

Net income **R\$9,947 million ▲ 42.0%**  
 Net banking product **R\$44,221 million ▲ 19.6%**  
 Efficiency ratio **52.0 %**  
 Total assets **R\$790,785 million ▲ 7.2%**

- Retail banking
- Very small and small companies
- Public sector
- Wealth management services
- Real estate financing
- Payroll lending
- Insurance
- Pension plan
- Capitalization

To learn more about our Wholesale Banking operations, please access

## Wholesale Banking (\*)

The Wholesale Bank is responsible for our corporate and investment banking activities, including our middle market banking business. Our banking management model is based on building close relationships with our clients by obtaining an in-depth

understanding of the clients' needs and offering customized solutions. Corporate activities include providing banking services to large corporations and investment banking activities include offering funding resources to the corporate sector through fixed and variable income instruments.

Net income **R\$4,337 million ▲ 7.9%**  
 Net banking product **R\$12,081 million ▲ 0.1%**  
 Efficiency ratio **34.6%**  
 Total assets **R\$354,212 million ▲ 9.7%**

- Investment banking
- Brokerage (Itaú Corretora)
- Large companies
- Trade financing
- Middle-market companies



## Consumer Credit – Retail (\*)

Through this segment, we implement our strategy of expanding the offering of financial products and services beyond our current accountholders. As such, this

segment oversees the financing of vehicles outside our branch network, the offering of credit cards to individuals who are not accountholders, partnerships with credit card and payroll loan operations with Banco BMG.

To learn more about our Consumer Credit – Retail operations, please access

Net income **R\$3,076 million ▲ 73.7 %**  
 Net banking product **R\$13,812 million ▲ 37.6 %**  
 Efficiency ratio **46.5 %**  
 Total assets **R\$108,629 million ▲ 15.3 %**

- Credit cards and commercial agreements
- Vehicle financing
- Consortia
- Microcredit

## Market and Corporations (\*)

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

Net income **R\$3,259 million ▲ 7.0 %**  
 Net banking product **R\$4,681 million ▲ 22.6 %**  
 Efficiency ratio **25.1 %**  
 Total assets **R\$97,713 million ▼ 16.2 %**

We also have a broad range of operations outside of Brazil and have built our international presence based on strategically positioned units, mainly in the Americas, Europe and Asia. This focus provides us synergy in foreign trade finance, the placement of Eurobonds and in the offering of more sophisticated financial transactions and private banking operations.

To learn more about our Market and Corporations operations, please access

(\*) Managerial data

# Itaú Unibanco in the world

We are present in 18 countries outside of Brazil, seven of which are in Latin America. See below our main operations around the world:



## Itaú Corpbanca

On January 29, 2014, Itaú Chile announced a merger with CorpBanca bank, thus increasing its share in the Chilean market and also the start of retail operations in Colombia. Accordingly, Itaú will become the fourth largest bank in Chile and the fifth largest in Colombia. As this business will be subject to approval by applicable regulatory authorities, the figures stated in this section still do not represent the actual figures of this agreement.

Latin America is a priority in our international expansion plans due to the geographic and cultural proximity to Brazil. Our purpose is to be recognized as “the Latin American bank”, becoming a reference in the region for all financial services provided to individuals or companies. Our target is to grow in a sustainable way, maintaining a strong relationship with the local retail and wholesale market. With approximately 246 branches and banking service centers and 607 ATMs, we highlight below our main operations in Latin America:

FOCUS ON LATIN AMERICA		 Total assets	 Total employees
	Our subsidiaries in Latin America		
Mexico		R\$197,0 million	16
Colombia		R\$411,5 million	44
Paraguay	Banco Itaú Paraguay	R\$9,2 billion	789
Chile	Banco Itaú Chile Itaú CorpBanca	R\$35,3 billion	2,563
Uruguay	Banco Itaú Uruguay	R\$11,3 billion	1,176
Argentina	Banco Itaú Argentina	R\$5,3 billion	1,679

 **57 million** clients

 **5,070** branches and banking service centers

 **27,916** ATMs

# Our shares

We present below the main information on our shares, including the results for the period:

Stock exchanges	Preferred shares	Common shares	Corporate governance level
BM&FBOVESPA	ITUB3	ITUB4	Level 1
NYSE	-	ITUB <sup>(1)</sup>	Level 2
BCBA	-	ITUB4 <sup>(2)</sup>	-

(1) ADSs (2) CEDEARs

The chart below shows the evolution of R\$100 invested in the last ten years, by comparing the price of our preferred

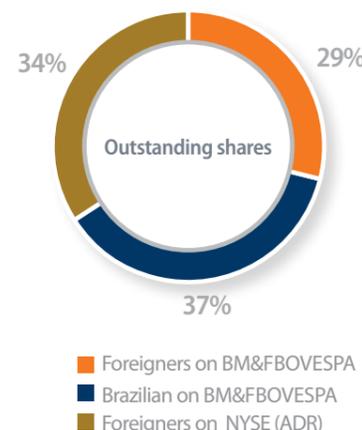
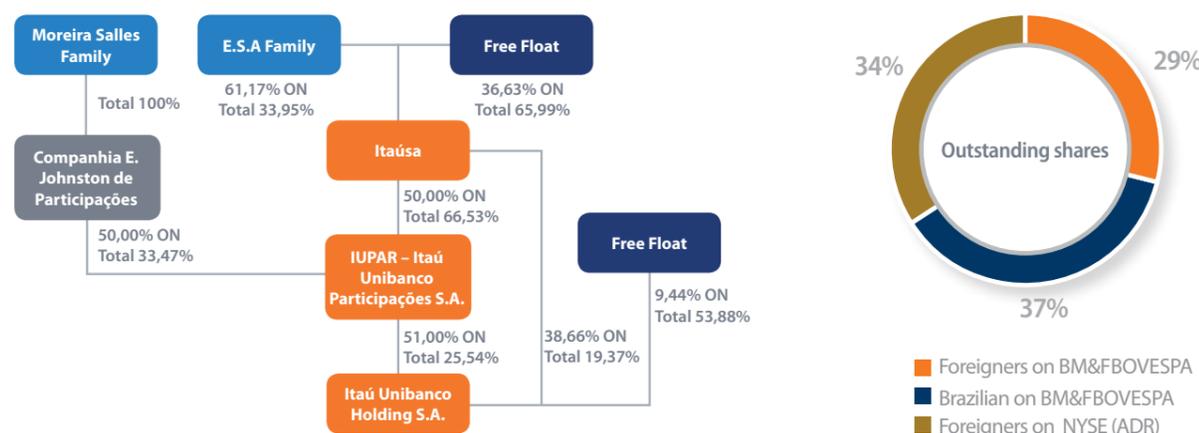
share, with and without reinvestment of dividends, with the performance on Ibovespa.



## Ownership structure

The following chart is an overview of the ownership structure of the Itaú Unibanco group, which includes our

controlling shareholders and some of our subsidiaries.



# Risk factors

We present below the risks we consider relevant for our business. Should any of these events occur, our business and financial condition may be adversely

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

To learn more about our Risk factors, please access

## Macroeconomic risks

Changes in economic conditions, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates, may adversely affect us. Economic conditions may be limited by a number of factors, including structural ones, such as inadequate infrastructure (risks of potential energy shortages, deficiencies in the transportation sector, among others), and lack of qualified professionals, which contribute to reduce the country's productivity and efficiency levels.

real in relation to foreign currencies, the BACEN of Brazil intervenes in the purchase or sale of foreign currencies for the purpose of easing variations and reducing the volatility of the foreign exchange rate.

An expansionist fiscal policy, combined with increased intervention by the Brazilian government in the economy, may adversely affect us, if a loss of confidence leads to a downgrading of the debt and negative impacts on the economy.

Brazilian authorities exercise influence on the Brazilian economy. Changes in monetary, fiscal and foreign exchange policies and in the Brazilian government's structure may adversely affect us, thus limiting our operations in certain markets, affecting our liquidity and our clients' ability to pay. Other political, diplomatic, social and economic developments in Brazil and abroad that affect Brazil may also affect us.

Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy, and, consequently, us. The economic and market conditions of other countries may affect the credit availability and the volume of foreign investments in Brazil to varying degrees.

Inflation and fluctuations in interest rates may have a material adverse effect on us. Sudden increases in prices and long periods of high inflation may cause, among other effects, loss of purchasing power and distortions in the allocation of resources in the economy. Measures to combat high inflation rates, such as an increase in the SELIC interest rate, may result in restrictions on credit and short-term liquidity.

The anti-corruption investigations that are taking place in Brazil may harm the perception of Brazil and growth prospects in the local market.

Many Brazilian companies in the energy and infrastructure industries are the target of investigations by the entities responsible for fighting corruption and investigating cartels in connection with the accusations of corruption called "Operation Car Wash." The result of such investigations may affect credit ratings, impact financing operations and reduce revenues. The negative effects for such companies may affect the level of investments in infrastructure in Brazil and also may result in a smaller economic growth.

Instability of foreign exchange rates may also negatively affect us. Even though Brazil adopts a floating foreign exchange rate system, pursuant to which the market establishes the value of the Brazilian

## Legal and regulatory risks

Changes in applicable law or regulations may affect our ability to grant loans, collect debts in arrears and make remittances abroad and, consequently, have a material adverse effect on our business.

Increases in compulsory deposit requirements in the BACEN may have a material adverse effect on us, since they do not provide the same return as other investments and deposits, because a portion of these compulsory deposits is used to finance government programs, such as a federal housing program and rural sector subsidies.

We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention. For regulation or supervision purposes, the BACEN treats us and our subsidiaries and affiliates as a single financial institution.

Any investigation or intervention by the BACEN, particularly in the activities carried out by any of our subsidiaries and affiliates, could have a material adverse impact on our other subsidiaries and affiliates and, ultimately, on us.

Holders of our shares and ADSs may not receive any dividends. This adjusted amount may be used to absorb losses or be retained. Due to the implementation of Basel III rules, if financial institutions are not in compliance with the CMN's capital requirements, the BACEN may reduce the amount of planned dividends or determine that no dividends will be distributed.

## Risks associated with our business

### Operational risk factor

Failures or defects in our business systems and human error or misconduct may adversely affect us, in spite of strict information security controls, continuous investments in training and infrastructure, and management of crises and operations, the operational systems related to our business may stop

Tax reforms may adversely affect our operations and profitability – the Brazilian government periodically changes tax laws and regulations, including by creating new taxes, which may be temporary, and changing tax rates, including those applicable to the financial sector only. Tax reforms may reduce the volume of our operations, increase our costs or curtail our profitability.

Decisions on lawsuits related to monetary stabilization plans enacted by the Government may have a material adverse effect on us – we are defendants in a number of standardized lawsuits filed by individuals in connection with these monetary stabilization plans, which were implemented by the Federal Government to fight hyperinflation. Additionally, we are defendants in a number of class actions, similar to lawsuits filed by individuals but filed by (i) consumer protection associations; or (ii) lawyers from the Public Prosecutor's Office on behalf of savings account holders. We recognize provisions related to these litigations.

Tax assessment notices may adversely affect us – as part of the normal course of business, we are subject to inspections by applicable federal, state and local authorities. These inspections, arising from different interpretations of the tax legislation, may give rise to tax assessment notices that, depending on their outcomes, may have adverse effect on our financial results.

working properly. Operating failures, including those that result from human error and fraud, not only increase our costs and cause losses, but may also give rise to conflicts with our clients, lawsuits, regulatory fines, sanctions, intervention, reimbursements and other indemnity costs, all of which may have a material adverse effect on us.

### Market risk factor

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

### Competition risk factor

The increasingly competitive environment and recent consolidations in the Brazilian banking industry may have a material adverse effect on our business.

### Credit risk factors

Changes in the profile of our business may adversely affect our loan portfolio. While the quality of our loan portfolio is associated with the default risk in the sectors in which we operate, any changes affecting one of the sectors in which we have significant credit exposure may have a material adverse impact on us. Furthermore, our historical loan loss experience may not be indicative of our future loan losses.

We may incur losses associated to the counterparty exposure risks, if any of these counterparties fail to meet their contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to our counterparties.

The exposure to the Brazilian federal government debt may, also, adversely affect us. Approximately 12.0% of all our assets and 54.9% of our securities portfolio were comprised of these debt securities. Therefore, any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value, may have a material adverse effect on us.

### Underwriting risk factor

Inadequate pricing methodologies for products may adversely affect us. Our subsidiaries with activities in certain segments establish prices and calculations for their products based on actuarial or statistical estimates. The pricing of these products is based on models that may prove to be incorrect.

### Management risk factors

Our policies, procedures and models related to risk control may be ineffective. Our results of operations and financial position depend on our ability to evaluate losses associated with risks to which we are exposed. Damages, such as noncompliance with legal obligations, making irregular sales to clients, dealing with suppliers with questionable ethics, clients data leakage, inadequate behaviors by our employees, and failures in risk management, among others, may harm our businesses and prospects.

### Strategy risk factors

The controlling shareholder has the ability to direct our business. Our Board of Directors is currently composed of 12 members, only four of whom are deemed independent. Our shareholders do not have the same protections as if the majority of our Board of Directors' members were independent, since our directors' interests may not be aligned at all times with the interests of our shareholders.

The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us, such as the possible incurrence of unanticipated costs as of result of difficulties in integrating systems, finance, accounting and personnel platforms, or the occurrence of unanticipated contingencies. In addition, the expected operating and financial synergies and other benefits from such transactions may not be achieved.

### Risk of financial reports

We make estimates and assumptions related to the preparation of our consolidated financial statements and any changes in these estimates and assumptions could have an adverse material effect on our operational results.

As a consequence of the limitations inherent to our disclosure and accounting controls, distortions due to error or fraud may occur and not be detected.

# Business model

The amount distributed in 2013 reached R\$42,166 million

-  **34.8%**
-  **24.5%**
-  **33.7%**

**COMMERCIAL BANKING - RETAIL**

- Retail banking
- Itaú Uniclass
- Personalité
- Very small and small companies
- Public sector
- Wealth management services
- Real estate financing
- Payroll lending
- Insurance
- Pension plan
- Capitalization

The Amount distributed in 2014 reached R\$52.158 million ▲ 23,7 %

-  **36.6%**
-  **26.4%**
-  **29.2%**

Strategies	Allocation of resources	Risks and opportunities	Performance
Expanding our operations in Brazil and abroad. Ongoing improvement of efficiency. Expanding our loan operations while keeping the assets portfolio quality.	<b>Commercial Banking-Retail:</b> Total assets R\$790,785 million	<b>Macroeconomic risks:</b> economic conditions, monetary, fiscal and foreign exchange policies, inflation, fluctuations in interest rates, instability of foreign exchange rates	<b>Commercial Banking-Retail:</b> Net income R\$9,947 million
	<b>Wholesale Banking:</b> Total assets R\$354,212 million	<b>Legal and regulatory risks:</b> Changes in applicable laws and regulations, changes in compulsory deposit requirements, tax reforms.	<b>Wholesale Banking:</b> Net income R\$4,337 million

## What is a bank for?



By offering banking products and services, we raise funds from investors and savings account holders.



These funds are transferred to individuals and companies through financing and loans.



The interest on financial intermediation remunerates the funds for loans and is called banking spread.



The banking spread is used to pay for taxes and contributions to the government and compensate our employees and remunerate third-parties' capital by means of salaries, dividends, and interest on capital.

Net income in 2014: **R\$21,861 million**

▲ 32,3%

Funds raised in 2014 **R\$779,284 million**

▲ 7.5%

-  **2.1%**
-  **0.6%**
-  **4.3%**

**WHOLESALE BANKING**

- Investment banking
- Brokerage
- Large companies
- Trade financing
- Middle-market companies

**CONSUMER CREDIT - RETAIL**

- Credit cards and commercial agreements
- Vehicle financing
- Consortia
- Microcredit

**MARKET AND CORPORATIONS**

- Management of capital surplus
- Subordinated debt funding

Strengthening our relationships according to client segmentation. Higher growth of banking service fees.	<b>Consumer Credit - Retail:</b> Total assets R\$108,629 million	<b>Risks associated with our business:</b> Credit risk, operational risk, competition risk, underwriting risk, management risk and strategy risk.	<b>Consumer Credit - Retail:</b> Net income R\$3,076 million
	<b>Market and Corporations:</b> Total assets R\$97,713 million		<b>Market and Corporations:</b> Net income R\$3,259 million

-  **1.9%**
-  **0.6%**
-  **5.3%**

# Management of material matters

Defining material matters for an institution is critical to guide the decision-making process of managers and other stakeholders. For information reporting purposes, we improved our process to define materiality to include social, environmental, economic

and governance aspects in a single matrix. In addition, the outcome of this matrix was classified into six categories, or capitals, for a better understanding of this topic. Based on this assumption, the study on materiality conducted in 2014 underwent three stages:

## 1 IDENTIFICATION

In this stage, we gathered information from external and internal stakeholders through the following sources:

- Vision from employees and labor unions – an organizational climate survey conducted annually and main claims from labor unions
- Vision from investors – Main reporting of earnings aimed at investors: videoconferences, APIMEC meetings, and reports
- Vision from customers and the society – Internal ombudsman bulletin and the quality of media exposure index (IQEM).
- Sustainability in the financial sector – Financial sector studies of GRI (GRI-G4 – Sector Publication Financial Services) and SASB (Sustainability Accounting Standards Board)
- Sustainability indexes - Questionnaire of Dow Jones Sustainability Index and Business Sustainability Index (ISE) of BM&FBovespa
- Financial market benchmarking – Analyses of the materiality of Brazilian and foreign financial institutions deemed as benchmark

## 2 PRIORITY

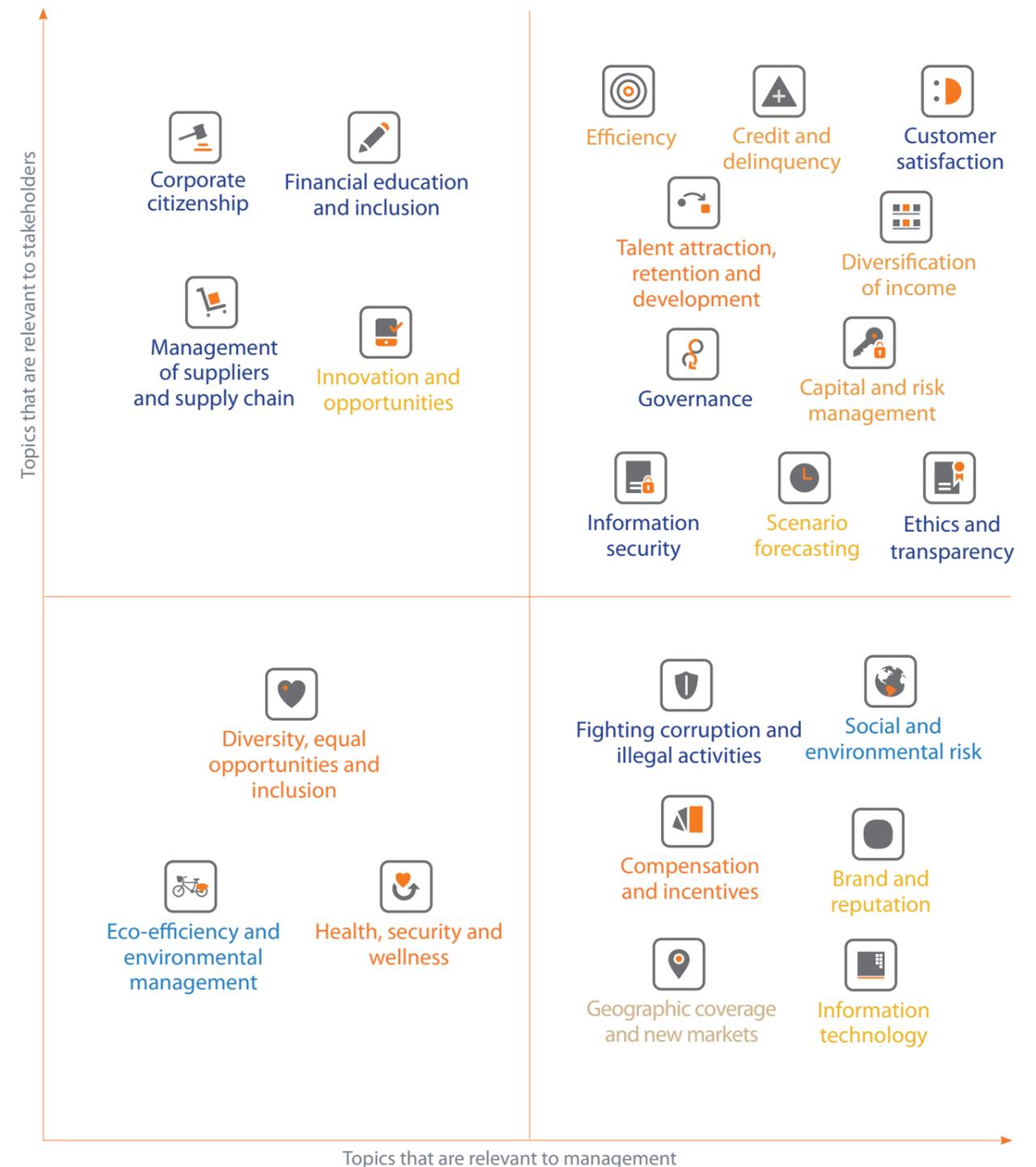
After analyzing these contents, the topics identified were consolidated based on the frequency they were addressed by the sources and their relevance for our business. These consolidated topics were subsequently plotted into a priority matrix, taking into account the following criteria: influence on the assessment of stakeholders (employees, clients, investors and the society) and importance to management (continuity of business, image and reputation, strategy, regulatory impacts and long-term vision).

## 3 VALIDATION

These priority topics were internally discussed and validated by the Integrated Report Workgroup and by the Reporting Committee, a sustainability governance forum aimed at implementing the best reporting and transparency practices. Externally, these topics were ensured by PWC under the AA1000 scope.

Out of the 76 topics selected, we determined the 23 that are most relevant that impact the organization both inside and outside, since we take into account their respective importance to the major stakeholders: employees, clients, investors and society.

# Matrix of material matters



### NAVIGATION ICONS



# Financial capital

## CHALLENGES

### Efficiency

EFFICIENCY RATIO

Expected for 2014:

▲ from 0.5p.p. to 1.75p.p. Actual in 2014:

▲ 1.9p.p.

Efficiency is the relationship between results achieved and resources used. It is to reduce costs, increase revenues, expedite processes and have more quality in our deliveries and client service.

The Efficiency Ratio is measured by the ratio between administrative expenses and income. For illustrative purposes, in 2014 to generate R\$1.00 of income, we spent R\$0.46 cents.

Accordingly, our Efficiency Ratio was 46.6%. Therefore, the lower the ratio, the greater will be our efficiency. This means that having an Efficiency Ratio increasingly lower means doing more with fewer resources.



— Efficiency ratio — Risk-adjusted efficiency ratio

The Risk-Adjusted Efficiency Ratio, in turn, includes the portions of risk associated to banking operations ((result of the allowance for loan losses and recovery of loans written off as loss) and insurance and pension plan operations (claims)).

To learn more about Efficiency Ratios, please access

### Use of banking product

The chart below shows the portions of the banking product used to cover non-interest expenses, result from loan losses and claims expenses.



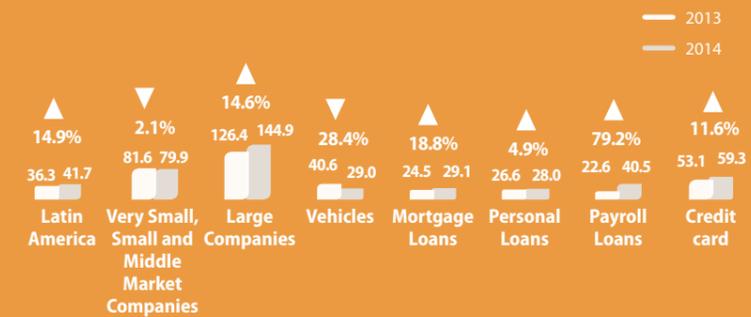
(\*) Net of tax expenses for ISS, PIS, COFINS and Other

## Credit and delinquency

In 2014, the balance of the loan portfolio reached R\$452,4 billion, a growth of 9.9% when compared to the previous period. The diversification of our business reflects the change in the composition of our portfolio, currently focused on segments with lower risk and larger guarantees.

We present below the breakdown of our portfolio, with endorsements and sureties:

### Portfolio mix (R\$ Billion)



Most of our portfolio is denominated in Brazilian reais. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. Our loans indexed to foreign currencies or denominated in U.S. dollars represented 24.7%, of our loan portfolio.

### Portfolio quality

#### Allowance for loan and lease losses

Our allowance for loan and lease losses is recognized to cover probable losses inherent in the portfolio at the balance sheet date. The determination of the level of the allowance rests upon several judgments and assumptions, including current economic conditions, loan portfolio composition, prior loan experience and evaluation of credit risk related to loans to individuals.

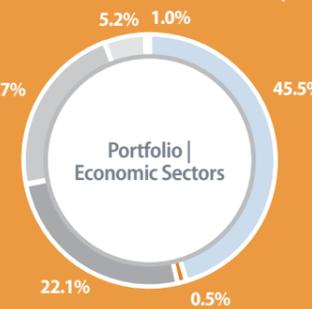
### Allowance for Loan Losses | (R\$ million)



### Our loan portfolio



To learn more about Credit and delinquency, please access



— Individuals — Other Sectors — Services — Industry and Commerce — Primary Sector — Public Sector

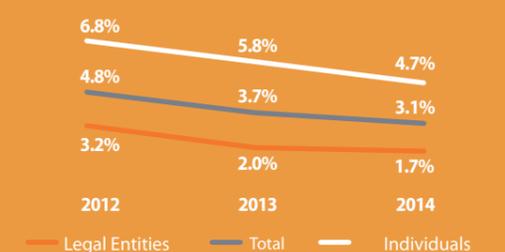
### Portfolio | Largest debtors



### Delinquency

Our strategy to reduce risk in credit granting, started in 2011, resulted in the consistent reduction of this rate, mainly impacted by the change in the credit profile of our portfolio.

### Default Rate | over 90 days



## LOAN PORTFOLIO | CHALLENGES

**LOAN PORTFOLIO**  
Expected for 2014:  
▲ from 10% to 13%  
Actual in 2014:  
▲ 9.8%  
Expected for 2015:  
▲ from 6% to 9%

**ALLOWANCE EXPENSES, NET**  
Expected for 2014:  
from R\$13 billion to R\$15 billion  
Actual in 2014:  
R\$13 billion  
Expected for 2015:  
from R\$13 billion to R\$15 billion

To learn more about micro credit

### The capital plan comprises

- Capital targets and projections, under normal or stress scenarios, in accordance with the Board of Directors' guidelines
- The description of the major capital sources; and
- Our capital contingency plan, comprising the measures to be taken in case of potential capital insufficiency.

### Loan approval process

We have a credit risk management structure managed by our business units, in addition to an independent, centralized credit risk control unit.

Our business units devise their credit policies based on internal factors, such as client's risk profile, performance of the portfolio, default levels, return rates, and allocation of economic capital, as well as external factors related to the economic environment, interest rates, market default indicators, inflation and unemployment rates. Our independent credit risk control unit is responsible

### Microcredit

Microcredit is offered to formal and informal micro-entrepreneurs only. Duly qualified microcredit agents analyze the characteristics of the region and of borrowers in an analysis that considers the nature, payment capacity, capital, terms, and what the credit granted may bring to the lives of entrepreneurs and to their community.

In 2014, we carried out **8,178** microcredit operations, totaling **R\$41.7 million**. ▲ **35%** when compared to the previous period.



## Capital and risk management



To learn more about our Risk management, please access

The Board of Directors is our highest authority in risk management. We established committees that are responsible for risk and capital management and report directly to the Board of Directors. Committee members are elected by the Board of Directors. At the executive level, risks are managed by the Superior Committees, which are chaired by our Chief Executive Officer.

### Risk management

We regard risk management as an essential instrument to optimize the use of resources and to select the best business opportunities in order to maximize the creation of value to shareholders.

for assessing the credit policies devised by our business units and for the consolidated monitoring of our credit portfolio, among other duties.

Our policies contemplate the use of credit protection services with the purpose of checking whether a client's credit history includes information that could be considered an obstacle to granting a loan.

Our credit risk management governance is responsible for assessing the market's competitive conditions, establishing our credit limits and approving risk control policies and practices.

Microcredit benefits entrepreneurs who do not have access to the traditional financing system. Customers are mostly married women, between 36 and 45 years of age, with a high school education.

Our risk management process includes identification and measurement of existing and potential risks in our operations, approval of risk control and management procedures and methodologies, according to the guidelines of the Board of Directors and our strategies. Management of our portfolio seeking to maximize risk-return ratios.

Our main risks per category: Credit risk, Market risk, Sensitivity to interest and foreign exchange rates, Operational risk, Crises and business continuity, Liquidity risk, Insurance, pension plan and capitalization risks and Underwriting risk.

### Capital adequacy

In order to ensure our strength and capital availability to support our business growth, the regulatory capital levels were kept above the requirements to cover risks, as evidenced by the Basel ratio.

**Risk Rating by Rating Agencies** – In the course of 2014, there were changes in the ratings of and outlooks for Itaú Unibanco Holding due to exogenous factors.

S&P downgraded some financial institutions, including Itaú Unibanco Holding, much in line with the exposure of our loan portfolio and investments to the sovereign risk, which in turn was downgraded in March 2014.

Following the changes in sovereign risk outlook from stable to negative, in September 2014, Moody's also changed the outlook for some Brazilian banks, including Itaú Unibanco Holding, Itaú Unibanco and Itaú BBA.

Due to the publication of its global methodology for banks, in April 2015, Moody's announced that the rating actions affected 1,021 banks from a total of 1,934 banks rated globally. Due to this revision of the rating methodology, Itaú Unibanco Holding's, Itaú Unibanco's and Itaú BBA's ratings were placed under review for downgrade.

### Capital management

The Board of Directors is also the highest authority in capital management and is responsible for monitoring capital adequacy, approving the Internal Capital Adequacy Assessment Process (ICAAP) report and analyzing the results of the independent validation of ICAAP's models and processes, performed by our internal controls and model validation teams, as well as approving our institutional capital management policy.

In the capital management context, we prepare a capital plan consistent with our strategic planning and aimed at maintaining an adequate and sustainable capital level, taking into account analyses of the economic, competitive and political environment, in addition to other external factors.



### Some factors taken into consideration in our capital plan

- Threat and opportunity analysis related to the economic and business environment;
- Balance sheet and profit or loss projections;
- Growth and/or market share targets;
- Segments aimed by the bank and products aimed at each segment; and
- Profit distribution policies and their impacts on capital.

Basel Ratio  
**16.9 %**

Common Equity Tier I  
**12.5 %**

Tier II Capital  
**4.4 %**

Regulatory Capital  
**R\$129,790 million**

Common Equity Tier I  
**R\$96,212 million**

Tier II Capital  
**R\$33,559 million**

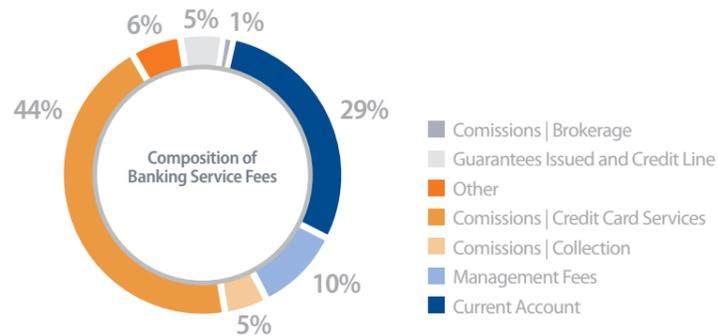
RWA  
**R\$768,075 million**

## Diversification of income

We are constantly seeking to implement and focus on the sale of new products and services that add value to our clients and diversify our sources of income, allowing for the growth

of our non-financial income arising mainly from banking service fees, income from bank charges and from insurance, pension plan and capitalization operations.

Our banking service fees reached **R\$26.342 million** in 2014 ▲ **16,0%** when compared to the previous period



We highlight below the operations that contributed to the increase of our income for the period:

To learn more about our Asset Management operations

**Asset Management** – Itaú Asset Management reached **R\$360 billion in assets under management, accounting for 14.5 % of the market**, according to the ANBIMA management ranking. Kinea, an alternative investments management company, holds R\$5.9 billion in managed assets.

To learn more about our Custody and Bookkeeping Services

**Custody and Underwriting Services** – In the custody market, our assets totaled **R\$4,223 billion**, according to the ANBIMA management ranking, with a 26% share of the total local custody assets market and a 14,3% share of the total international custody assets market.  
We provide services to **227 companies listed on BM&FBOVESPA**, or 62.5% of total listed companies.

To learn more about our Consortia operations

**Consortia** – The balance of installments receivable reached **R\$10.9 billion**, an increase of 10.9% as compared to the previous period. **Income from administration reached R\$610 million** in 2014, com aproximadamente 402 mil contratos ativos.

To learn more about our Investment banking operations

**Investment Banking** – In the period from January to December 2014, Itaú BBA was **first** in terms of capital markets – debts and mergers and acquisitions.

To learn more about our Electronic Payment Means operations

**Electronic Payment Means (Rede)** – In the period, **our total debit and credit revenue reached R\$358 billion**, representing a 10.9% increase in relation to the previous period. We currently make available approximately 1.8 million equipment pieces, a 17.1% growth as compared to the previous year. We highlight the acquisition of MaxiPago, an online payment means company, and the commercial partnership with Bematech.

**Insurance** – Due to our 30% stake in Porto Seguro S.A., we reached a 12% share of the Brazilian market in terms of premiums earned, excluding VGBL (Annuity Benefits Plans), from January to December 2014, ranking **second** in this segment. Considering only our activities focused on insurance operations, we reached a 14.2% market share in the same period.

To learn more about our Insurance operations

**Pension Plan** – The total funding for pension plans amounted to **R\$17.5 billion in 2014**. Income from management fees reached R\$1.16 billion, and technical provisions totaled R\$103.7 billion, a 16.8% increase in the period.

To learn more about our Pension plan operations

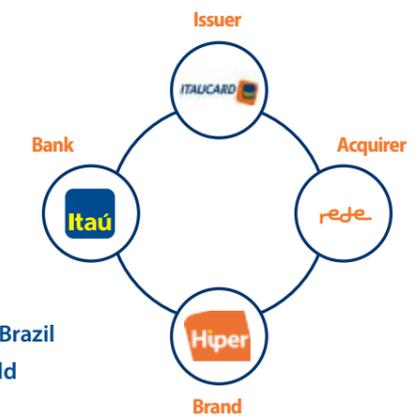
**Capitalization** – In the period from January to December 2014, **our share of the Brazilian market was 11.1%** in terms of revenues from the sale of capitalization products, ranking third in this segment.

To learn more about our Capitalization operations

### Presence in card-related transactions

- Capacity increase
- Integrated information for CRM
- Banking offering
- Differentiated payment services
- Cross-selling

- Leading institution in the number of cards issued in Brazil
- 9<sup>th</sup> largest merchant acquisition company in the world
- 2<sup>th</sup> largest merchant acquisition company in Brazil



### Transactions with cards | R\$ billion



### Volume of transactions | in billions



# Social and relationship capital

## Ethics and transparency

### Principles of our Code of Ethics

#### IDENTITY



What distinguishes us from other companies

#### INTERDEPENDENCE



The driving force for living together in society

#### GOOD FAITH



Trust generating trust

#### EXCELLENCE



The continuous search for quality

To learn more about our Code of Ethics, please access



The vision to be the leading bank in sustainable performance and customer satisfaction express our conviction that organizations willing to be enduring do not admit gains at whatever the cost and that its success is dependent on the capacity to lead with ethics and responsibility.

This fundamental value, our ethics, is present in our business and is translated into transparency, respect and honesty in the relationships with our stakeholders, into the quality of services and products we provide and into our concern with financial performance and social and environmental responsibility. It is also expressed in internal relationships, in which we cultivate an environment that provides high quality work, relevant to those who carry it, to our institution and to society.

With this purpose, our Code of Ethics is in place to guide, prevent and settle ethical issues and conflicts of interest related to our activities. This document helps us in our activities and the decisions we make when dealing with our constituencies: employees, clients, shareholders, suppliers, partners, government, competitors, the media and society.

In addition to guidance, our Code of Ethics reflects our attitudes towards Our Way of Making it Happen and provides for the reporting of misconduct, noncompliance with rules and conflicts of interest in connection with our operations, to be reviewed by applicable departments. More complex cases are forwarded to specific ethics bodies for resolution.

The Ethics and Ombudsman services have a team of specialists in issues such as conflicts of interest, suspected misconduct, discrimination, abuse of office and harassment. In addition, it helps to find the best solutions for issues related to the work environment, ensuring the secrecy of information and the employee's protection against retaliation. To reach these targets, it operates based on three principles: confidentiality, neutrality and independence.

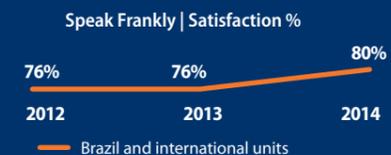
In 2014, we held 29 Ethics Committees meetings, which, together with the biennial workplace ethics survey, monitor the organization's ethical environment and establishes the strategy for actions of the Corporate Ethics Program. In 2014, we received approximately 1,101 ethic-related complaints from our employees, 988 of which were solved in the same year and 113 are still under analysis. In the same period, we solved 145 complaints received before 2014.

### Speak Frankly

Speak Frankly is our annual organizational environment survey, aimed at measuring our employees' satisfaction with the work environment and the people management. In addition to assessing the organizational environment, it measures the organization adherence to our processes and identifies management issues for improvement. Employees are ensured secrecy and confidentiality of data.

The survey outcome is disclosed to all managers and employees, who access, in addition to the organization consolidated outcome, the specific outcome for their areas. We encourage managers to prepare, together with their teams, an action plan to address any critical aspects identified by the survey.

To learn more about our Speak Frankly, please access



## Governance

The adoption of good corporate governance practices adds value to a company, facilitates its access to capital and contributes to its longevity of business. Therefore, we adopt corporate governance practices aligned with the best practices adopted in Brazilian and foreign markets. We seek constant development of our management policies and mechanisms to ensure excellence in our practices and sustainable growth for our company.

as a publicly-held company and our shares have been publicly traded. In 2001, we were one of the first companies to voluntarily adhere to the Corporate Governance Level 1 of BM&FBovespa. In 2002, we listed our Level 2 ADSs on the NYSE, complying with both the SEC's criteria and U.S. legal requirements, such as the Sarbanes-Oxley Act.

To learn more about our Governance, please access



### Our Practices

Over the course of our history, we have improved our accountability and the protection of minority shareholders' rights. We are listed on BM&FBOVESPA

### Management Structure

Our management is structured to ensure that matters are extensively discussed and decisions are made on a collective basis. See the table below:



**(1) Shareholders' Meeting** – it is our highest decision-making body, which gathers shareholders on a regular basis before the end of April of each year and, on a special basis, whenever corporate interests so require. Since 2002 we have made an “Online Meeting” tool available. This tool is an electronic voting platform that provides shareholders with more accessibility, allowing them to exercise their voting rights in advance, from any place.

**(2) Board of Directors** – it is the body responsible for establishing the general guidelines of our business, including our subsidiary companies. Board members must act impartially, in compliance with pre-established rules, so as to prevent conflicts of interest.

The Board of Directors' performance is assessed yearly to ensure that board members are aligned with the organization's values and that they represent the interests of our shareholders. The Board of Directors is currently composed of twelve members, four of whom are independent (33%). Our board members meet on a regular basis eight times a year and on a special basis whenever necessary.

There are seven committees and one advisory council reporting directly to the Board of Directors. Their members are elected by the Board of Directors for a one-year term, and must have proven knowledge in their respective professional fields, as well as technical qualification compatible with higher education institutions.

**(3) Audit Committee** – it is a statutory body responsible for overseeing the quality and integrity of our financial statements, the compliance with legal and

regulatory requirements, the performance, independence and quality of the services provided by our independent auditors and the work performed by our internal auditors, as well as the effectiveness of internal controls and risk management systems.

**(4) Personnel Committee** – it is the body responsible for establishing the main guidelines related to personnel, as well as establishing guidelines related to talent attraction and retention, recruiting and qualification, and our long term incentive programs.

**(5) Relations Parties Committee** – it is the body responsible for analyzing transactions between related parties in the circumstances specified in our policies, in order to ensure equality and transparency in such transactions. Our policy provides that such transactions must be carried out in writing, under market conditions, and pursuant to our internal practices. These transactions are disclosed in our financial statements, according to accounting standards. The Relations Parties Committee is entirely composed of independent members.

**(6) Nomination and Corporate Governance Committee** – it is the body responsible for stimulating and overseeing discussions of matters related to our Governance. Its duties include analyzing and issuing opinions on situations of potential conflicts of interest, periodically reviewing the criteria for nomination of our independent directors, giving methodological and procedural support for the assessment of the board directors, officers, committees and executive officers, and discussing and making recommendations on the succession of the directors and executive officers.

**(7) Capital and Risk Management Committee** – it is the body responsible for supporting the Board of Directors in performing its responsibilities related to our capital and risk management. Its duties include establishing our risk appetite and minimum return expected on our capital, overseeing our risk control and management activities in order to assure their adequacy to the risk levels assumed and the complexity of our operations as well as the compliance with regulatory requirements.

**(8) Strategy Committee** – it is the commission responsible for leading discussions on critical strategic matters to us. Its duties include proposing budgetary guidelines for the Board of Directors, issuing opinions and recommendations on strategic guidelines and investment opportunities in order to support the Board of Directors' decisions.

**(9) Compensation Committee** – this is the body responsible for leading the discussions on issues related to key management compensation. Its duties include the development of the compensation policy of our key management personnel by proposing to our Board of Directors different fixed and variable compensation methods in addition to benefits and special recruiting and severance programs – the discussion, analysis and oversight of the implementation and troll out of existing compensation models by discussing the overall principles for our employees' compensation and recommending its improvement to the Board of Directors.

**(10) International Advisory Committee** – it is the body responsible for evaluating the prospects for the world economy and the

adoption by us of internationally accepted codes and standards, especially with respect to monetary and financial policy, corporate governance, capital markets, payment systems and money laundering prevention, in order to contribute towards strengthening our presence in the international financial community and provide guidelines for the Board of Directors.

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

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

The committee is responsible for managing our Policy of Material Information Disclosure and our Policy on Trading of Securities. Its duties include carrying out internal actions intended to improve the information flow, foster the ethical conduct of our management members and employees in order to ensure transparency, quality, equality and security in the information provided to our shareholders, investors and other capital market agents.

## Customer satisfaction



Making less and less mistakes



Promptly solving issues



Getting closer, listen to and understand the customer



Understanding the expectations of customers from any segment

### All for the Client

Investing in quality relationships and consequently in our customer satisfaction is one of our business pillars, aligned with our vision, our Way of Making it Happen and our All for the Client guide. This enables

us to learn more about the clients' needs and possible issues for improvement. Accordingly, we have more enduring relationships, more credibility and trust and will therefore remain the choice of clients.

### SAC 2.0

Our clients are becoming increasingly more digital and care for promptness and convenience, so that the use of remote channels – phone, internet and mobile –

already outperforms more conventional channels. We are increasing our efforts to promptly assist these clients and reduce the response time.

### Customer satisfaction survey

Through a phone survey conducted every year, we measure the satisfaction of customers, from every segment, and compare our rates to those of competing banks, after the consolidation of a general

customer satisfaction index. Through this survey, it is possible to ascertain in the customer perception the well positioned aspects and those that represent opportunities for improvement.

In **2014**, the survey reached **8.11**

### Complaints management

Our External Ombudsman's office is the last resort for complaint management, to which the client may report if he/she is not satisfied with the response from regular channels – branches, service centers or customer service. It also has the mission to support the business areas for improvement of the processes, products and services – just in 2014, together with the areas, 70 actions for improvement were identified from the complaints addressed by the Ombudsman. In addition, it preventively acts by assessing new products or relevant changes,

therefore contributing to mitigate any risks that may cause the client's dissatisfaction or disagreement.

The External Ombudsman's office seeks the most agile and definitive solution for the customers' complaints. Currently, over 97.5% of customers who contacted the external Ombudsman office did not resort to external agencies, such as the BACEN, PROCON, or the legal bodies. In addition, over 89% of complaints are settled within the regulatory 15-day period, of which 60% in up to five business days.

### Demands brokered by regulators or defense agencies consumer

Complaints	2014	2013	Variation
BACEN	3,350	3,686	▼ 9%
PROCON	81,537	86,333	▼ 6%

In 2014, the Ombudsman's office organized more than 300 meetings with the PROCONS (state protection agencies), six regional meetings and the 4th Dialog Forum – an annual meeting between the bank and the PROCONS, the BACEN, Public Defender's Offices, District Attorney's Offices and consumer protection NGOs. Additionally, the Ombudsman's Office organized monthly meetings with the BACEN to address issues that have an impact on the services provided to clients.

### CHALLENGES

New challenges are foreseen for 2015 related to leadership in customer satisfaction, supported by our External Ombudsman's office. Strengthening the dialogue with regulatory and consumer protection bodies, encouraging the use of the Consumidor.gov to settle conflicts and support business units in the credit portability process are items in the agenda and challenges of the area.

Our response time to clients in social networks dropped to **less than 10 minutes** in 2014 from **about 2 hours** in 2013 ▼ 95%

Additionally, we increased **10 fold** our interactions with clients in social networks

Guidelines implemented for **transparency in communication**

## Information security

We are entitled to protect corporate information and ensure the client's privacy in our operations. We are guided by the Information Security Risk Management, the purpose of which is ensure the application of principles and guidelines for the protection of information and intellectual property of the organization, clients and the public in general.

To ensure that this information is properly protected, we need to follow the confidentiality, integrity and availability (CIA) principles.

**Confidentiality:** the right information for the right people ensure that access to information is achieved only by those authorized to view it.

**Availability:** trustworthy and accurate information ensures the accuracy and completeness of information and the methods used for its processing.

**Integrity:** information accessible for those who need it ensures that authorized people have access to information whenever.



To learn more about customer satisfaction, please access

### Have you heard?

The federal government has just launch the [consumidor.gov.br](http://consumidor.gov.br), a new online service for mediation demands between business and consumers

To learn more about information security, please access 

Types of information  
Information should be addressed according to their confidentiality level. The classification of information provides for the identification of how controlled and protected they must be. Our levels of information classification define information as follows:

- **Restricted** – strategic information, restricted to a reduced number of authorized people.
- **Confidential** – information restricted to a certain group of authorized employees. These employees need this information to perform their activities.
- **Internal** – information exclusively restricted to the internal environment and to the institution's purposes.
- **Public** – information generated to be publicly disclosed and distributed.

Irrespective of the confidentiality level, our information is properly protected throughout its life cycle. From the moment we create information to the moment we decide to cast it aside.

We develop a series of information security initiatives focused on our employees, such as:

 **Clean table** – control level to inspect the exposure of confidential and restricted information on work stations.

 **Cryptography and external email** – control level to mitigate risks of sending critical information outward.

In 2014, **42,489** employees attended e-learning training on Information Security

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 **Statement of responsibility** – adherence contract to the information security commitments, intended to all our employees.

 **Access, password and work station management** – a set of controls to request and grant access to employees, on our applications, programs and systems.

We also assess the risks associated to new or revised products and services and, if a risk is identified, we issue opinions on the safety and follow-up and suggested action plans. We have a Security Operation Center (SOC) 24 hours a day, 7 days a week, to monitor our operations and minimize risks and incidents.

#### Customer privacy

The privacy of our customers is a sensitive issue, which is treated with confidentiality and discretion by Itaú Unibanco. Thus, the number of complaints about breaches in customer privacy is confidential.

We have policies in place that provide guidelines about subjects associated with the prevention of disclosure or leak of confidential information of clients, in addition to establishing roles and responsibilities. This topic is overseen by the Corporate Security Department and discussed in specific risk forums of the areas involved and by Executive Committees that address Operational Risk or Technology.

## Fighting corruption and illegal activities

We are formally committed to fight all forms of corruption, both through our Code of Conduct and in our specific Corporate Policy.

The purpose of our Corporate Anti-Corruption Policy is to reinforce our commitment to proactively cooperate with local and international initiatives in order to prevent and fight corruption in all forms and also to set up guidelines for the establishment, implementation and ongoing improvement of a corporate program aimed at developing, establishing and carrying out specific actions accordingly.

This policy is public and available on our Investors Relations website.

#### Corruption prevention

We prohibit the offering or accepting improper advantages to or from individuals or companies in the public and private sectors, in exchange for action or omission inherent to a person's own responsibilities, or to facilitate business.

We make available proper channels to settle employees' doubts and receive whistleblowing reports from employees or other audiences on suspected corruption, which may lead to the dismissal and termination of agreement (for suppliers) and administrative, civil and criminal proceedings.

In 2014, we identified two operations involving corruption between private agents, one involving a client and another involving a service provider. These cases were subject to corruption risk analysis. In both cases the employees involved were dismissed.

We enhanced our compliance program to comply with applicable legislation and the corporate anti-corruption policy, composed of a disclosure campaign. Furthermore, in 2014, 32,015 employees attended corruption prevention e-learning training, 726 employees from the area's most sensitive to corruption and 188 executives took part in attendance-based training and other specific events.

#### Fraud and money-laundering prevention

With the purpose of preventing and combating illegal activities, among which are money laundering and fraud, we adopted anti-money laundering measures, as well as rules and procedures to prevent the use of our products and services in illegal transactions.

We have established a corporate policy aimed at preventing and fighting illegal activities and, based on this policy, the business areas implement their own anti-money laundering policies, which include prior risk assessment of money laundering activities and terrorism financing in new products, electronic monitoring of transactions to detect money laundering attempts, as well as online screening of lists of international restrictions on new accounts.

We have established a program for the prevention, detection and reporting of illegal activities, these pillars and the councils responsible for illegal activity prevention.

**2,246** employees, attended training on Frauds

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**10,423** employees attended training on Fraud and Enticement Prevention for employees

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**3,250** employees attended e-learning training on Insurance, Pension Plan and Capitalization Fraud Prevention

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Approximately **93,635** employees attended training on Money-Laundering Prevention

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## Corporate citizenship

We run a program to identify local needs and opportunities in the regions where we operate. This process enables us to identify ways in which we can act together with community leaders and public authorities to improve the quality

of life in these regions. We present below our set of activities in connection with culture, education, urban mobility and sports, offered to different audiences:



Culture

- Instituto Itaú Cultural
- Espaço Itaú de Cinema
- Ibirapuera Auditorium
- Sponsorship - Master – Rock'n Rio

**- Instituto Itaú cultural hosted approximately 440 activities in 2014, with 330 thousand visitors.**  
**- 12 million hits on the Itaú Cultural portal.**  
**- 7,6 million of people visited our 56 movie theaters in 2014**



Education

- Fundação Itaú Social
  - Itaú Child
  - Portuguese language olympiad
  - Itaú Unicef Award
  - Itaú Voluntários
- Instituto Unibanco
- Instituto Rede
- Conscientious use of money

**- We highlight the programs of Integral Education, Educational Management and Social Fundação Itaú Social Mobilization.**

**- We helped approximately 2,162 public schools, through our Youth of the Future program**



Sports and Health

- 2014 FIFA World Cup
  - Sponsoring the Brazilian soccer team and regional tournaments
- Sponsoring the Miami Open Tennis
- Itaú Viver Mais

**- We support the Caravana do Esporte (Sport on the Road), an itinerant program that serves municipalities chosen by Unicef.**  
**- Overall 200,000 children were directly benefited (1.8 million indirectly)**



Urban mobility

- Itaú Bike

**800 Bike Itaú stations, located in 7 Brazilian cities**  
**8,000 bikes available**  
**Over 500 thousand users in 2014**

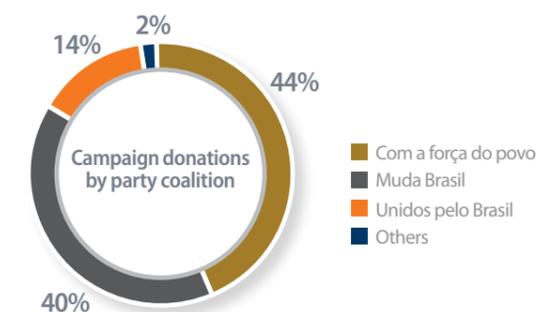
### Government

We seek to work closely with public organizations in all branches of governments in the countries where we operate. Our intention is to build partnerships that can benefit society. Our work is guided by ethics and transparency and our goal is to provide

authorities with consistent information so as to allow the appropriate assessment of issues that may involve.

Political campaigns and donations  
 All donations made by our Group in connection with political elections are

in compliance with Brazilian laws and regulations, duly recorded and follow our policy for donations to political campaigns. The related follow-up process is carried out by a policy committee composed of Board members and executives to ensure its transparency.



In 2014, we donated R\$26.6 million to a number of candidates, on a balanced basis, to different parties, with the purposes of contributing to the democratic process in Brazil.

### Incentives

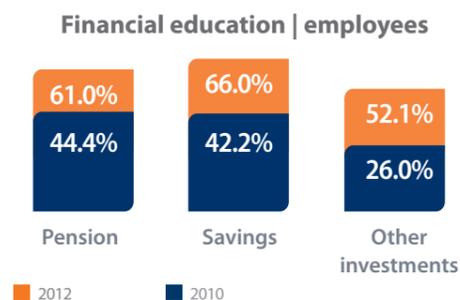
The investments in social areas – especially those focused on the improvement of education, health, culture, sports, and urban mobility – are in line with our purpose of changing the world for the better.

In 2014, we invested R\$485.2 million in social projects, through statutory tax incentives or endowments and sponsoring.

Sponsorships	Education	Culture	Sports and health	Urban mobility	Total 2014	Total 2013	Programs
Non-incentivized	134.1	83.2	6.2	49.7	273.2	248.2	161
Incentivized	22.0	111.2	78.8	0.0	212.0	174.5	288
<b>Total</b>	<b>156.1</b>	<b>194.4</b>	<b>85.0</b>	<b>49.7</b>	<b>485.2</b>	<b>422.7</b>	<b>449</b>

## Education and financial inclusion

We believe that one way of contributing to the development of society is to understand the needs of people in order to provide knowledge and suitable financial solutions, so that they can have a healthier relationship with money. In 2014, in addition to the initiatives towards our employees, we focused on expanding the actions and learning to our customers.



### Clients

The main objectives of our financial education for clients include promoting financial education, transparency and customer satisfaction in business, products and services strategies, offering the right product, at the right time, to the right client, and offering financial knowledge and appropriate financial solutions for each client's goals and moment in life.

In 2014, we carried out a number of initiatives focused on financial education for clients:

- **Financial education for clients program** – our materials, videos and lectures impacted over 7 thousand clients.
- **Assessment of indicators** – we compare clients (individuals) with similar profiles, who took part or not of the Financial Education program. The managerial results have proved the program efficiency.

### Society

Our financial education programs are intended to develop financial education initiatives, disseminate fair and relevant financial education content through a simple, close and transparent approach, and promote discussion on the topic in collaboration with the various participants involved.

### Employees

The main objectives of our financial education program for employees are to contribute to improve our employees' financial well-being and make them aware of the importance of financial management, to offer financial solutions tailored to their needs, and to encourage them to become facilitators of this topic both internally and externally.

Our program has supplemental fronts of action:

- **Education** – approximately 70 thousand employees attended education and financial inclusion courses.
- **Communication** – our internal portal reached 23 thousand hits in 2014 for the many campaigns presented.
- **Financial advisory** – still in its initial phase, this service has assisted 480 employees and family members.

As a result of this project, from 2010 to 2012 we identified a relevant increase in the volume of funds deposited by these employees in savings accounts, private pension plans and in other investments.

To learn more about financial education, please access

### Outcomes from the Financial Education Program

▲ **52%** of clients with investments in private pension plan

▲ **47.5%** of clients with deposits in Investment Funds

Get to know some of our initiatives below:

- **Encontro com Fátima Bernardes** (meeting with Fátima Bernardes) – we participated in 16 editions of the TV Globo program to present financial guidance in a simple and close way. Approximately 51 million viewers were impacted over the year.

- Our campaigns – the videos of our campaigns, Conscious use of credit campaign, Invista channel, Proteja channel and Conscious use of financial resources, had 2,7 million views on YouTube.
- **Financial Education at Brazilian High Schools** – approximately 1,300 registrations (of which 60% from educators and teachers) on the online contents dissemination platforms.

## Management of suppliers and supply chain

Our supply chain comprises different segments, such as Telecommunications, Call Center, Cash/Valuables in Transit, Market Research, Furniture and Fixtures, Electricity, Training, in which the business relationship is based on transparency, longevity and creation of shared value.

We have approximately 8,000 partners that provide us with goods and/or services since 2009, and some of our agreements have clauses that ensure a minimum procurement volume and the adjustment to conditions should any financial unbalance occurs.

We also value sustainable practices and the compliance with legislation and ethical principles that must be present in our business relationships.

### Purchase of goods and services

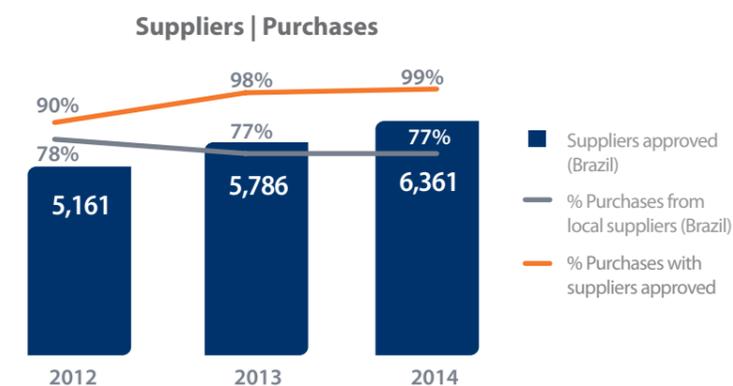
The procurement process in our supply chain is held centrally in order to ensure consistency in our relationship with suppliers. This process consists of three steps: pre-purchase, purchase and post-purchase.

### Suppliers approval process

Our suppliers approval process focuses on mitigating risks based on technical assessment and on a social and

environmental risk matrix that classifies our suppliers by the risk attributed to their sector and related possible economic, environmental and social impacts.

This process is regulated by our Code of Ethics and our procurement, Sustainability and Money Laundering Prevention policies. Additionally, we require suppliers to comply with our procurement policy, Code of Ethics and a standard contract with minimum requirements to work with us.



### Monitoring

We improved our approved suppliers monitoring methodology, which is now conducted every six months. We have on-site audits conducted by external experts who identify possible risks and prepare specific action plans. Additionally, we pay

To learn more about our management of suppliers, please access

In 2013, we established a **plan of targets** in medium term (2015) and long term (2020) providing the required actions and responsibilities to overcome our challenge of implementing engagement actions, mitigating risks and increasing transparency in the disclosure of indicators of our operations and those of our suppliers.

technical visits to suppliers and conduct interviews with employees and third parties. Our approved suppliers account for 99.2% of resources expensed every year.

#### Transparency

We provide suppliers with a number of communication channels, through which they may make suggestions, queries and report any type of violation or misconduct. We believe that we must promote ongoing practices and actions over time, seeking a joint development with our Suppliers and their operation chain, in order to achieve a sustainable growth in our supply chain.

#### Training

We train our suppliers and employees not only to contribute to the delivery of products and services, but also to help in their development. We organize discussion sessions with our suppliers in order to strengthen their commitment to our culture, recognizing good practices regarding risk mitigation, and discuss opportunities for increasing efficiency in our operations. In 2014, we carried out sustainability-themed workshops with our suppliers and employees. We disclosed the best practices conducted by Itaú Unibanco and our suppliers. One challenge we have is to prepare a recurring calendar for our meetings with these partners.

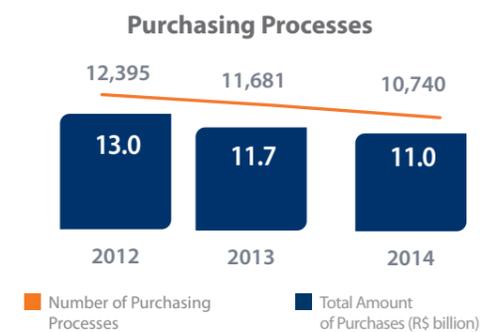
In addition, we invest resources in partnerships with organizations that enable training to suppliers as at least one of the three pillars of sustainability (economic – environmental - social) aiming to raise awareness among suppliers to the issue of climate change and empower them, for example, for the measurement of greenhouse gases through the GHG Protocol tool.

In 2014, 100% of our employees in the procurement department participated in attendance-based training focusing on initiatives and concepts related to sustainability in the supply chain. We also held meetings with the main technical managerial areas to raise awareness of and engagement with sustainability. Through this effort we hope to increase the engagement of our team in the pursuit of initiatives that bring innovation and greater control over our risks and the possibility of developing our partners.

#### Goals achieved and challenges

The Procurement area is organized by procurement categories, thus enabling each management to seek a better understanding of the market to identify the best strategy to each type of business.

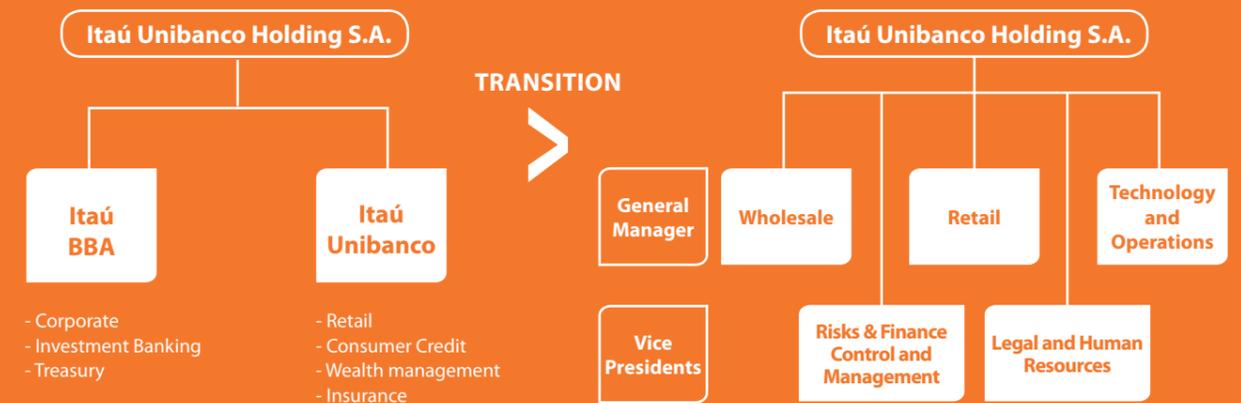
Some actions that had greatly contributed to reduce costs and optimize resources were partnerships with our suppliers, innovations in our supply chain, development of relationships with new suppliers, consolidation of volumes, new configuration of the value chain, review of specifications, renegotiation of contracts, consumption management, improved processes and assessment of social and environmental gains.



# Management succession planning

In line with the transition process reported to the market on February 23, 2015, we announced changes to the management organizational structure of Itaú Unibanco Holding S.A., chaired by Roberto Setubal, which now has an executive committee composed of 3 general managers and 2 vice-presidents. Unlike the announcement made two years ago, when the proposal was for

the creation of two posts for general managers, one for Wholesale business (DGA) and another for the Retail business (DGV), the Board of Directors approved the creation of a third general manager: the general manager of Technology and Operations (DGTO) that will lead the efficiency and technology solutions for the whole bank, aligned with the DGA and DGV.



“These changes are testimony to our enormous dynamism and will further strengthen Itaú Unibanco Holding. The objective remains that of constant renewal so that we can continue creating value for our employees, shareholders, offering more modern and better products and services to our clients and contributing to the transformation and development of society.”

**Roberto Setubal**

# Human capital

## Talent attraction, retention and development

Total employees reached **93.2** thousand, with **7.0** thousand employees allocated abroad

We recruited **1.4** thousand interns in 2014 – the program average hiring is **58%**

**1.5** thousand employees hired through diversity programs

### Meritocracy

Meritocracy is our way to carry out people management and one of our differential features, particularly in the talent attraction and retention. For us, meritocracy is to deal with people, recognizing and differentiating them based on their relative performance. We exercise meritocracy by providing fair and transparent feedback, offering development proper opportunities to each employee, and through the employees' role in continually seeking the best opportunities.

We assess our performance and development through the initiatives below:

Performance management program  
The purpose of this program is to measure an employee's performance over a one-year period. Accordingly, we use three assessment tools:

- Assessment of targets – analyzes “what” was achieved by the employee, based on pre-determined targets agreed.
- Behavioral assessment – assesses “how” the results were achieved by the employees, based on our “Our Way of Making it happens”.
- People Strategic Planning (PEP)- consolidation of assessment of targets and behavioral assessment to analyze the relative performance of the employee against peers. The PEP result shows the relative performance of the employee when compared to his/her peers.

At the end of each assessment process, our employees receive feedback on their individual performances, so that they can understand their strengths and opportunities for improvement. The feedback process provides inputs for the creation of an individual development plan (PDI) for each employee. The creation of individual plans is not mandatory, although we encourage it as a valuable leadership practice.

In 2013, **50,297** employees were assessed under the PEP (including foreign units), which corresponded to around **53%** of total employees. The 2014 assessment is still in progress.

**443** superintendents and **80** officers took part in this new process, in which the performance history and the moment in the career are inputs for a discussion on the individual development of each employee.

### Turnover rate

Turnover rate is the ratio of employees hired to employees terminated (either voluntary or not) in a given period. We monitor this rate on a monthly basis and submit it to the Board of Officers.

In 2014 the turnover rate reached **10.9%**

We invest in an employee redeployment program, which is intended to create in-house opportunities taking into account the availability of open positions and the professional profile of internal candidates.

The Redeployment Center receives employees in times of career transition, coming from areas undergoing restructuring, among others. The process consists in monitoring the employees that were indicated, accomplishing dynamic group or individual interviews, crossing with the opportunities available in all companies of the group. As a result of this work, in 2014, employees at various position levels were indicated to the Redeployment Center, of whom 578 won new opportunities internally.



### Development

Through the Itaú Business School we promote ongoing training and development of teams and leaders, by consistently investing in employee training and development programs.

In our corporate portal you find our training, education and development policies, which provide guidelines on corporate education planning and actions for leaders and their teams.

In 2014, **R\$109.18** million were invested in training and over **6,451** attendance-based training were carried out. A total of **1,577,633** million hours.

Approximately **96,882** participation in training. The average adherence rate was **93%**.

**1.45** million attendances at remote training.

Over **5,760** incentives for education level.

### Leadership Qualification

We also seek to ensure the sustainable performance of our business through a leadership qualification strategy, with initiatives and tools focused on the development of coordinators, managers, superintendents and officers.

The largest number of terminations was in the age group of 30 to 50 years of age, while hiring was mostly in the age group below 30.

To learn more about performance management program, please access

The Itaú Business School is strongly committed to the full leadership qualification based on three pillars: people management, ethics and labor legislation. In addition to our in-house programs, we offer support actions for the ongoing leadership program, including attendance-based and remote solutions, such as online continuing education platforms (such as Veduca), scholarships to language, post-graduation and MBA courses, seminars, congresses and short-duration courses in Brazil and abroad.

The qualification strategy is focused on positions of leaders, and each program is aligned to each executive's career moment and to the individual development plan.

#### Special talent programs

In order to ensure the sustainability of our business we need leaders ready for future challenges. Based on this assumption we have programs to attract and develop our future leaders.

To fill the first levels of our hierarchy (analysts), our intern program offers hands-on experiences and a technical and a personal skill development cycle to enable our young professionals to change their academic knowledge into high performance. In 2014, 1,366 people were recruited to our Intern Program, and the average hiring rate is 58%.

## Compensation and incentives

#### Fixed and variable compensation

The purpose of fixed compensation is to acknowledge a professional's competence and seniority. Employees may have their fixed compensation changed in conformity with our promotion and merit policy,

The trainee program also supports the hiring process of these levels and its main strategy is to offer inputs and opportunities for an accelerated career development. The structure of this program enables the young professional to get to know the general context and the specificities of his/her performance by way of a structured job rotation and a specialist stage. To supplement the development of these young professionals, the program also includes a set of technical and behavioral training courses at the best schools in Brazil.

For leadership positions, being knowledgeable of state-of-the art practices and exchanging international experiences are essential for us to act in advance of the needs of our clients and of future challenges. Accordingly, we hire MBA students from the best business schools in the USA and Europe and sponsor high-performance employees to attend these universities.

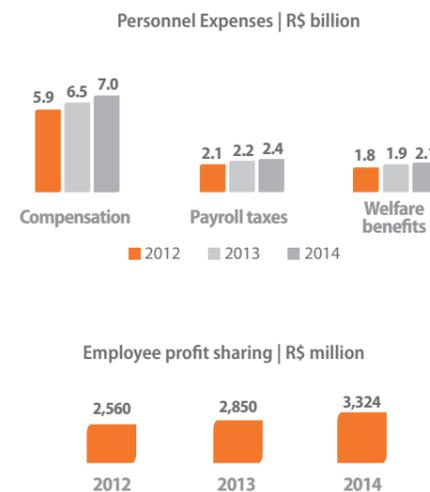
In addition to these initiatives, two other programs (job swap and expatriation) support our internationalization strategy. These are short-term (3 to 12 months long) and long-term (from 1 to five years long) programs to work at one of our foreign units.

which considers the individual's consistent performance in carrying out responsibilities. The fixed compensation of our employees, including charges and benefits, totaled approximately R\$11.5 billion in this year.

Variable compensation acknowledges the individual performance level, the financial result achieved by us and its sustainability in the short, medium and long terms. Each employee has targets to be achieved that are linked to the strategy of each department, which, in turn, reflect our overall strategy.

Our main variable compensation programs are:

- Profit sharing (PLR)
- Profit sharing (PR)
- Supplementary Profit Sharing Program (PCR)
- High Performance Compensation Program (PRADE)
- Differentiated Performance (PD)



#### Benefits

We offer a number of benefits provided for in the collective bargaining agreements we enter into with related unions. The agreements cover obligations such as our provision of allowance for meals, basket of staple goods, day-care/baby sitter for children and allowance for transportation, among others. These benefits are available only to active employees who work in Brazil.

We also provide a package of benefits with differentiated fees and discounts in banking products, partnership programs, health

care plans with a wide network of affiliated members, as well as other programs to improve the health and wellness of our employees, as follows:

- **Medical and dental assistance** – approximately 81,464 employees are enrolled in the medical care plan and 62,769 are enrolled in the dental care plan.
- **Private pension plan** – approximately 63% employees are enrolled in some pension plan. In 2014, we contributed with R\$110 million to our pension plans.
- **Education allowance** – 5,500 scholarships are currently allocated to our employees.
- **Collective life insurance**
- **Financial products and services with discounts to employees**
- **Drugstore allowance**
- **Itaú Unibanco Clube**
- **Mundo Itaú Unibanco partnership program**

#### Management compensation

Our Management Compensation Policy sets forth that of the total aggregate variable compensation paid to management members, at least 50% must be paid in shares or share-based instruments, and at least 50% must be deferred for future payment in a minimum period of three years.

The maximum amounts to be paid to Management are proposed by the Board of Directors and approved at our Annual Shareholders' Meeting.

**In 2014, we allocated R\$301 million to the members of the Board of Directors and Board of Officers.**

## Diversity, equal opportunities and inclusion

### Women



**60% % of employees**  
- 12.0% black  
- 2.3% disabled

### Men



**40% of employees**  
- 8.0% black  
- 2.2 % disabled

### Profile of our diversity

per job

Production **44.7%**  
Administrative **33.0%**  
Middle management **15.6%**  
Interns **4.6%**  
Apprentices **1.9%**  
Management **0.1%**  
Trainees **0.1%**

#### Diversity

Diversity is recognized and valued in our Culture. We believe that the best diversity practices contribute to the positive results in the work environment.

Our Valuing Diversity Policy describes how diversity practices should be present in the work environment. This policy comprises actions focused on facing discriminatory attitudes and practices and is guided by three basic principles:

- fair assessment of employees in view of their differences;
- diversity within the organization and
- implementation of policies and projects to value and encourage diversity.

We also have specific guidelines, such as the Policy for the Inclusion of People with Disabilities and the Apprentice Program, and we are developing a Human Rights Policy. Our initiatives are in line with voluntary commitments, such as the Global Pact and the Human Rights Charter of the Ethos Institute.

Our main goals are:

- consolidate training courses about diversity for leadership – 6,058 employees took part in the program;
- include the topic in corporate lectures– total of 8 lectures with 202 employees;
- administer the 2nd Diversity Census in partnership with FEBRABAN;
- review our intranet to add topics such as sexual diversity and women;
- train managers and teams that welcome a new employee with disabilities;
- include training for suppliers on attracting and recruiting, addressing the topic of racial inclusion, in partnership with FEBRABAN;
- increase the hiring of apprentices whose contract expires.

#### Our diversity profile

The challenge faced by diversity is to raise awareness to the wealth of opportunities generated for the personal and professional development of every one of us when we live together with differences. Benefits are reaped by simply having an individual attitude of interest and respect for others.

#### People with disabilities

Hiring people with disabilities is a practice we have supported for over ten years. Today, over 4 thousand employees with physical, hearing, visual or intellectual disabilities contribute to the organization's success with their talent and competence.

More than just responding to a legal issue, this attitude is an opportunity we have to assume the role of a transformation agent towards a topic that still presents difficulties to society. It means to have highly motivated professionals who are knowledgeable of the value of overcoming challenges. Our commitment goes well beyond inclusion: we want to offer real conditions for the improvement of these professionals.

#### Young Apprentice

The Young Apprentice Program is aimed at offering youths a welcoming and encouraging environment as their first job experience.

## Health, security and wellness

The purpose of the Occupational Safety area is to preserve health and comfort at the workplace, to ensure our employees' health and wellness. These topics are addressed by the Collective Bargaining Agreement, and in FEBRABAN's Occupational Health and Safety Subcommittee.

We highlight some activities carried out in 2014:

- Internal Accident Prevention Weeks (SIPAT);
- Inquiry into Accidents and Preventive Actions;
- Ergonomics Workstation Analysis and adjustment training;
- Environmental Survey;
- E-learning Training Safety Representative at the Workplace;
- E-learning Training Worker's Health and Safety;
- Environmental Risk Prevention Program.

#### Quality of life

We carried out some actions focused on health education, aimed at preventing diseases and providing advice on a healthier and balanced life style. These programs are intended for employees, families and the community, in certain cases.

We highlight some activities carried out in 2014:

- Nutritional care – we had 235 appointments in the first six months of the year;
- Gym – 6,932 participating employees;
- Check-up – 2,600 eligible executives;
- Women's Health Program– Approximately 2,372 participating female employees;
- Stay Ok Program – 828 in-person service;
- Emotional Support Program – 14 employees at the first group;
- Vaccination Against Flu – 51, 000 participating employees;
- Guidance on becoming ill at the workplace– 12 events held for 120 employees;
- Professional Readaptation Program – 1,836 participating employees.

Occupational Health and Safety	2013		2014	
	WOMEN	MEN	WOMEN	MEN
Injury Rate (TL)	1.29	0.84	1.69	1.15
Lost Workdays Rate (TDP)	480.94	303.12	400.04	247.01
Occupational Diseases Rate (TDO)	1.19	0.78	1.59	1.10
Absenteeism Rate (TA)	1.32	0.78	1.34	0.83

# Intellectual capital

## Scenario forecasting

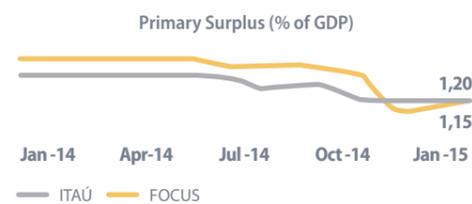
In 2014, the Itaú BBA macroeconomic survey team maintained a high level of service to our institutional clients, in Brazil and in Latin America. In this context, our goal is to promote a macroeconomic view that maximizes results so as to intensify our communication with clients and stockholders.

We made available in our Itaú BBA portal some specific publications on economic analysis. The results of these publications are shared with the market at several events, which are also attended by Latin American authorities such as BACEN chairmen, finance ministers, and chief economists.

### An eye on the market

Our projections for Brazil exceed market consensus – measurement disclosed in the BACEN Focus Report. In 2013 and 2014, we anticipated a major decline of the fiscal effort and signaled the projections for the foreign exchange rates, which put us among the Top 5 in the BACEN annual consolidated ranking. We also anticipated the IPCA (price index) acceleration trend seen in the second half of 2014 and we were in top positions in the short-term projection rankings disclosed by Bloomberg. We are also the organization that is most frequently included in the Top 10 ranking of Agência Estado.

Our projections for Latin America signaled a possible recession in the Argentine economy, with higher inflation rates and, also, the intention of the Central Bank of Chile to not implement new interest rate cuts, contrary to the market's expectations for more stimuli.



- Main Achievements in 2014:**
- 1st place in the Institutional Investor ranking for the second consecutive year.
  - Institution more frequently included in the Focus 2014 Top 5.
  - We served 395 foreign clients, ▲ 35.7% from 2013



Learn more about our economic analyses

## Brand

Our brand increasingly represents a positive transformation in the lives of people, of society, and of the country we want to promote. Our products and services, focused on our clients' needs, reflect our constant search to improve the experience of all of those who relate to us on a daily basis. Our financial education initiatives, which permeate the entire bank, seek to encourage people to have a healthier relationship with money. Our responsibility towards the development of Brazil is in the essence of our brand so that, in addition to the positive transformation inherent to our core business, we also invest in projects connected to education, culture, sports, and urban mobility.

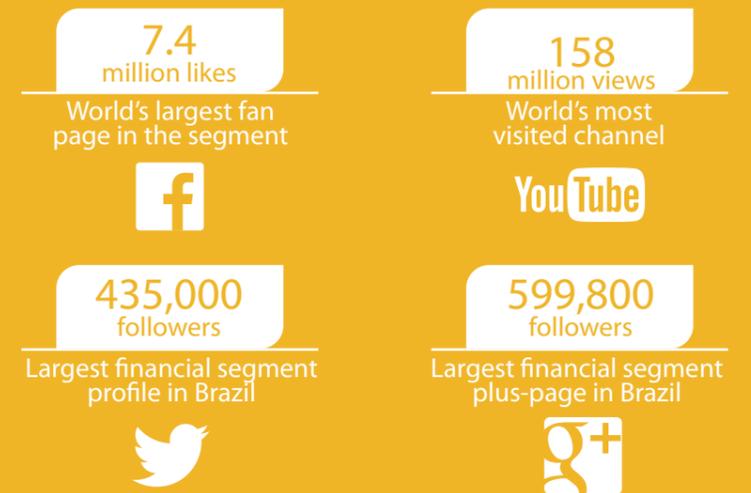
In 2014, we were the most valuable brand in Brazil for the 11th consecutive year, with an estimated value of **R\$21.7 billion**, according to the Interbrand consulting firm

We are the 21st bank in the world in market value, approximately **R\$72,4 billion**

The (#thischangestheworld) platform, launched in 2013 for the purpose of establishing a connection between our goal of changing people's world for the better, our causes and the many projects benefiting from our investments, was our theme for the 2014 institutional campaign once again.

A survey conducted in 2014 by the Oficina Sophia survey institute unveiled important findings for the brand: the users of the platform's initiatives help leverage our indicators. For example, among the people affected by any of our awareness campaigns for the platform, we identified a 27% better consideration perception and a 50% higher prestige (best bank).

Our representativeness is also present in the social media.



Our content strategy in the social media consists of a series of clips that show our viewpoint in specific Internet formats, which we post in our YouTube brand channel. We want to inspire people to believe in transforming attitudes by telling stories that encourage them to start positive changes. We have more than 158 million views and we are the largest brand channel in number of views in Brazil in all segments and the world's largest in the financial segment.

We maintain a special structure that monitors our social media profiles and interacts with the public in general and our clients about all issues related to Itaú Unibanco: doubts, suggestions, praise, and complaints. According to the monitoring platform of the agency Gauge, we had more than 1.2 million references in the social networks, and 68% of these comments were either positive or neutral.

We also maintained our 24/7 service via social media, with an average time of 6 minutes per first contact with the client.

### Reputation

We manage and monitor our reputation through a process involving seven dimensions and 26 specific attributes:

- Products and services
- Innovation

- Work environment
- Governance
- Citizenship
- Leadership
- Financial performance

### COMPETITIVE STRENGTHS

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

#### Premier banking brand in Brazil

We believe that our brands are very strong and highly recognized in Brazil, as they are associated with quality and reliability and, with our large product portfolio, help us maintain a low client turnover rate, especially among higher income clients. In 2014, our brand was elected by the Interbrand consulting firm “the most valuable brand” in Brazil for the 11<sup>th</sup> consecutive time.

#### Extensive branch network

Our branch network in Brazil and Latin America is strategically located in the most economically developed regions. Having our branch network in key economic regions gives us a strong presence and a competitive edge to offer our services to a broad range of clients and benefits us with selective market opportunities. Our exclusive ATM network—one of our competitive strengths—allows us to offer a wide range of products and services to our clients.

#### Diversified line of products and services

We are a multi-service bank that offers a diversified line of products and services that are designed to address the needs of our various types of clients: large, very small and small companies, retail clients, high-income individuals, private banking

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

#### Technology and electronic distribution channels as drivers for sales

Our intensive use of technology and electronic distribution channels, which has contributed significantly to increase sales of products and services, is one of our most important competitive advantages. We invest in technology because we believe that this way we can improve the world of our employees and clients. We prioritize our efforts in the development of platforms and services that use the best technology for the purpose of simplifying and making easier the lives of all our stakeholders by focusing on mobility and convenience.

Our sophisticated technology supports remote banking access (e.g., call centers, Internet banking, etc.) and allows clients to check statements and carry out transactions. In addition, our sales teams can access clients’ credit ratings directly through mobile phones and credit proposals can be sent over the Internet by any broker registered in our systems.

On December 31, 2014, our IT investments account for more than 78% of total investments budgeted for 2012 to 2015,

funded with our own resources. We expect to invest this total amount in data processing systems, purchase of software, system development and our new Data Processing Center built in the State of São Paulo. This Data Center, one of the largest in Latin America, was completed as planned, and the environment infrastructure configurations were successfully rolled out. We started migrating our systems and services, which should be completed in the second half of 2016.

Additionally, using our Uniclass and Personalité Digital online platforms, we expanded our model to allow our relationship managers to offer customized services to clients from 7 a.m. until midnight, from Mondays to Fridays.

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

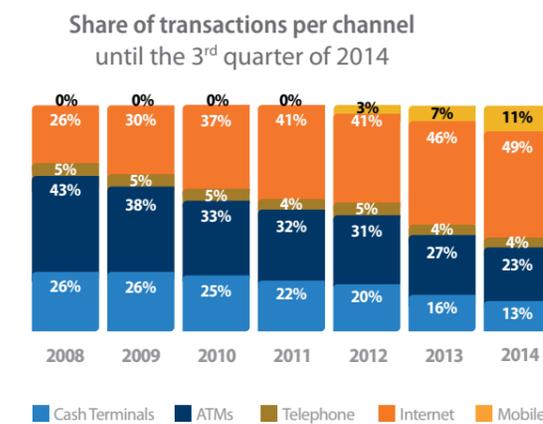
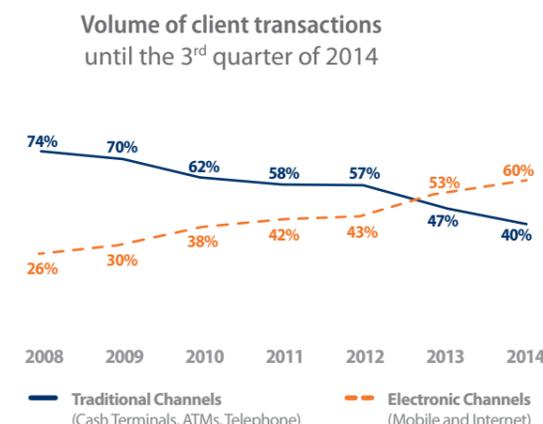
Our risk-based pricing model, as applied to our products, is an important competitive advantage, as it gives us a more precise dimension of the risk-return ratio in different scenarios. This is an essential tool to explore commercial opportunities and simultaneously manage risks. Depending on the product, each contract is individually priced using risk adjusted return on capital models that provides us with a better assessment of the relevant market.

## Information technology

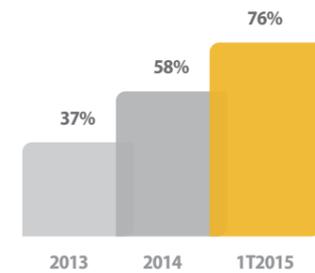
In line with our strategy to improve our business efficiency, new features have been made available in our digital channels, such as internet banking and mobile banking. Additionally, investments have been made to improve and create new tools to meet the expansion of these channels, providing quality in transactions in an agile, modern and safe environment. These new features and improvements include:

#### Digital Bank

The bank on the palm of your hand



### % of Remote Transactions



### Applications (Apps)

We made available to our clients a range of applications for several operations:

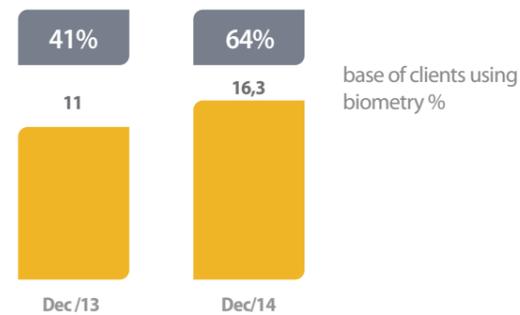


- App Itau
- App Itaucard
- App Itau Empresas

### Biometrics

The biometrics system enables registered clients to make banking transactions by using digital fingerprint identification, without the need for passwords, bringing more security and convenience. To use the biometrics system, the client needs just to register at any Itau Unibanco branch.

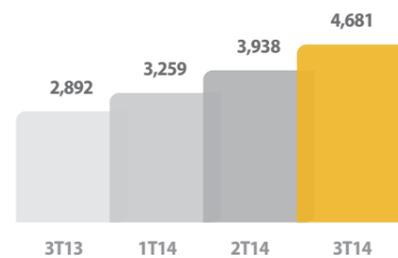
### Volume of client transactions | million



**16 million clients registered. Average 1 withdrawal per second**

### Withdrawals without using a card

Total in the quarter (thousands)



### Itau SMS #4828 (ITAÚ)

Checking account information, such as balance, bank statement or credit card bill is now faster and easier. We offer our clients a new free texting system, using the number #4828 (ITAÚ) to check and obtain information on real time.

#### Current Account

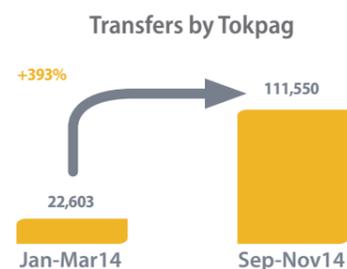
- Balance
- Statement
- Recharge of mobile

#### Credit Card

- Balance
- Limit
- Last entries
- Form
- Rewards Program
- Confirmation of payment
- Maturity date

### Itau Tokpag

Launched in November 2013, it is an innovative application that allows account holders to transfer money by using only the mobile phone number of the transferee, with the same ease and speed it takes to send a text message.



## Innovation and opportunities

How to think in the new, in the tomorrow, without neglecting today? An idea arises from a simple query. For us innovation should be an attitude understood and practiced by all.

We want a creative and entrepreneur environment, to foster the exchange of ideas and the search for new answers, seeking solutions that anticipate both ours and our customers' needs.

### Branches with differentiated service

These branches have a new visual identity and a new service proposal to offer a new service concept to clients and a differentiated layout inspired on a retail store layout. The branches located in shopping malls have extended service hours to add convenience for our clients. We have an extensive network consisting of branches, banking service centers and ATMs in Brazil and abroad.

### Personnalité Digital

We expanded our client relationship model, in which services are provided exclusively online. In this new platform, relationship managers offer customer service from 7:00 a.m. to midnight, Monday through Friday. Consultants specialized in investments, exchanges and mortgage are also available at that time period. Services may be provided by phone, SMS, video conferencing, chat or email.

### Virtual Insurance Store

In order to increase the supply to non-account holders and the presence of our products in electronic channels, we expanded the virtual insurance store, a pioneering company in the insurance market. Besides injury and residential insurance products, in the last quarter, we also made available a travel insurance product and intensified the marketing of these services in the digital media.

### iTempo

It is the platform ([www.itau.com.br/itempo](http://www.itau.com.br/itempo)) comprising our innovation and convenience services, providing more free time and convenience to our customers. The highlights of this platform in 2014 are:

#### "One Account" Itau

Launched in August 2013, this new account option for legal entities allows clients to customize their package of services, including number of receipts, types of money transfers, and number of deposits and checks covered. Our client may simulate changes and purchase services at any time as and when needed, always through the internet.

To learn more about branches with differentiated service, please access 

### Itau Entrepreneurial Women Program

In 2014, we implemented a partnership with IDB and IFC - The World Bank Group to offer products and services to businesswomen. Thus, we offered an exclusive R\$1 billion credit facility for small businesses managed by women, a platform that offers contents related to entrepreneurship, management tools, motivational video clips and the possibility of contacting the users.

In the project's pilot stage, 57,000 businesses led by women were involved. Also, as part of this initiative, we will test a credit rating tool based on the psychometric model. The main purpose of this action is to empower entrepreneurial women in Brazil that are growing in number and market share. We have made the decision to participate in discussion forums about gender inclusion and we have a representative in the Board of the Global Banking Alliance for Women and in the Women of Brazil group.

# Natural capital

## Social and Environmental Risk

The management of social and environmental risk aim to identify, measure, mitigate and monitor certain risks. Our social and environmental risk policy was revised considering the new criteria of the Central Bank of Brazil. Faced with this new policy, we developed specific social and environmental guidelines for each segment.

Our main social and environmental guidelines are:

- List of restricted activities;
- List of prohibited activities;
- Compliance with environmental licensing;
- Inclusion of environmental clauses;
- Specific rules for ensuring real estate guarantees.

We also provide specific social and environmental risk initiatives for our operations:

- Loans – One project was not approved because it was not in compliance with the Equator Principles
- Insurance – Our assessments include the Principles for Sustainable Insurance (PSI) guidelines
- Investments – Through Itaú Asset Management: we are signatories to the Principles for Responsible Investment (PRI); signatory investors to the Carbon Disclosure Project (CDP); and we manage social and environmental funds.

For a better management of the social and environmental risks, we make available the Social and Environmental Risk Committee - composed of the Risk, Legal, Credit and Collection and Sustainability areas.

### Social and environmental opportunities

We highlight our partnership with the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the National Economic and Social Development Bank (BNDES).

- US\$280 million to finance small and medium-sized companies complying with social and environmental practices;
- US\$600 million to finance clean energy projects;
- R\$876 for energy projects, financed with our resources.

### Climate changes

We seek to incorporate climate change variables into our business, managing risks and developing solutions for a rational and efficient use of natural resources.

Plans to adjust to climate changes (response plans for threats to climate changes) have been developed to minimize possible impacts on business continuity. We conducted studies on a number of the economy sectors, considering the impacts and the climate uncertainties on production and, consequently, on commodities prices, assisting in the decision-making process.

To learn more about our social and environmental risk policies, please access

To learn more about our social and environmental opportunities, please access

## Eco-efficiency and environmental management

In our Sustainability Policy we introduced guidelines on the mitigation of direct impacts, such as energy, materials, and water consumption and emissions. Our main objective is always to optimize the use of these

resources. All our social and environmental initiatives consider four pillars: ■ The costs of implementing; ■ Availability; ■ Performance; and ■ Eco-efficiency gains.

We present below our eco-efficiency and environmental management main initiatives:



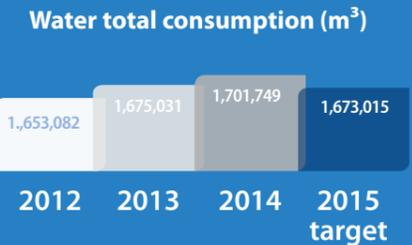
Water

To learn more about our water management, please access

Brazil faced a great challenge in 2014: to maintain the growth of the country's largest metropolis, with higher population density, and at the same time develop actions to face a water crisis. Water shortage already affects a number of Brazilian regions.

To mitigate risks in emergency situations, we developed a business continuity contingency plan.

The different initiatives implemented to use reclaimed water resulted in annual savings of 71.389 cu. m, equivalent to an expense of R\$1.03 million. Additionally, with the start of the Data Center operations, several actions will be taken to reduce water consumption.



2015 challenges: In addition to the specific targets for the branches and administrative centers and the specific actions for the Data Center, we developed a new consolidated goal that will assess the water consumption efficiency by the number of customers. In 2015, our target for water consumption is 1,673,015 m³.

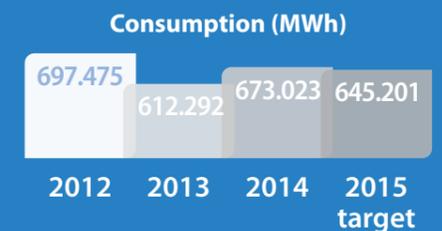


Energy

To learn more about our energy management, please access

Despite the administrative buildings and branch network reductions of energy consumption, there was an expected rise in energy consumption. This is due to the start of the Data Center operations, despite the LEED Silver certification. During the transitional period, set for 2015 and 2016, there will be greater energy consumption due to the operation in parallel with other Data Centers. The discontinuation of two Data Centers is planned for 2015.

The several monitored initiatives implemented to reduce energy consumption achieved annual savings of 10,601 MWh, equivalent to an expense of



R\$2.3 million. Furthermore, with the start of the Data Center operations, a number of actions will be implemented to reduce energy consumption.

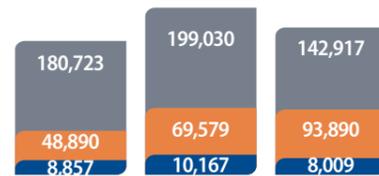
2015 challenges: The expansion of our operations and the new Data Center will require higher consumption of energy and water. Through operational efficiency processes, our 2015 consumption target is 645,201 MW/h.

## Emissions

To learn more about our emissions and transport management, please access

Annually we disclose the performance on the management of our emissions of greenhouse gases through the inventory of the Brazilian GHG Protocol Program.

The several monitored initiatives implemented to reduce emissions achieved an annual reduction of 27,011.22 tCO<sub>2</sub>e, equivalent to an R\$37.2 million expense. In addition, initiatives focused on Transport, such as the use of videoconference meeting rooms, for example, provided savings of R\$36.1 million in the period.



■ Direct emissions - Scope I ■ Indirect emissions - Scope II ■ Other direct emissions - Scope I

2015 initiatives: We are improving the control coverage with document management as a specific area, awareness campaigns on mobility, monthly newsletters to managers, in addition to a taxi sharing project.

We highlight two waste reduction initiatives: lamp reverse logistics deployment in administrative centers, which will provide annual savings of R\$195 thousand and sustainable disposal of electronic waste, which reached 6,761 tons in 2014.

2015 challenges: Our challenge is to reduce by 0.5% the waste volume to landfills from administrative buildings.

## Waste

To learn more about waste management, please access

Our management follows the lower generation and better waste disposal assumption. Management is segregated between Administrative Centers and Branches. In our branches, the waste is collected by the public collection service and 100% of electronic waste is destined to sustainable disposal. On the other hand, in the administrative centers the focus was to reduce the waste destined to landfill. In addition, we have a separate collection systems in our main administrative centers.

Itaú Asset Management has been a signatory of the PRI since 2008 and, since then, it has been developing strategies that seek to address the impacts for investors and support the other signatories to include these issues in their decision-making processes. To this end, it has developed a methodology to integrate environmental, social and governance (ESG) issues in the evaluation process of the companies

that are part of the actively managed variable income funds. Currently, all of the companies listed in the Bovespa Index and the ISE have been evaluated using this methodology. In 2014, we expanded the use of this methodology to integrate ESG issues in the evaluation of fixed-income corporate securities. Currently, 50% of the securities included in our portfolios are covered by this methodology.

# Manufactured capital

## Geographic coverage and new markets

Our branch network also operates as our marketing and distribution network for all products and services we offer to our clients. The customer site branches are the result of an initiative designed to adapt our services to our customers' routine. We intend to extend this model to trade centers in Brazil in the next few years.

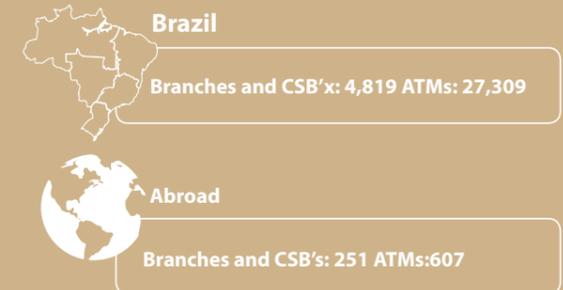
Our customers may conduct almost all account-related transactions through ATMs. Our biometrics enables clients to carry out transactions with fingerprint identification, without typing a password, providing more security and convenience.



To learn more about our ATMs, please access



To learn more about our branches, please access

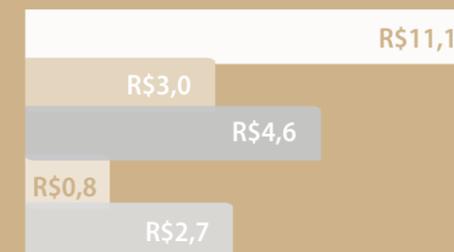


## Technology center

On January 27, 2012, we announced the construction of a new technology center in the state of São Paulo.

Total R\$11.1 billion invested in technology, innovation and services from 2012 to 2015.

### Investments in the Data Center



■ Total ■ Data processing ■ Development system  
■ Acquisition softwares ■ Data processing

Our brand-new Data Center was delivered in accordance with the planned schedule and the IT infrastructure was successfully implemented. We started the implementation and migration of our technology systems and services among our Data Centers in the fourth quarter of 2014. The completion of this state is scheduled for 2016.

This new Data Center has already been granted the Tier III Plus and Lead certifications, which shows our

Processing capacity  
**16 times** higher

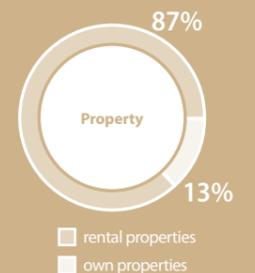
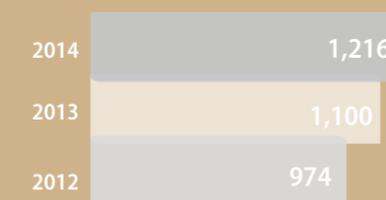
Data storage capacity  
**25 times** higher

Capacity of up to **24,000** on-line transactions per second

## Administrative centers and offices

Our administrative centers cover a total area of 355,343 m<sup>2</sup>.

### Rent expenses | R\$ million



commitment to business availability and sustainability. Built with the ultimate technology, and specially projected, this complex will promote the expansion of our business, provide more promptness, agility and customer satisfaction, and will support our growth until 2050.



To learn more about our Data Center, please access

# Independent auditor's limited assurance report on the 2014 Integrated Report

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

## Introduction

We have been engaged by Itaú Unibanco Holdings S.A. ("Itaú Unibanco") to present our limited assurance report on the compilation of the selected information related to 2014 Integrated Report for the year ended December 31, 2014.

## 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 2014 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 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 2014 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 2014 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 2014 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 2014 Integrated Report.
- (d) comparing the financial indicators with the financial statements and/or accounting records.

The limited assurance engagement also included tests to assess compliance with the criteria and guidelines of the structure of preparation applied in the preparation of the information included in the 2014 Integrated Report.

The selected information subjected to our limited assurance report, for the year ended December 31, 2014, are included in the following sections:

On section Highlights:

- Corporate events and partnerships;
- Equity Composition;
- Income in 2014;
- Performance Indicators;
- Net Interest Income;
- Non-interest expenses;
- Loan Operations;
- Service, insurance, pension plan and capitalization; and
- 2014 earnings per share.

On section Sustainability:

- Sustainability governance and management;
- Assessment and development of products and services; and
- Awards and recognition.

On section Our business:

- Net income per operating segment in 2014;
- Net banking product per operating segment in 2014;
- Total assets per operating segment in 2014; and
- Focus on Latin America – Total Assets.

On section Our share:

- Ownership structure.

On section Business model:

- Amount distributed in 2014;
- Net income;
- Funds raised in 2014; and
- Management of material matters.

On sections Capitals:

- Loan portfolio per maturity, economic sectors and largest debtors;
- Portfolio mix;
- Portfolio quality: Allowance for Loan Losses and Default Rate;
- Capital management: Basel ratio, regulatory capital, common equity, Tier II Capital and RWA;

- Diversification of income: Composition of banking service fees;
- Ethics and Ombudsman services;
- Speak Frankly;
- Information security;
- Client's privacy;
- Political campaigns and donations
- Management of suppliers and supply chain: Purchase of goods and services, suppliers approval process, monitoring and transparency;
- Performance management program and People Strategic Planning (PEP);
- Retention and Development of people: Turnover rate and training;
- Compensation and incentives: Benefits;
- Indicators of diversity in people management;
- Management of environmental projects;
- Environmental management: Water, energy and emissions;
- Resources invested in CTMM; and
- Rent expenses;

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

#### Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the information included in the 2014 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 2014 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 2014 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 24, 2015.

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

**Washington Luiz Pereira Cavalcanti**

Contador CRC 1SP172940/O-6

# Your participation is fundamental

In 2013 we started the search for a more integrated communication, one that would meet the needs of our strategic audiences. We improved our engagement with stakeholders. We expanded our many relationship channels and made an exclusive channel available for integrated reporting. By means of such initiatives, we assessed all comments and feedbacks on the 2013

edition and incorporated some of them into 2014.

As part of our integrated reporting engagement process, we contributed with some lectures, presentations and academic researches in institutions and universities in the State of São Paulo.

We highlight some comments on our report:

"As knowledgeable about the matter, I rate the Itaú Unibanco's Integrated Report as among the three best reports in the world" Professor Nelson de Carvalho, PhD, Professor at the University of São Paulo

"Congratulations for the pioneering spirit and initiative. The report seems to me very well structured and true to the framework for integrated reporting. My compliments, I can only imagine the dedication it took for you" Ms. Sandra Guerra, Chairman of the Brazilian Institute of Corporate Governance (IBGC).

"In the first year of the Integrated Reporting, Itaú Unibanco has been in conformity with practically all items, but for completeness". Ms. Vitória R. N. Boldrin. Extract from masters' thesis: "A Sustentabilidade nos Relatórios da Administração (sustainability in management reporting) - Itaú Unibanco - 2009 to 2013 Case".

"I thought the English version one of the best I have ever seen in the world. Nevertheless, you still need to improve the materiality issue" Paul Druckman - CEO of IIRC.



#### Please state your opinion

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



