



Itaú Unibanco

Itaú BBA's 13th Annual Latam CEO Conference in NY

Candido Bracher

2018

Agenda

1. **About us**
2. **Context and Results**
3. **Future**



About us

Who we are

We are a universal bank, with 94 years of history

1Q18 Key figures

Market Cap R\$333.6 billion	Total Assets R\$1,524 billion	Total Loans R\$601.1 billion	Recurring ROE 22.2%
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Operations in Brazil and abroad

4,976
branches and
CSBs

99,618
employees

47,086
ATMs



We are a Brazilian company operating in 19 countries, 9 of which are in Latin America.

OUR VISION

To be the leading bank in sustainable performance and customer satisfaction.

OUR WAY (CULTURE)

1. It's only good for us if it's good for the client
2. We're passionate about performance
3. People mean everything to us
4. The best argument is the one that matters
5. Simple. Always
6. We think and act like owners
7. Ethics are non-negotiable

OUR BRAND

Estimated Value

R\$28.2 billion

the most valuable Brazilian brand¹ for the last 14 years

¹According to the Best Brazilian Brands report, published by Interbrand, a global leader in brand consultancy.

Universal Bank

RETAIL BANKING

RETAIL AND REAL STATE CREDIT

4,451 branches and client service branches and 45,891 ATMs in Brazil;

Premier banking brand in Brazil;

Strategically positioned for **growth in mortgage market** (partnerships with Lopes).

CREDIT CARD AND CONSUMER FINANCE

Approximately **30.7 million credit card accounts** and **26.7 million debit card accounts**;

Leader in Brazilian credit card market, extensive number of joint ventures and partnerships with retailers.

VEHICLES

Total portfolio for individuals of **R\$14.3 billion**;

Lease and finance through **over 10 thousand dealers**;

INSURANCE OPERATIONS

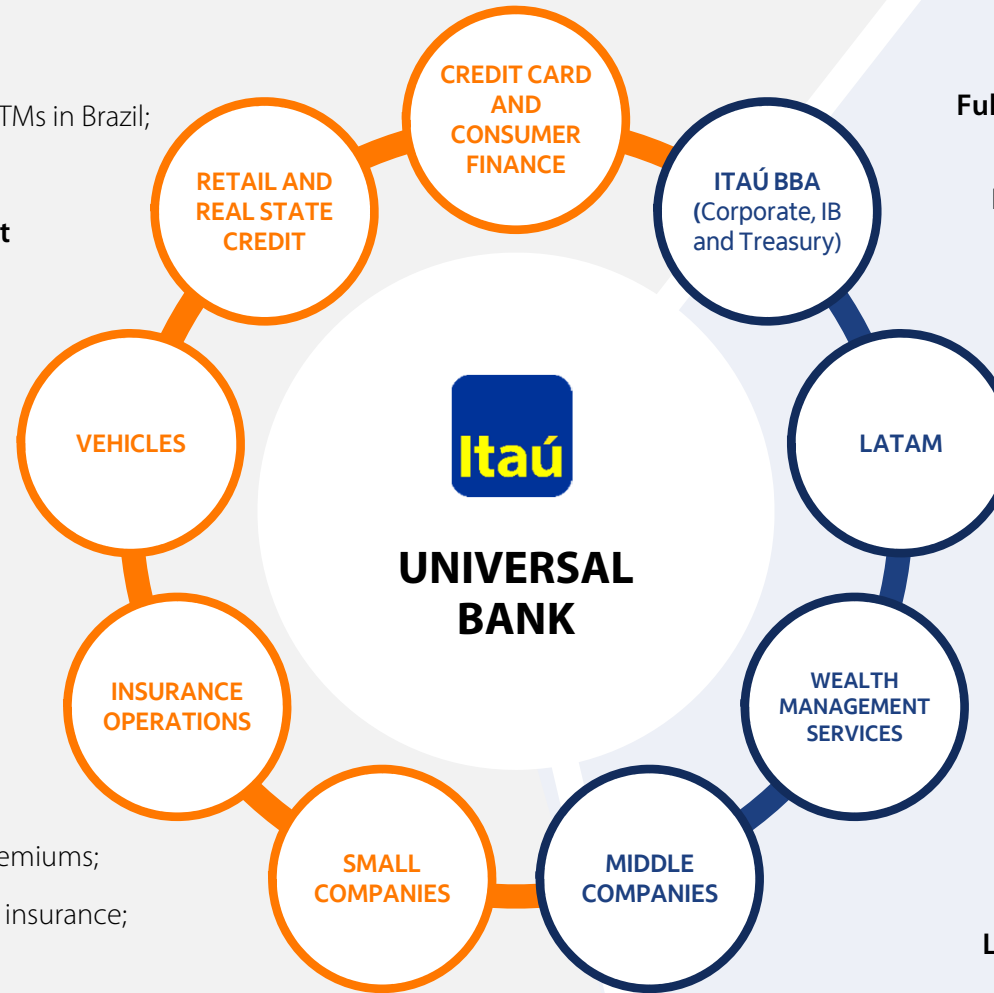
One of the largest players in Brazil based on direct premiums;

Association with Porto Seguro for auto and residential insurance;

1Q18 net income: R\$682 million.

SMALL COMPANY

Small and Medium Enterprises with annual sales up to R\$30 million;



WHOLESALE BANKING

ITAÚ BBA

Full coverage of corporate clients with annual sales above R\$ 200 million;

Leadership in IB products with top positions in major league tables;

Treasury operations for the conglomerate.

LATAM

Purpose: to be recognized as **"The Latin American Bank"**;

Retail presence in Latin America (ex-Brazil): Argentina, Chile, Paraguay, Uruguay, Colombia, Panama.

WEALTH MANAGEMENT AND SERVICES

Total assets under administration of approximately **R\$1,027 billion**;

Leader in Private banking services in Latin America.

MIDDLE COMPANY

Corporate clients with annual sales from R\$30 million to R\$200 million.

A History of Successful Strategic Deals ¹



(1) Includes mergers, acquisitions, joint-ventures and partnerships.; (2) Pending Regulators approval.

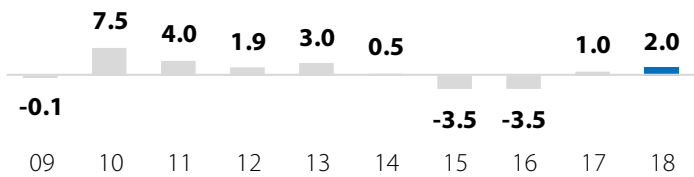


Context and Results

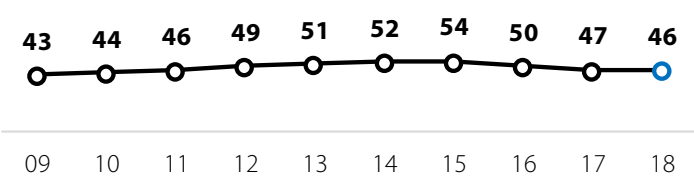
Macroeconomic history and our strategy

A quick view on Brazilian economic cycles and how we have acted over time

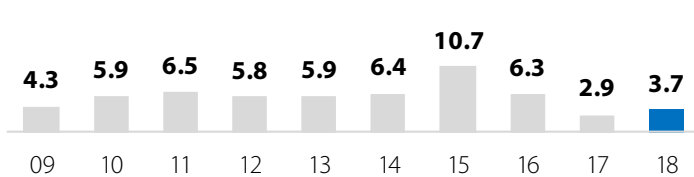
GDP Brazil - %



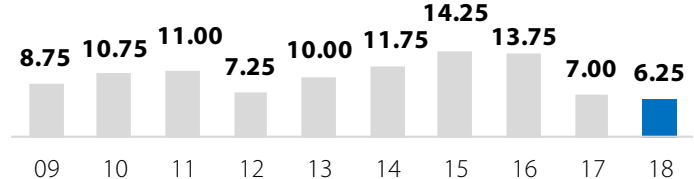
Credit Evolution / GDP - %



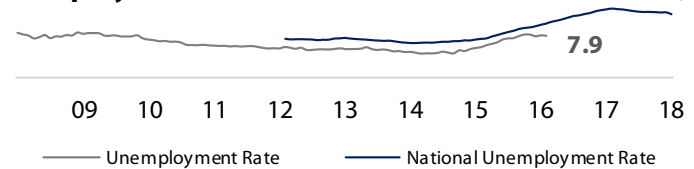
IPCA (Consumer Price Index) - %



SELIC - Interest Rate - %



Unemployment - %



■ estimated

Brazilian Economy

- Strong GDP growth;
- Real Appreciated;
- Resumption of credit growth after the global financial crisis;

- Recession years - GDP Decreases
- Low credit growth
- High inflation
- Increase in unemployment
- Increase in interest rates
- Real depreciated

- First signs of improvement in the macro scenario
- GDP starting to pick up
- Low inflation rates
- Low interest rates
- Unemployment starting to show positive data

Dec 2009 - 2013

2014 - 2016

2017

Itaú Strategy

Business Model Review¹

Dec 2009 – 2012

2012 – 2017

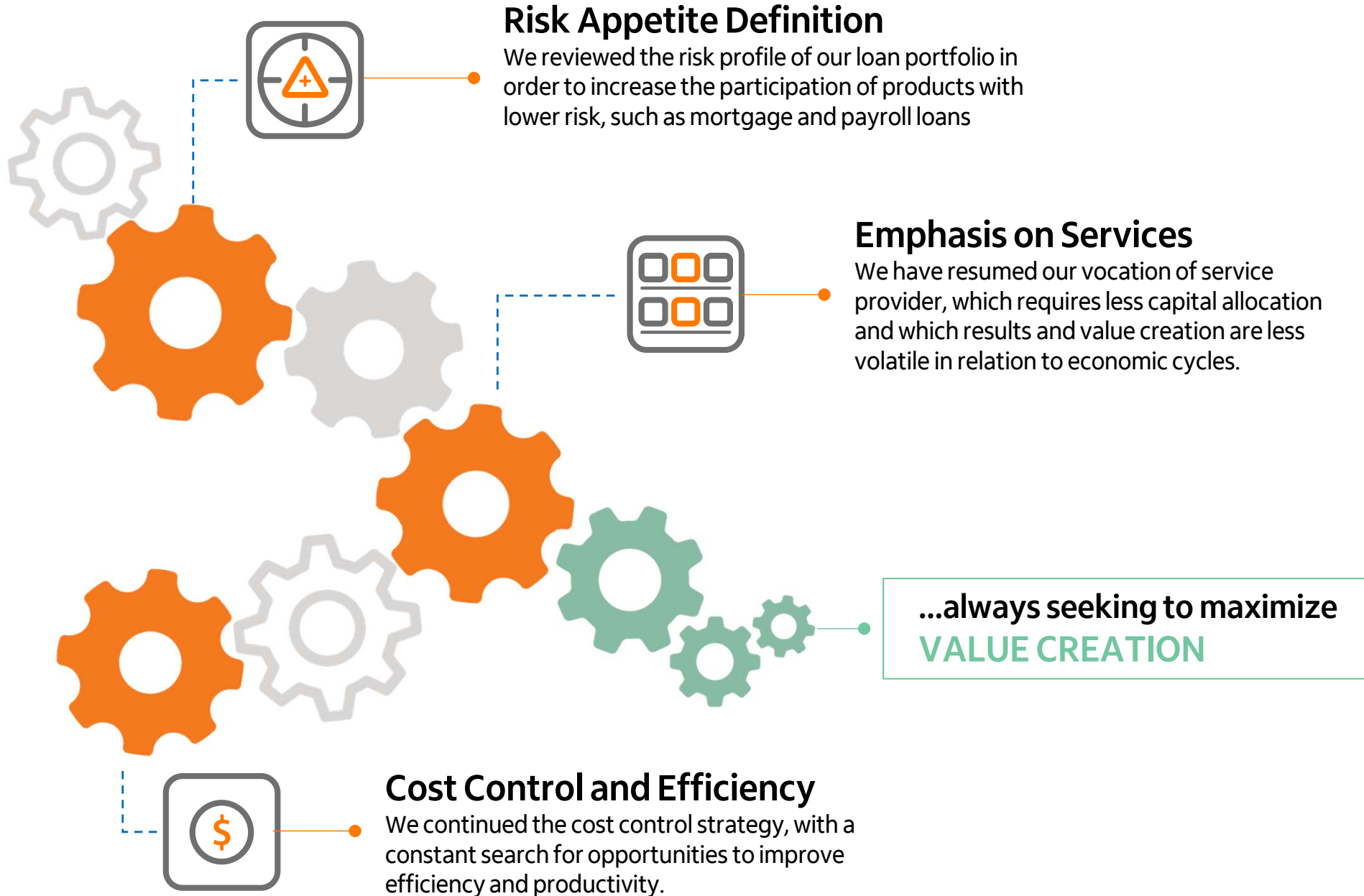
- Strong Credit Growth

Delinquency ratios increase in the vehicle and SMEs portfolios

- Low Credit Growth /Credit Contraction
- Corporate Delinquency Cycle

(1) Definition of strategic pillars: change in our risk policies and definition of our Risk Appetite, focus on insurance and services and continuous focus on cost control/efficiency.

2012 – Business Model Review - Strategic Pillars



2009-2017

Itaú Unibanco Brazil

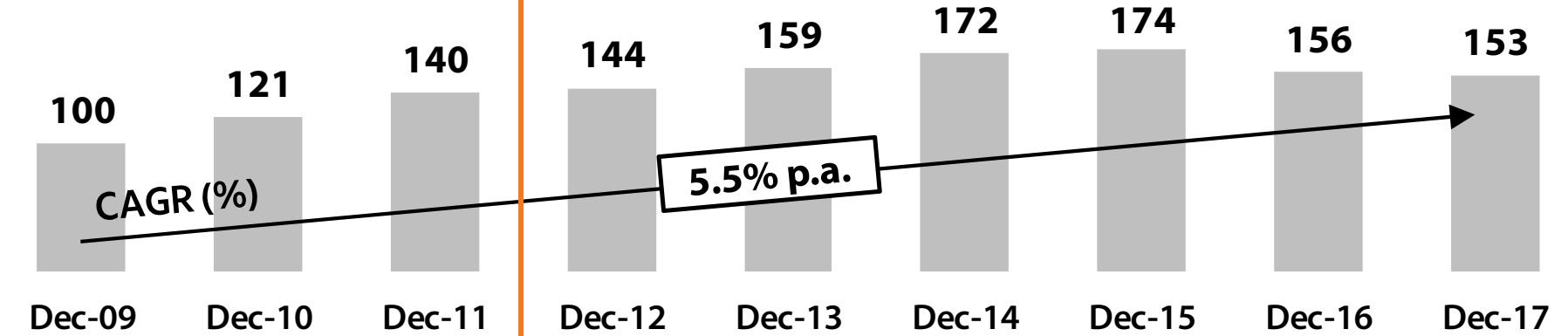
Business Model Review

Economic growth led to increase in credit portfolios

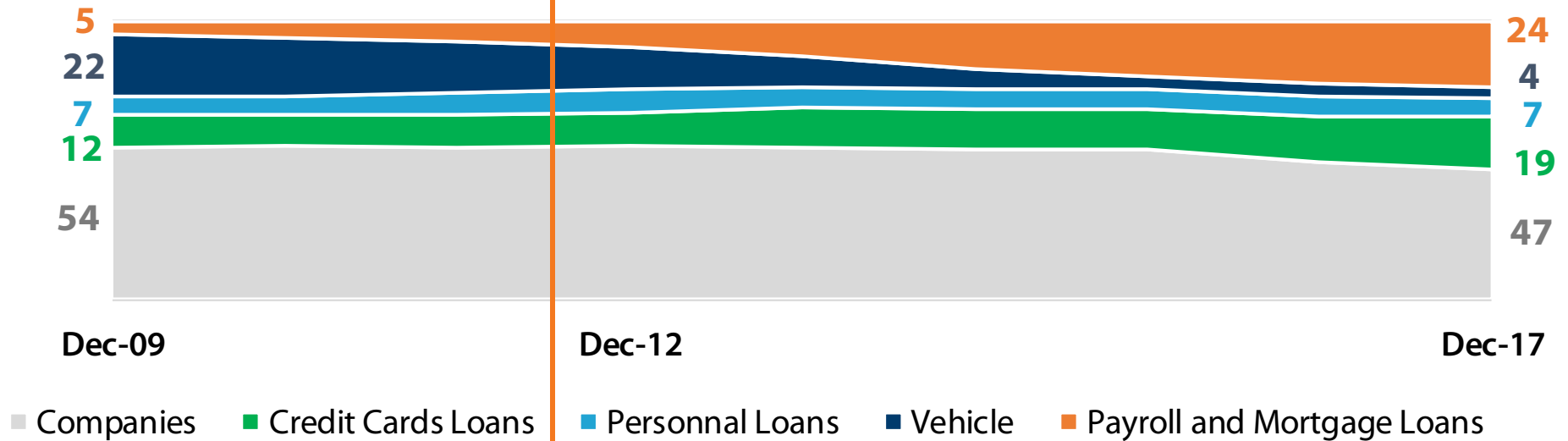
We started to focus on lower-risk-assets

Loan Portfolio Growth

(Base 100 = Dec-09)



Loan Portfolio Mix - %



2009-2017

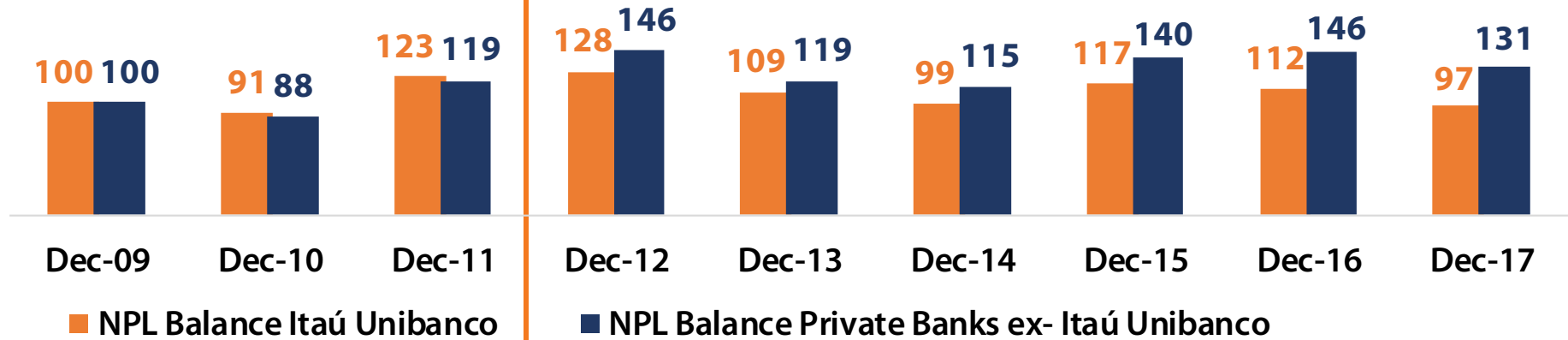
Itaú Unibanco Brazil

Business Model Review

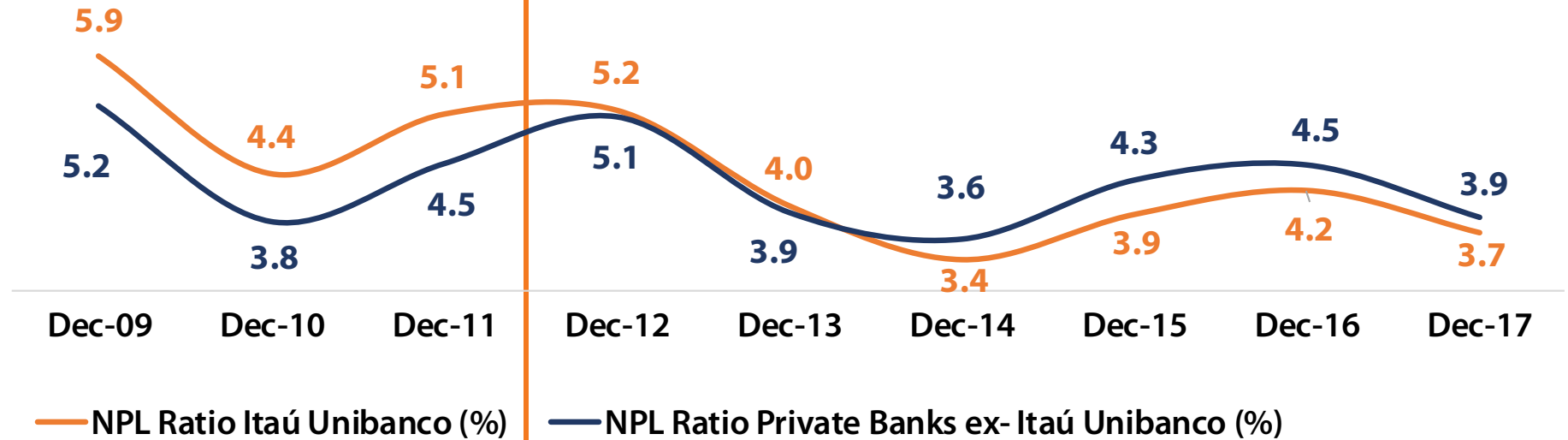
Despite the challenging scenario, our strategy allowed credit quality to be under control...

NPL Balance Growth

(Base 100 = Dec-09)



NPL 90 Ratio - %

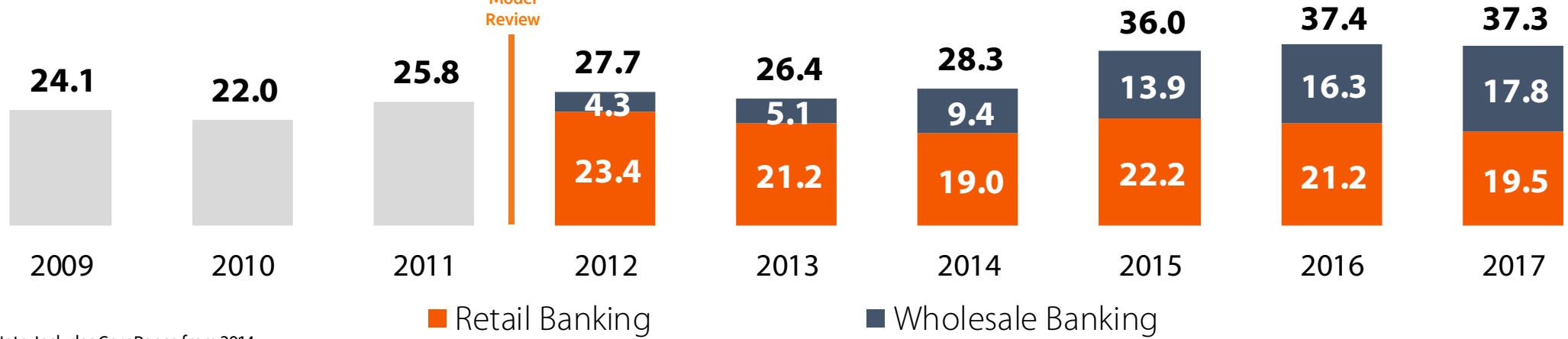


2012-2017: ... and prepared our balance sheet for a riskier environment, specially in the corporate segment

In R\$ billions

Total Allowance for Loan Losses

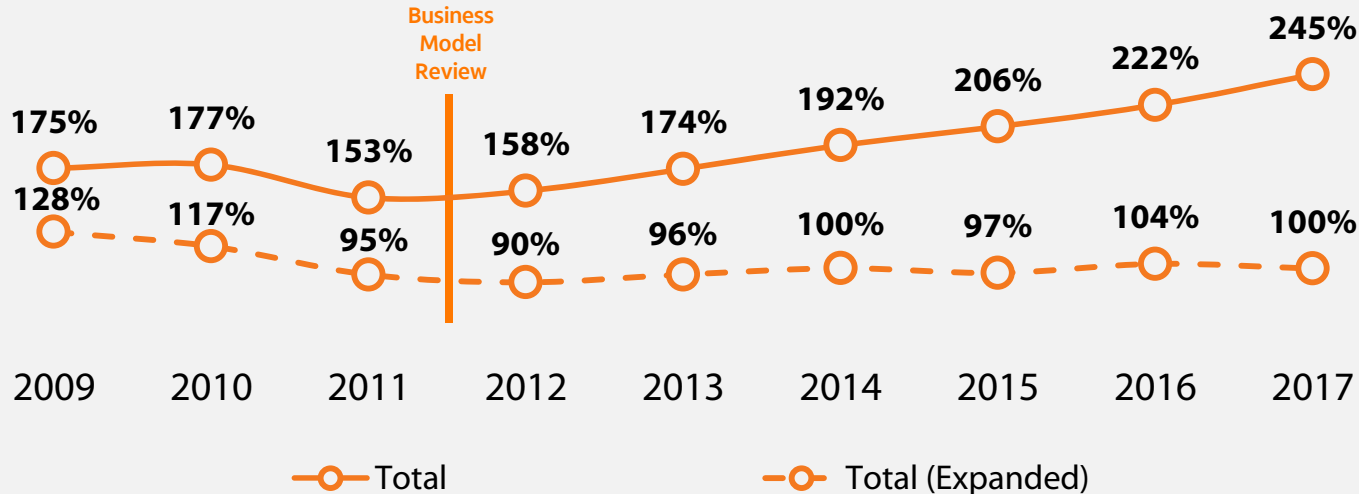
Business Model Review



Note: Includes CorpBanca from 2014.

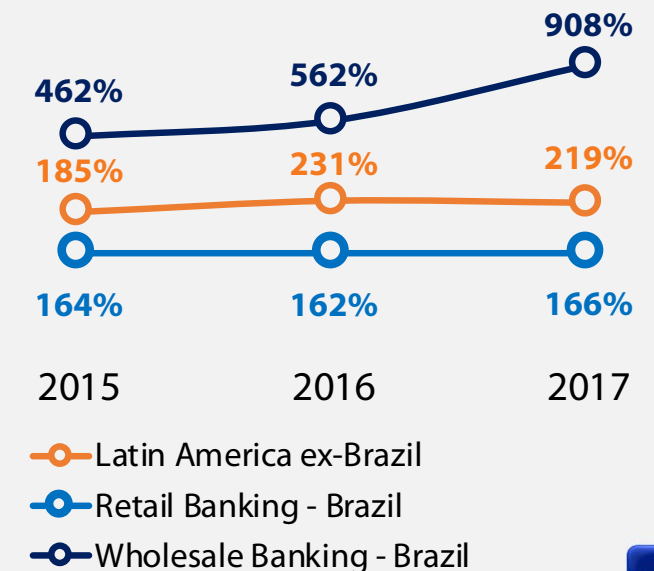
Coverage Ratio and Expanded Coverage Ratio

Business Model Review



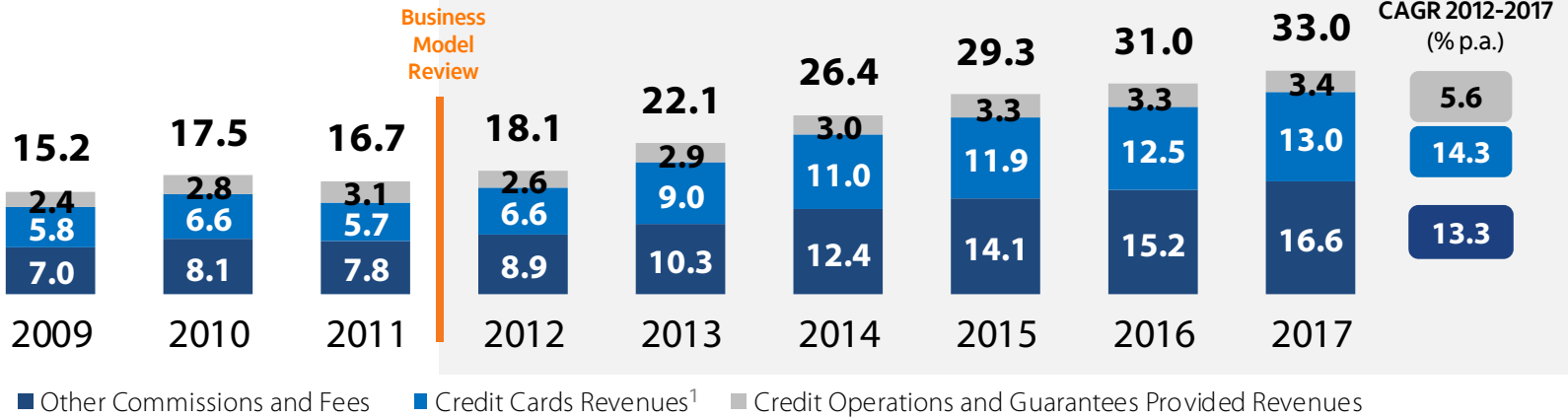
Note: Coverage Ratio includes CorpBanca from 2014 and Expanded Coverage Ratio include CorpBanca from 2016.

Coverage Ratio



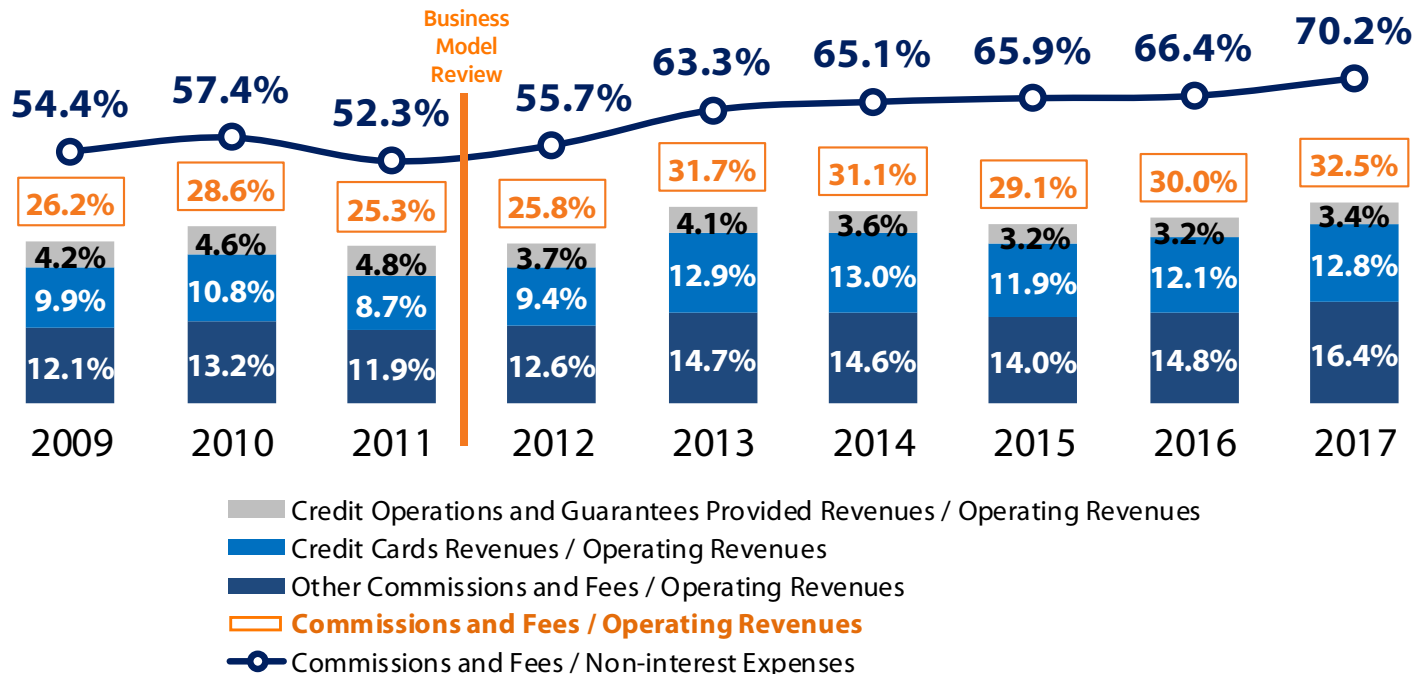
2012-2017: Emphasis on Services – focus on less volatile revenues...

Commissions and Fees



- less capital allocation
- less volatile results with value creation regardless of economic cycles.

Commissions and Fees and Operational Coverage Ratio



▲ **82.0%**
Commissions and Fees between 2012 and 2017

70.2%
Operational Coverage in 2017
the highest level since the merger between Itaú and Unibanco.

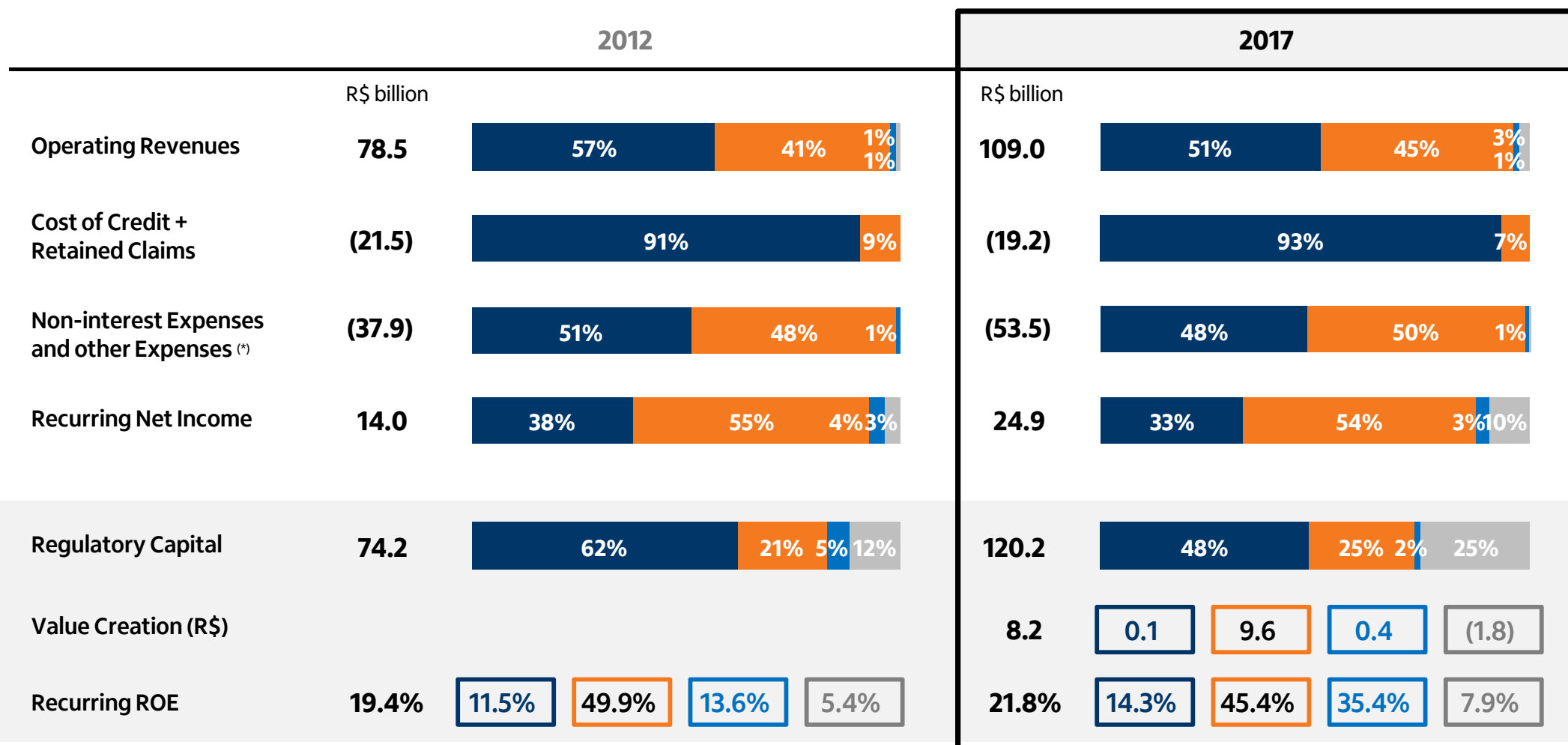
(1) Includes issuance and acquiring activities.

Note: Operating Revenues do not include Result from Insurance Operations. Includes CorpBanca from 2014.

Business Model based on value creation

The fundamental concept of value creation considers not only our operating or financial expenses, but also the cost of capital allocated to each activity, seeking to remunerate it adequately.

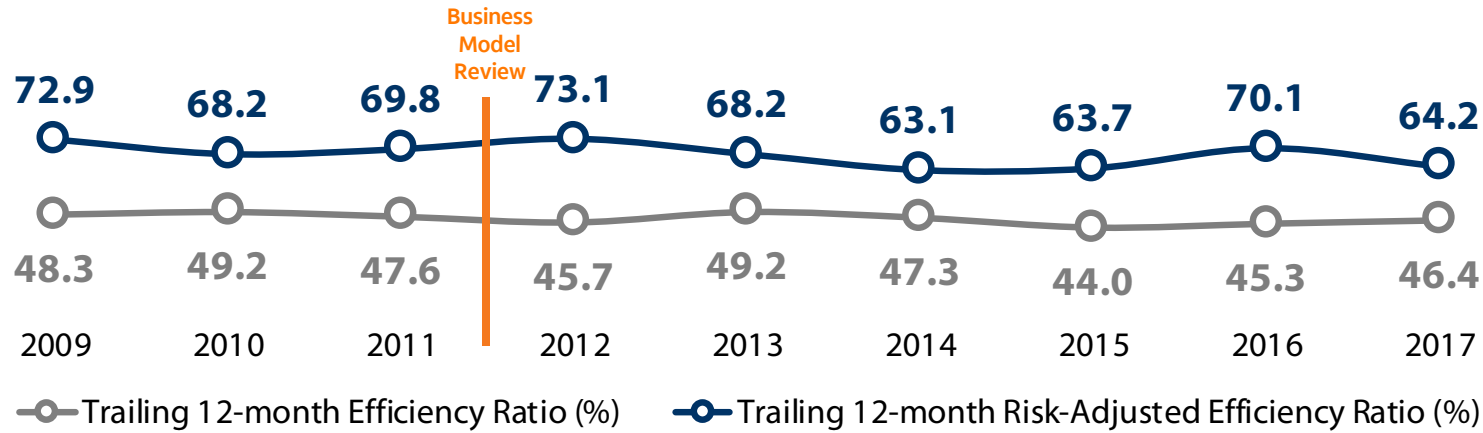
■ CREDIT ■ INSURANCE AND SERVICES ■ TRADING ■ EXCESS CAPITAL



* Include Tax Expenses (ISS, PIS, COFINS and other), Insurance Selling Expenses and Minority Interests in Subsidiaries.

2012-2017: Cost control as a continuous pursuit of efficiency...

Efficiency Ratio (%)



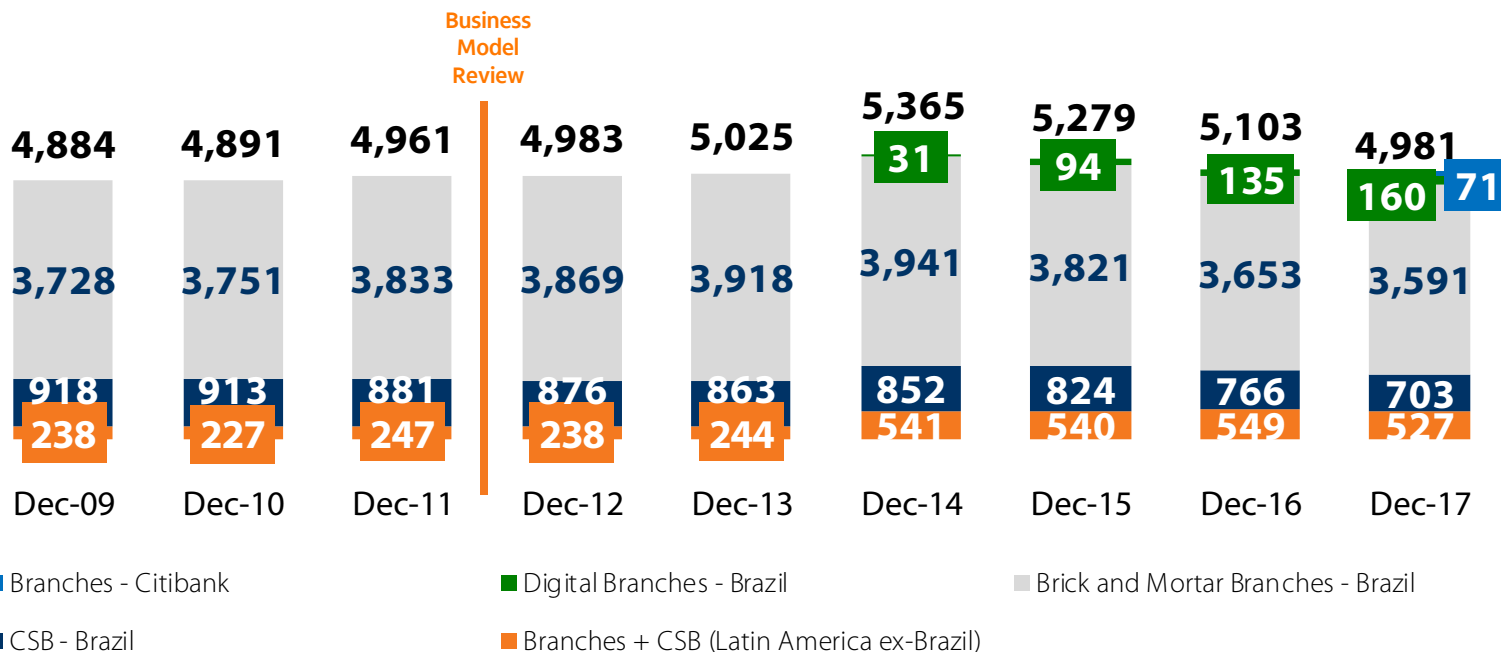
Non-interest Expenses in Brazil

2012: R\$32 Bn 2017: R\$41 Bn

CAGR 12-17: + 5.4% p.a.
Inflation 12-17: + 6.4% p.a.

(1) Considers the consolidation of 100% of Redecard in 2012

Branches and Client Service Branches



Focus on efficiency

has been a high priority in the bank for some years;

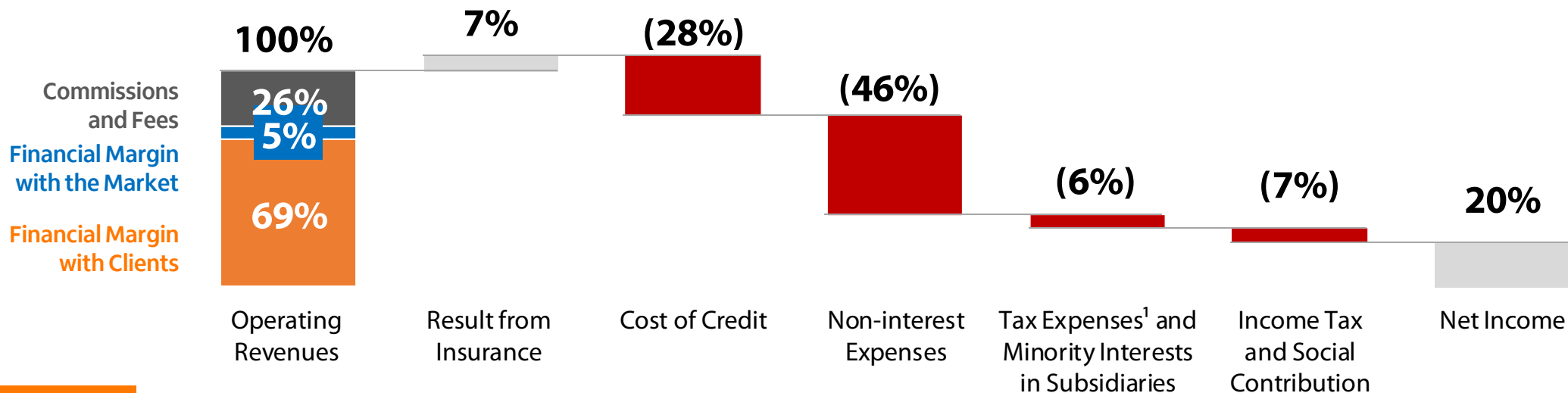
Digital transformation

The process of digital transformation we are going through generates several gains, as we have been able to reformulate processes and offer quality products at a lower cost.

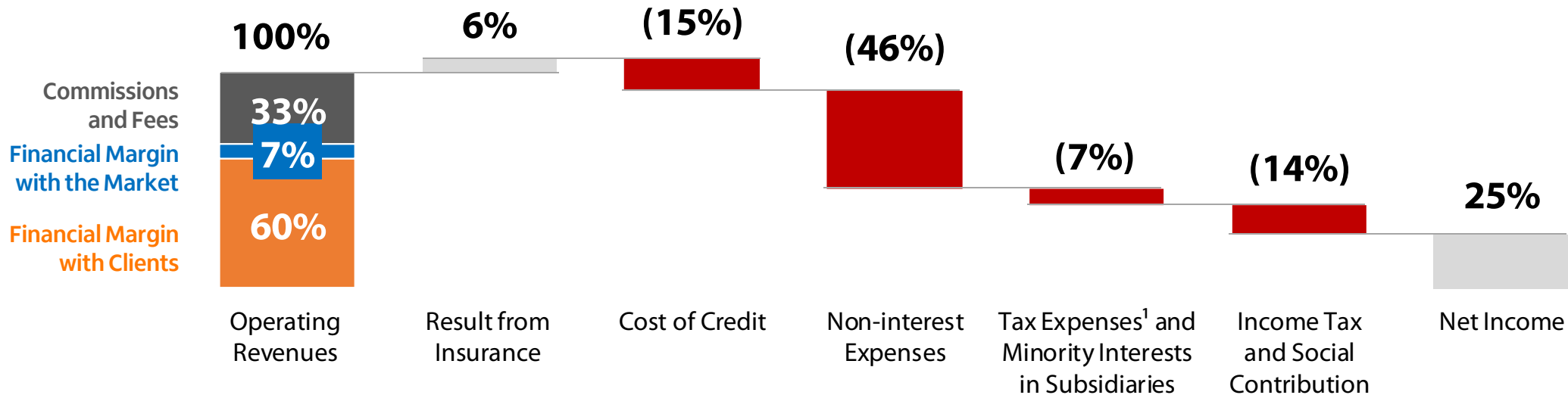
Note: Includes CorpBanca from 2014.

P&L Composition

2012



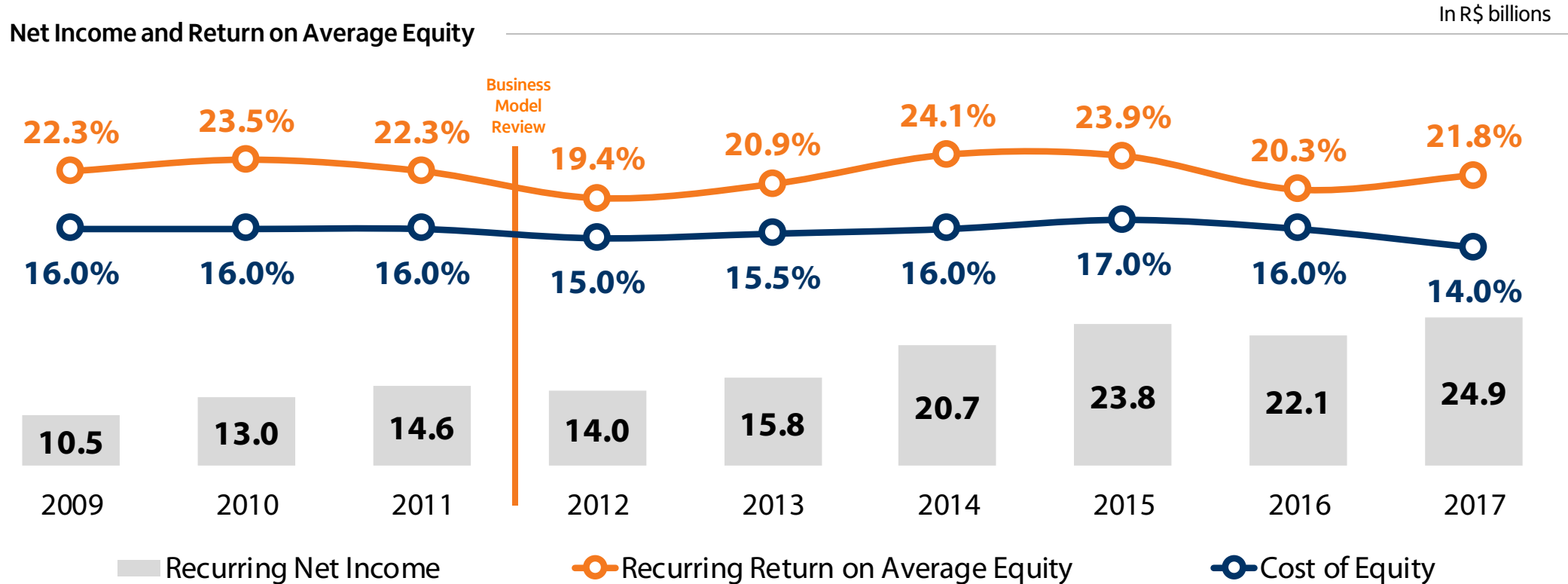
1Q18



Note: Result from Insurance includes the Results from Insurance, Pension Plan and Premium Bonds Operations net of Retained Claims and Selling Expenses.

(1) ISS, PIS, Cofins and Other Taxes.

The implementation of this strategy was a fundamental element of our performance...



Note: Includes CorpBanca from 2014.

The strategy was also key for **creating value above the cost of capital for our shareholders**, even in an adverse scenario for credit operations, such as in the last credit cycle.

Net Income
2009 x 2017

CAGR: ▲ **11.4% p.a.**

... and allowed the maintenance of a solid capital base.

In order to **manage capital efficiently**, aiming at creating value to our shareholders, we intend to:

Maintain the practice of paying dividends and interest on own capital at 35% of net income

(however we excluded the maximum limit previously determined at 45%).

Set forth, through the Board of Directors, the total amount to be distributed each year considering:

our capitalization level, the minimum Tier 1 Capital of 13.5% (this ratio must be composed of at least 12% of Core Capital), the profitability in the year, expectations of capital use and changes in tax legislation.

Total Payout simulation

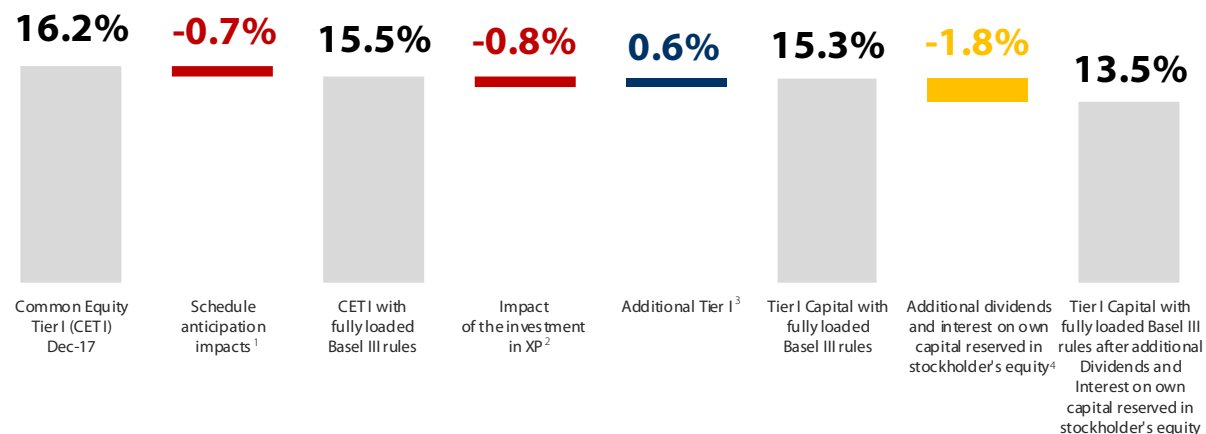
to keep Tier I Capital at 13.5% under different return and growth scenarios, assuming no acquisitions or change in capital requirements

		ROE				
		15.00%	17.50%	20.00%	22.50%	25.00%
RWA Growth	5.00%	65 – 70%	70 – 75%	75 – 80%	80 – 85%	85 - 90%
	10.00%	40 – 45%	45 – 50%	50 – 55%	55 – 60%	60 – 65%
	15.00%	35%	35%	35 – 40%	40 – 45%	45 – 50%

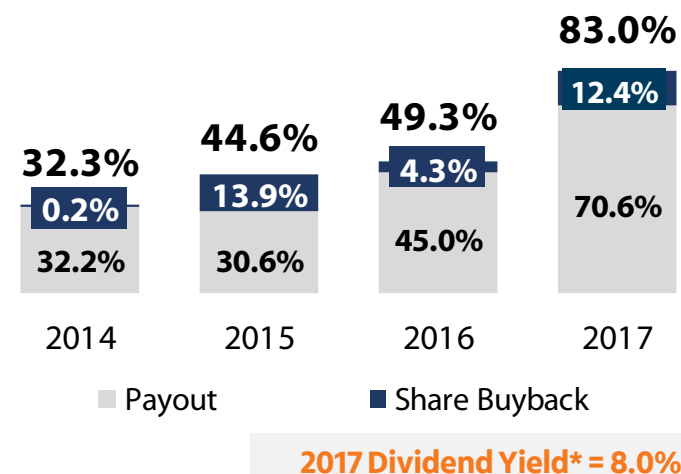
The percentage to be distributed may change every year based on the company's profitability and capital demands, always considering the minimum set forth in the Bylaws.

* As disclosed on material fact disclosed on September 26, 2017

Full application of Basel III rules | December 31, 2017



Payout and Share Buyback



¹Includes deductions of Goodwill, Intangible Assets (generated before and after October 2013), Tax Credits from Temporary Differences and Tax Loss Carryforwards, Pension Fund Assets, Equity Investments in Financial Institutions, Insurance and similar companies, the increase of the multiplier of the amounts of market risk, operational risk and certain credit risk accounts. This multiplier, which is at 10.8 nowadays, will be 12.5 in 2019 and the anticipation of deferred tax assets consumption expected for the first quarter of 2018. ² Estimated impacts based on preliminary information, pending regulatory approval. ³ The impact of 0.6% represents AT1 issuance pro forma information, which is pending regulatory approval to be considered as Capital Tier I. ⁴ The additional dividends and interest on own capital in the amount of R\$13.7 billions reserved in stockholder's equity will be paid on March 7th, 2018. Therefore, the net payout over the recurring net income is 70.6%. Considering the shares bought back in 2017, the net payout over the recurring net income is 83.0%.

* Dividend yield considers payout of 83% and the daily average closing price in 2017.

How we are today...

1Q18 HIGHLIGHTS

Recurring Net Income

R\$6.4
billion

Consolidated

▲ +2.2% (QoQ)

▲ +3.9% (YoY)

R\$6.2
billion

Brazil

▲ +1.5% (QoQ)

▲ +3.5% (YoY)

Operating Revenues

R\$27.4
billion

Consolidated

▼ -1.5% (QoQ)

▲ +0.6% (YoY)

R\$24.9
billion

Brazil

▼ -2.1% (QoQ)

▼ -1.2% (YoY)

Cost of Credit

R\$3.8
billion

Consolidated

▼ -11.0% (QoQ)

▼ -28.3% (YoY)

R\$3.3
billion

Brazil

▼ -8.5% (QoQ)

▼ -32.7% (YoY)

NPL 90

3.1%

Consolidated

— stable (QoQ)

▼ -30 bps (YoY)

3.7%

Brazil

— stable (QoQ)

▼ -50 bps (YoY)

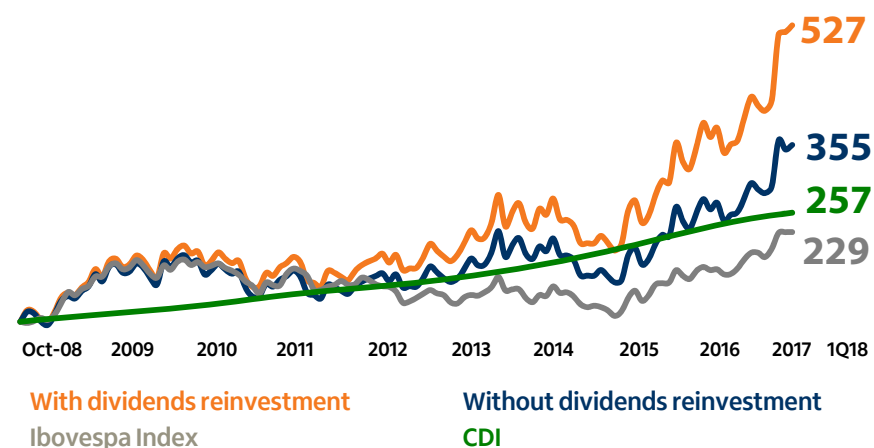
2018 FORECAST

	Consolidated	Brazil
Total Credit Portfolio	From 4.0% to 7.0%	From 4.0% to 7.0%
Financial Margin with Clients	From -0.5% to 3.0%	From -1.0% to 2.5%
Financial Margin with the Market	Between R\$4.3 bn and R\$5.3 bn	Between R\$3.3 bn and R\$4.3 bn
Cost of Credit	Between R\$12.0 bn and R\$16.0 bn	Between R\$10.5 bn and R\$14.5 bn
Commissions and Fees and Result from Insurance Operations	From 5.5% to 8.5%	From 6.5% to 9.5%
Non-Interest Expenses	From 0.5% to 3.5%	From 0.5% to 3.5%
Effective Tax Rate	From 33.5% to 35.5%	From 34.0% to 36.0%

2018 forecast considers Citibank's retail operations. Therefore, 2017 income statement basis for 2018 forecast must consider Citibank's figures in all lines of the income statement and also in the credit portfolio.

Non-voting Shares (ITUB4) Appreciation

Evolution of R\$100 invested on the day before the announcement of the merger between Itaú and Unibanco (October 31, 2008) up to March 31, 2018





Future

Main challenges



Competitive Environment

- New players operating digital banks and digital offering of new financial products
- Non-financial companies entering the acquiring and the banking markets



New Technologies

- Cyber Security, Cloud computing, Blockchain, B2B Marketplace and Internet of Things
- Open Banking and Peer to Peer Lending



People

- New careers and talent attractiveness
- New employees profile



Regulatory Environment

- Credit card industry regulation
- Digital consumer protection

Key Strategic Priorities

We elected these six strategic priorities that will guide our growth in the next few years.

CORPORATE GOVERNANCE AND SUSTAINABILITY

PERMEATE ALL EFFORTS ON KEY STRATEGIC OBJECTIVES

Commitment to permanently improve corporate governance plays a vital role in protecting stakeholders' interests.

We incorporate sustainability into our strategy through a consolidated governance structure that is integrated with our business, thus making environmental and social issues part of our everyday activities, by incorporating variables on these issues into diverse processes, such as credit granting, investments, insurance activities, contracting of suppliers, and wealth management. We aim at creating a virtuous cycle on the path towards sustainable performance, which can only be met by collaborative work involving our main stakeholders: employees; clients; shareholders and society.

TRANSFORMATION

Client Centricity

to embrace this concept to the fullest in order to always develop products and a "service culture" focused on client satisfaction and long-term relationships.



Digitali

to speed up our digital transformation process to increase the productivity of IT area and spread a digital mindset throughout the bank to improve efficiency, user experience and client satisfaction.



People Management

to improve our incentive model and evaluation tools to contemplate the new dynamics of cooperative work, making them effective to fairly assess individual deliveries within cross-functional teams.



CONTINUOUS IMPROVEMENT

Risk Management

to endeavor our efforts to fully comply with the Risk Appetite guidelines. Managing risks is the essence of our activity and a responsibility of all employees.



Internationalization

moving forward in the internationalization process does not necessarily mean to take activities to new countries, but to reach, in the countries we are present in, the same management quality and results we have in Brazil.



Sustainable Profitability

to continuously increase the efficiency of our operations, having the ability to identify opportunities to reduce costs, managing investments to gain agility, in addition to efficiently managing capital allocation through adequate cost of equity.



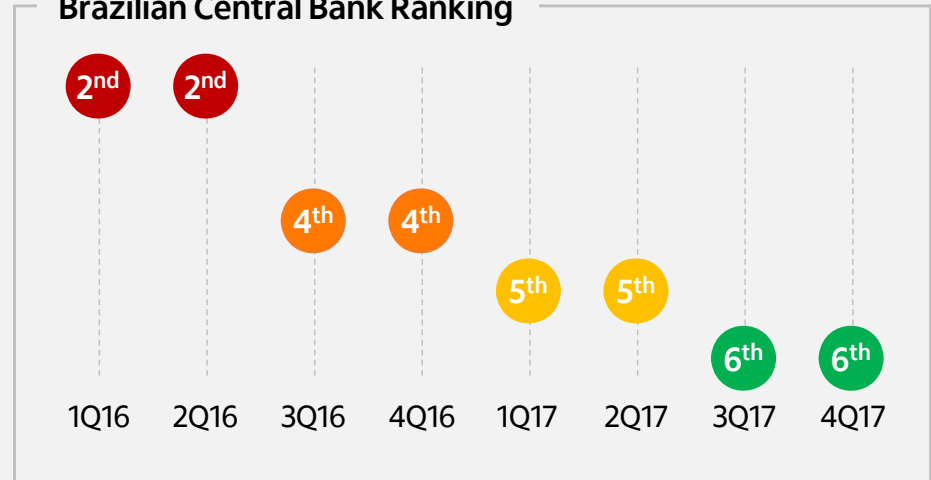
Strategic Objectives | Client Centricity

MAIN INITIATIVES

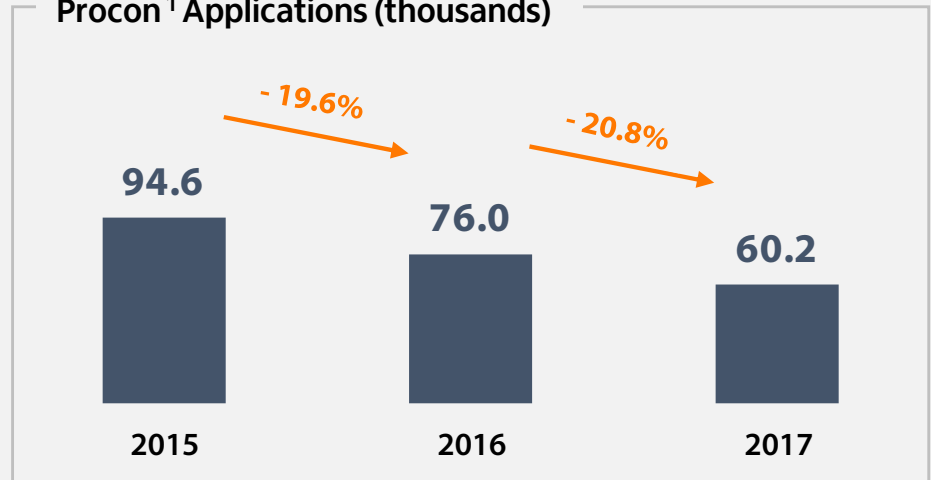
1. **Compromised Leadership:** monthly Costumer Centricity Committee that reports to the CEO
2. **Customer-Driven Incentives and Culture**
 - ✓ Implemented a regular and granular measurements of internal NPS in the retail network (Individuals and SMEs clients).
 - ✓ Pilot implementation of NPS measurement in the Retail Incentives Tool (AGIR) – 10% increase in the NPS after the inclusion of this metric in the branch network incentives.
 - ✓ Pilot of “call-back initiative” – further discussions with clients that gave lower grades to identify improvement opportunities.
3. **Customer-focused product and process improvement**
 - ✓ Assessment of processes and products journeys identifying improvement of customer experience (Focus on 10 journeys that represent 75% of branch time).
4. **Customer satisfaction continuous assessment:**
 - ✓ Weekly analysis of the NPS report (retail branch network) by internal department leaders (Commercial, Operational, Products, Credit and Others) to identify improvement opportunities.

Complaints

Brazilian Central Bank Ranking



Procon¹ Applications (thousands)



(1) Consumer Protection Organization.

Strategic Objectives | Digital Transformation

INITIATIVES FOLLOWED BY THE EXECUTIVE COMMITTEE

1. Improvement of the client digital experience
2. Evolutions of our technological platforms
 - ✓ architecture definition and modernization guide
 - ✓ establish models of coexistence between legacy and new platforms
3. Work in Communities between technology and business areas
 - ✓ dissemination of lean, agile and design thinking methodologies

4. Intensive use of data: Artificial intelligence and Machine learning

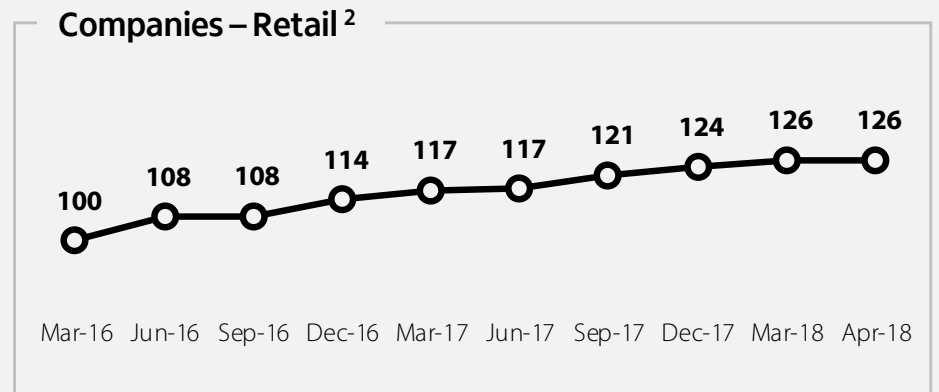
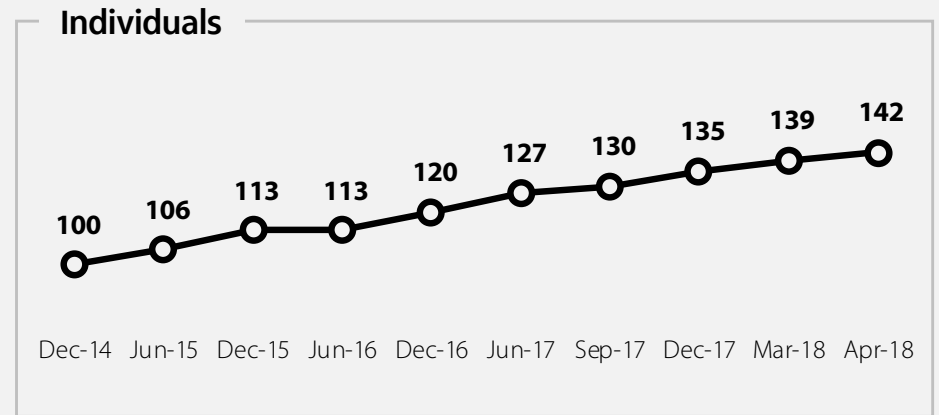
- Over 100 billion records related to our customers' transactions, behavior and activities;
- Since 2016, we doubled the total amount of data stored in our data lake.
- Massive processing, aligned with pattern recognition, enables us to tailor product offerings and improve customer experience.

▲ 232%

Number of individuals current accounts opened digitally between Apr-17 and Apr-18

More than **35** thousand current accounts opened on April-18

Number of Digital Clients¹ (Base 100)



(1) Considers clients that have used digital channels (Mobile, Internet or Bi- directional SMS) in the month.
 (2) Considers very small, small and medium size companies.

Final Remarks

- Itaú Unibanco is a 94 year-old Latin American universal bank
- Strong corporate governance and risk culture with a strategic long-term vision
- Focus on client satisfaction, followed through NPS measurements
- Important client segmentation, designed to serve more than 45 million clients
- Leader in digital transformation on the banking industry
- Strong focus on value creation, aligned to consistent high performance and capital efficiency
- Medium and long-term strategic agenda organized in key strategic objectives that prepares us to the challenging times ahead



Itaú BBA's 13th annual Latam CEO Conference in NY

Candido Bracher

2018