

2014

Consolidated Annual Report



Casa Moreira Salles



Banco Federal de Crédito S.A.



New Data Center

Itaú Unibanco



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HUMAN
CAPITAL



FINANCIAL
CAPITAL



INTELLECTUAL
CAPITAL



MANUFACTURED
CAPITAL



NATURAL
CAPITAL



SOCIAL AND RELATIONSHIP
CAPITAL

In this Report identified all the Capital mentioned in our Integrated Report through the icons shown below:

For further information about our Integrated Report, see [page A-145](#) of this Report.



1920s:
Casa Moreira Salles façade



1930s:
In 1935, Itaúseg became Companhia Seguradora Brasileira



1940s:
First Board of Directors of Banco Central de Crédito S.A.



Context



Context

Macroeconomic context

Global context

The 2008 crisis in the global financial markets significantly affected the world economy. The crisis led to: (i) recession and increased unemployment in the world's leading economies; (ii) a reduction in investment on a global scale; (iii) a decline in credit availability and liquidity; and (iv) a general reduction in the level of transactions in capital markets worldwide. The world economy, as well as the credit and capital markets, have recovered substantially since 2008, but the overall condition of the global financial markets is still relatively fragile.

The world economy is currently characterized by divergent growth prospects. While the U.S. economy is expected to expand at rates of 3.2% in 2015 and 2.9% in 2016 (according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters), the Eurozone and Japan will likely struggle to improve their economic growth. Meanwhile, growth in China is decelerating, and growth in other emerging markets has been slow.

Growth in the Eurozone resumed in the second half of 2013 and continued at a moderate pace through 2014. More fundamentally, fiscal reforms have been implemented in European countries, and confidence and financial conditions have improved when compared with 2013, creating conditions to sustain that moderate growth. Modest growth, the still-large output gap and lower commodity prices pushed inflation down in the Eurozone to a negative level: -0.2% year over year as of December 2014. The European Central Bank (ECB) responded to falling inflation and subdued growth over the course of the year by cutting interest rates in June and September 2014, announcing targeted longer-term refinancing operations, adopting measures to increase liquidity and establishing a program for the purchase of certain types of privately issued assets. The ECB has also announced it will purchase €60 billion per month in assets, including government bonds, from March 2015 until at least September 2016.

The unprecedented monetary policy measures implemented by developed countries since 2008 have created a period of significantly increased liquidity for emerging markets, which has boosted asset prices. As the U.S. economic recovery progresses and its outlook improves, the U.S. Federal Reserve is expected to begin an interest rate hiking cycle. According to the minutes from the December meeting of the Federal Open Market Committee (FOMC), most committee members indicated that it would be appropriate to start raising interest rates in 2015.

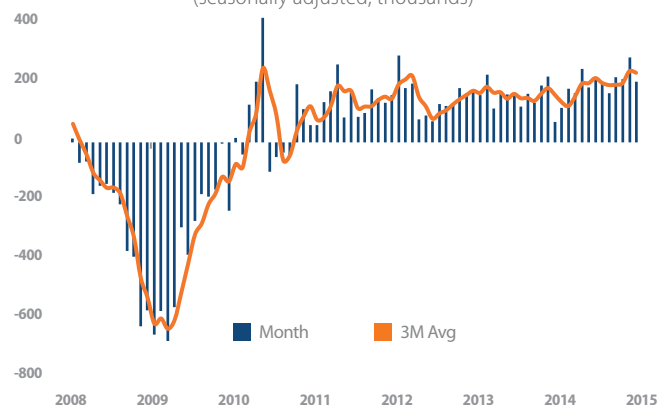
Engineering a smooth exit from a period of extraordinary liquidity remains a challenge for the years ahead. We believe that this transition may result in more volatile asset prices in emerging markets and could affect our operational results.

U.S. economic activity strengthened in 2014, with real GDP growing by 2.4%, an improvement compared with the 2.2% growth in 2013. After a sharp slowdown in the first quarter, when U.S. GDP declined

by 2.1% on an annualized basis, GDP grew at annualized rates of 4.6%, 5.0% and 2.2% in the second, third and fourth quarters of 2014, respectively. Job creation averaged 260,000 positions per month in the 12-month period ended December 31, 2014. The U.S. unemployment rate declined to 5.6% in December 2014, the lowest level since June 2008. Survey data has indicated that business and consumer confidence remained at high levels.

United States Job Creation – Nonfarm Payroll

(seasonally adjusted, thousands)



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

China's GDP grew by 7.3% year over year in the fourth quarter of 2014, continuing its slowing trend. Chinese policymakers are showing renewed signs that they are committed to medium-term reforms to improve overall productivity and are accepting slower but more balanced GDP growth. This is expected to help rebalance the economy and sustain growth in the medium term, although some implementation risks remain.

In Latin America, economies have generally shown lower growth rates in 2014 than in the previous year. Mexico is an exception. While domestic policies and higher global growth will likely lead to recovery in many Latin American countries, we now anticipate a weaker rebound than we were previously expecting, due to lower commodity prices.

The table below shows the real GDP growth rates in seven Latin American countries as of and for the years (ending on December 31) 2014 (except as otherwise indicated), 2013, 2012, 2011 and 2010.

REAL GDP GROWTH (%)	AS OF AND FOR THE YEAR ENDED				
	2014	2013	2012	2011	2010
Argentina ⁽¹⁾ (%)	(2.5)	3.3	(0.4)	5.2	8.2
Chile ⁽²⁾ (%)	1.9	4.2	5.5	5.8	5.8
Colombia ⁽³⁾ (%)	4.6	4.9	4.0	6.6	4.0
Mexico ⁽⁴⁾ (%)	2.1	1.4	4.0	4.0	5.1
Paraguay ⁽⁵⁾ (%)	4.4	14.2	(1.2)	4.3	13.1
Peru ⁽⁶⁾ (%)	2.4	5.8	6.0	6.5	8.5
Uruguay ⁽⁷⁾ (%)	3.5	5.1	3.3	5.2	7.8

(1) IGA (Índice General de Actividad), a GDP proxy. Source: OJF (Orlando J. Ferreres & Asociados S.A.).

(2) Source: Banco Central de Chile.

(3) Source: Banco de la República.

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

(5) Source: Banco Central del Paraguay.

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

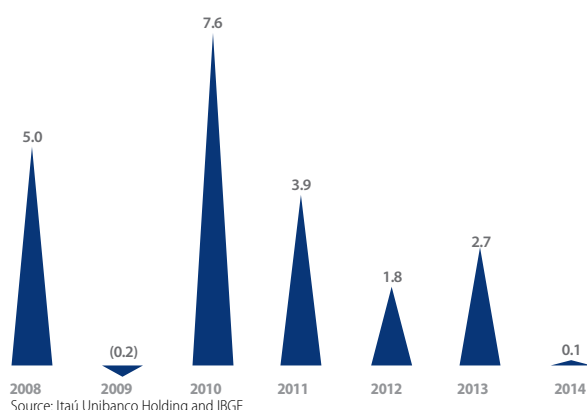
(7) Source: Banco Central del Uruguay.

Fiscal problems in advanced economies, sluggishness in developed countries and inflation and other issues in developing economies and in particular in Latin America may have an impact on our future growth in Brazil and, therefore, on the results from our operations.

Brazilian context

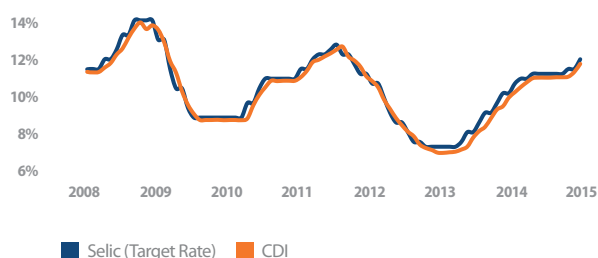
As a Brazilian bank with most of our operations in Brazil, we are significantly affected by economic, political and social conditions in the country. In recent years, we have benefited from Brazil's generally stable economic environment, with average annual GDP growth of approximately 4.4% from 2004 to 2011, which led to increased bank lending and deposits. Brazil's GDP growth rates were 1.8% in 2012, 2.7% in 2013 and 0.1% in 2014, partly reflecting a deceleration in potential growth.

GDP Growth
(%)

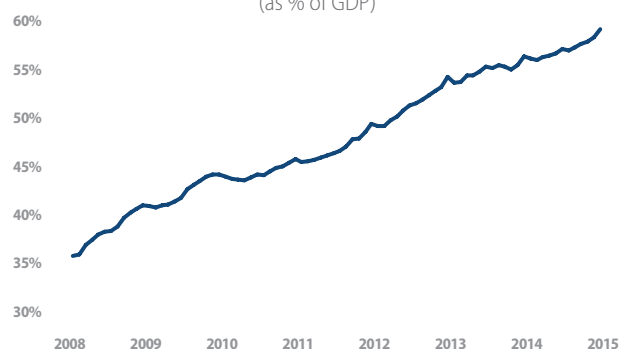


In April 2013, the Central Bank initiated a monetary tightening cycle, increasing the benchmark interest rate payable to holders of securities issued by the Brazilian government and traded through the Special Clearing and Settlement System (*Sistema Especial de Liquidação e Custódia*, or Selic) from a low of 7.25% in March 2013 to a high of 11.00% in April 2014. In October 2014, the Central Bank resumed the monetary tightening cycle. In December 2014, the Selic rate reached 11.75%. The recent increase in interest rates has also triggered an increase in the reference interest rate (*Taxa Referencial*, or TR), which rose from approximately 0.05% per month in December 2013 to approximately 0.11% per month in December 2014. Bank lending as a proportion of GDP increased to 58.9% in December 2014 from 56.1% in December 2013.

Selic
(nominal interest rate)

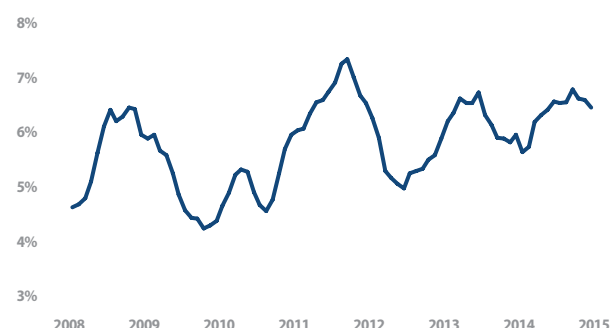


Bank Lending
(as % of GDP)



Consumer price inflation remained at high levels in 2014. The 12-month IPCA (*Índice de Preços ao Consumidor Amplo*) inflation rate reached 6.41% on December 31, 2014, above the target of 4.5%.

12-month IPCA Inflation Rate



The monetary tightening cycle implemented by the Central Bank since April 2013 is expected to keep inflation under control but also to affect domestic activity. If inflation persists or economic activity declines, family incomes may decrease in real terms, which could eventually lead to higher delinquency rates in the Brazilian banking system.

For the past three years, the Brazilian government adopted an expansionary fiscal stance, with the result that the primary surplus in the public sector fell from 3.1% of GDP in 2011 to -0.6% of GDP for the 12-month period ended December 2014. The reduction in the primary surplus, combined with the recent increase in the Brazilian government's debt-financing costs, has contributed to the relative pressure on public debt. Considering the need for fiscal adjustment as well as the challenges associated with implementing it, we believe that a fiscal consolidation trend is likely to emerge over the next few years, which we expect to have positive effects on confidence and growth.

In addition, Brazil has in recent years implemented a large number of regulatory changes, such as changes in banks' reserve and capital requirements, as well as other macro-prudential policies (such as capital controls). In September 2012, the additional reserve requirement for demand deposits was reduced from 6.0% to zero, and in March 2013, the additional reserve requirement for time deposits was reduced from 12.0% to 11.0%. In March 2014, the Central Bank revoked rules that reduced the interest applicable to required reserves for time deposits. The reduction of interest applicable to required reserves for time deposits was intended to stimulate the transfer of liquidity from larger to smaller financial institutions and resulted in more than R\$46 billion being

injected into smaller financial institutions. In June 2014, the reserve requirement for demand deposits was increased from 44% to 45%.

More recently, in August 2014, the Central Bank made certain changes to capital requirements in another step toward Basel III standards. The risk weight of 150% and 300% applicable to consumer loans with maturities longer than 36 and 60 months, respectively, were reduced to 75%. In addition, the Central Bank changed certain classification criteria whereby a larger number of companies now fall under the retail segment, which has a lower required risk weight.

The Central Bank also changed the rules for required reserves for time deposits. For the 12-month period starting in August 2014, 60% of required reserves for time deposits will not be remunerated (previously, 100% of these reserves were remunerated at the Selic rate). Banks can use these deposits to provide vehicle loans and, since October, working capital financing. The use of these deposits is allowed only when the amount exceeds the average of loans granted in the first six months of 2014. These deposits can also be used for motorcycle financing or to acquire loan portfolios from eligible financial institutions. Furthermore, the eligibility rules for these institutions are now less restrictive.

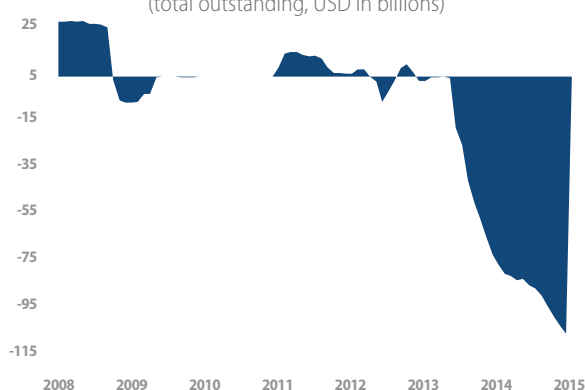
The Brazilian *real* has depreciated against the U.S. dollar, with the exchange rate reaching R\$2.66 per US\$1.00 as of December 31, 2014, compared with R\$2.39 per US\$1.00 as of January 2, 2014. The strengthening of the U.S. dollar across the major currencies was the main driver behind the depreciation of the Brazilian *real* in dollar terms. On March 24, 2015, the Central Bank announced that will discontinue the foreign exchange swap program (which started on August 22, 2013). The Central Bank also indicated that it will seek to fully rollover the foreign exchange swaps maturing from May 1, 2015, onwards.

Nominal Exchange Rate
(R\$/US\$)



Source: Itaú Unibanco Holding and the Central Bank

Central Bank Exchange Rate Swaps
(total outstanding, USD in billions)



Source: Itaú Unibanco Holding and the Central Bank

Brazil's current account deficit (the net balance from the trade of goods and services and international transfers) was 4.2% of GDP as of December 2014, up from 3.6% as of December 2013. However, Brazil has maintained its external solvency, with US\$374 billion in international reserves and US\$348.5 billion in external debt as of December 2014.

The credit market continued to slow down in 2014. Real year over year total loan growth in Brazil slowed to 4.6% as of December 2014 from 8.1% as of December 2013. Total new loan growth declined to a real annual average of -0.9% in December 2014 from 5.1% in December 2013. The growth rate of non-earmarked credit transactions has continued to decline. Non-performing household loans in Brazil have decreased as a share of total household loans, falling to 3.7% in December 2014 from 4.1% in December 2013. The non-performing share of loans to non-financial corporations has remained at around 2.0% for the past year.

General elections were held in October 2014 for the presidency, the national congress, state governorships and state legislatures. A run-off election for the Brazilian presidency occurred on October 26, 2014, pursuant to which Dilma Rousseff was re-elected as president of Brazil. The government has since initiated a fiscal adjustment process, announcing austerity measures aimed at improving fiscal conditions and reducing lags in regulated prices.

The table below shows real GDP growth, the inflation rate, exchange rate variation and interest rates in Brazil as of and for the years ending on December 31, 2014, 2013, 2012, 2011 and 2010.

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31,**

	2014	2013	2012	2011	2010
Real GDP growth % ⁽¹⁾	0.1	2.7	1.8	3.9	7.6
Inflation rate – IGP-DI % ⁽²⁾	3.8	5.5	8.1	5.0	11.3
Inflation rate – IPCA % ⁽³⁾	6.4	5.9	5.8	6.5	5.9
Exchange rate variation % (R\$/US\$) ⁽⁴⁾	13.4	14.6	8.9	12.6	(4.3)
TR % (reference interest rate) ⁽⁵⁾	1.01	0.53	0.00	1.07	0.66
CDI % (interbank interest rate) ⁽⁶⁾	11.51	9.78	6.94	10.87	10.64
Selic % (overnight interest rate) ⁽⁶⁾	11.58	9.90	7.16	10.90	10.66
Sovereign 5-year CDS ⁽⁷⁾	200.8	193.8	108.4	161.6	111.3

(1) Source: Instituto Brasileiro de Geografia e Estatística, or IBGE.

(2) Source: General Price Index – Internal Supply (Índice Geral de Preços – Disponibilidade Interna, or IGP-DI), published by the Fundação Getúlio Vargas.

(3) Source: Extended National Consumer Price Index (Índice de Preços ao Consumidor Ampla, or IPCA), published by IBGE.

(4) Source: Central Bank (cumulative rates for the period); positive numbers mean depreciation of the Brazilian *real*. 2015 data is 20.4 as of March 31, 2015.

(5) Source: Mortgage reference rate (Taxa Referencial, or TR), published by the Central Bank. Data presented in percentage per year.

(6) Source: Central Bank (cumulative as of December 2014). Data presented in percentage per year.

(7) Source: Bloomberg (period-end). Credit default swaps, or CDS, is a measure of country risk (and is measured using basis points). 2015 data is 282.7 as of March 31, 2015.

Context of Itaú Unibanco Holding

Message from the Chairman of the Board of Directors



Pedro Moreira Salles
Chairman

Dear Stakeholder,

In 2014, we celebrated nine decades since the founding of Casa Moreira Salles, our first financial company that later became Itaú Unibanco. History shows how tied we are to Brazil's development and how our desire to grow together with the country has made us an institution that has gone far beyond the dreams of our founders. Since our inception as a correspondent bank in the city of Poços de Caldas, which counted on a few more than 200 clients in the early 1920's, steady investments in the organic growth of our operations and the dozens of mergers and acquisitions have created the formidable organization we are today. In 2014, our assets exceeded R\$1.1 trillion.

We are currently the largest private bank in Brazil and in Latin America, we have established a presence in over 18 countries around the world and we continue to expand our operations outside of Brazil. The merger of our business in Chile with CorpBanca, which is pending relevant approvals, will elevate us from the seventh to the fourth largest bank in Chile, creating a platform for growth and seeking new business opportunities in the financial sectors in Chile, Colombia, and Central America. [GRI G4-6](#)

In order to support our business, in early March we opened our new data center, one of the largest and most modern in the world.

The strategy we have adopted since 2011 of expanding our loan portfolio with lower risk operations, focusing on insurance and services, and seeking the ongoing improvement of our efficiency indexes, has proved to be successful. We have recorded sound results

and embraced principles that ensure our sustainability. In 2014, our net income reached R\$21.9 billion, with a 24.3% return on equity⁽¹⁾. [GRI G4-9](#)

Our expenses for allowance for loan losses decreased in 2014, despite the 9.9% growth of our loan portfolio. Payroll and real estate loans, which provide for less defaults and for a more secure portfolio, were the products with the greatest growth over the year, increasing 79.5% and 18.8%, respectively over the previous year. In December, our 90-day non-performing loan ratio reached 3.1%, the lowest since the Itaú and Unibanco merger.

Our income from insurance and service fees also experienced growth. These products have become increasingly important to our institution, contributing to less volatility in our results since they are less impacted by economic cycles when compared to credit activities. Our insurance operation is based on the bancassurance model, which prioritizes products that may be offered through a number of our banking channels. In line with this strategy, in October 2014 we consummated the sale of our large risk insurance operation, whose clients are middle-market and large companies with high-insured amounts. The impact of this sale was recorded in the fourth quarter results of 2014.

The increase in our income from insurance and service fees and the controlled increase of our expenses caused our efficiency ratio to improve by 190 basis points in 2014. We are constantly reviewing our processes and seeking opportunities to do more with less.

Even after 90 years, we are extremely proud of being a modern, agile company, that possesses a strong culture, an engaging purpose and continuing care with respect to our reputation. We had the most valuable brand in Brazil for the past 11 years, and our shares are included in the portfolios of the world's major sustainability indexes. And what do we want today? We want to continue growing, as a result of a very clear vision: to satisfy our clients and achieve high sustainable performance in our business.

In line with this vision, in February 2015 we implemented a new organizational structure for our management. These changes are aimed at ensuring preparation for a seamless and secure transition in connection with the succession process of Mr. Roberto Setubal, our CEO, who will reach the age limit for holding his current position in 2017, as well as addressing more pressing challenges in view of the current economic climate. Accordingly, in addition to the position of CEO, our executive committee is now made up of three General Managers and two Vice Presidents: General Manager of Retail, General Manager of Wholesale, General Manager of Technology and Operations, Vice President of the Finance and Risk areas, and Vice President of the Legal and Human Resources areas. It is a more streamlined and agile structure, which will focus on the bank's priorities of efficiency, simplification and client satisfaction.

Yours faithfully,

⁽¹⁾ Attributed to the owners of the parent company.

Message from the Chief Executive Officer GRI 4-1**Roberto Setubal**
CEO

Dear Reader,

In 2014, our profit was R\$21.9 billion, an increase of 32.3% from 2013, and our annualized return on average equity⁽¹⁾ was 24.3%, one of the best results since the merger of Itaú and Unibanco, reflecting the on-going improvement of our bank's operational quality. Our capital base increased in 2014, our BIS ratio reached 16.9% in December 2014, 30 basis points higher than in December 2013. These results are the consequence of a reduction in our risk appetite, a focus on the expansion of client services and strict controls over expenses. These initiatives, which we commenced in 2011, allowed us to reduce our allowance for loan losses, increase revenues from insurance & services and increase expenses in line with inflation, leading to the subsequent improvement of our efficiency ratio.

Our total loan portfolio was R\$452.4 billion, an increase of 9.9% from December 31, 2013. Our lower risk portfolios, such as the payroll and real estate loan portfolios, grew and, as a consequence, the delinquency reached 3.1%, the lowest level since the merger of Itaú and Unibanco. It is worth noting that in 2014, our loan portfolio alone reached a return that is equivalent to the bank's capital cost, a fact that was only possible due to the review of the risk appetite in 2011. In 2014, our profit⁽²⁾ from loan operations was R\$9.3 billion.

Banking service fees and revenues from insurance, the key component of our strategy, grew 13.2% in 2014 over 2013. Our acquisition of REDE in 2012, the integration of Credicard's operation and the sale of our large risk insurance operation are strategic initiatives focused on the growth of our non-interest income and mass-market insurance activities, typically related to retail banking. The significant return of financial services and insurance are related to the strong market presence of our retail bank and our ability to offer services and insurance to the bank's clients. In 2014, our profit⁽²⁾ from insurance & services activities amounted to R\$11.4 billion.

During 2014, our expenses grew only 6.6% over 2013 and we reached a more positive risk-adjusted efficiency ratio of 64.3%, the best such ratio in our history. Our investments and efforts are focused on the development of platforms and services that use state-of-the-art technology focusing on mobility and convenience, with a view to simplifying and making easier the lives of our clients. The construction work on our new data center, in the interior of the State of São Paulo, which required investments of more than R\$3 billion, was completed as planned and we successfully implemented the facility's environment infrastructure. We started the process of migrating our systems and services to the new data center and expect to complete the process during the second half of 2016. As a result, our processing capacity for data allocation will be multiplied 25 times.

In Latin America, we obtained some of the regulatory approvals necessary for the merger of Banco Itaú Chile and CorpBanca and we expect to complete the merger before the end of 2015.

In 2015, we will maintain the strategy commenced in 2011 which has been bringing us positive results as it is less cyclical given the levels of revenues derived from insurance & services. We are well placed to face a challenging environment in 2015.

I invite you to read our Consolidated Annual Report which, for the second consecutive year, integrates our Form 20-F and the prospectus for the issue of debt securities, which this year includes more objective language, thus reducing the size of the report while maintaining a comprehensive level of content.

We thank all our shareholders and clients for the trust they have placed in us.

Enjoy your reading!

(1) Attributed to the owners of the parent company.

(2) Net income attributable to owners of the parent company.

Business Strategy

Our board of directors is responsible for defining our strategy. Strategic decisions taken by our board of directors are supported by the Strategy Committee, which provides data and information about strategic business issues. The Strategy Committee's activities and responsibilities range from evaluating investment opportunities and budget guidelines to providing advice and support to our chief executive officer for the monitoring of our consolidated strategy. The Strategy Committee is supported by the economic scenarios sub-committee, which provides macroeconomic data for discussions on strategies, investments and budgets. Please refer to section Our Governance, item Our Management Structure, Committees of the Board of Directors, Strategy Committee for further information.

Expand our operations in Brazil and abroad

We intend to expand our operations in Brazil and abroad. In January 2014, we entered into an agreement with CorpBanca and its controlling stockholders for the merger of Banco Itaú Chile and CorpBanca. Some of the regulatory approvals required for the conclusion of this operation have already been obtained. In August 2014, reaffirming our commitment to the Chilean market and the vision of being the largest private bank in the Latin American market, we expanded the joint venture agreement entered into in 2011 with Munita, Cruzat & Claro S.A. Corredores de Bolsa, a brokerage house, and MCC Securities Inc. (MCC), obtaining 100% interest in MCC.

In 2013, we carried out a series of transactions aimed at expanding our operations in Brazil. In December 2013 we concluded the acquisition of 100% of the shares of Banco Citicard S.A. and Citifinancial Promotora de Negócios S.A., for approximately R\$2.8 billion in cash, including the "Credicard" brand. In Latin America, we acquired Citibank Uruguay on June 28, 2013, including both retail banking and credit card operations. In addition, in order to consolidate and expand our operations in Europe, in 2013 we completed the transfer of the central administration and registered offices of our corporate banking unit in Europe by means of a cross-border merger of Banco Itaú BBA International S.A., a bank headquartered in Portugal into Itaú BBA International plc (formerly Itaú BBA International Limited). Please refer to section Our Profile, item Our Business, Our International Business, Itaú BBA International for further details about Itaú BBA International's business.

In 2012, we successfully acquired the remaining 49.9% interest of REDE from minority shareholders for R\$11.8 billion by means of a tender offer. On July 9, 2012, we entered into an association agreement with Banco BMG S.A., focusing on the offering, distribution and commercialization of payroll loans. We were also authorized by the Colombian regulatory authorities to structure our wholesale and investment banking operations in Colombia through Itaú BBA S.A. Colombia.

Focus on Non-Interest Income

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

In addition, we continue to focus on our insurance services by operating under the bancassurance model, with a focus on the sale of massive personal and property insurance services, largely provided through our retail banking. As part of this strategy, in October 2014 we announced the sale of our large risks operations to the ACE group and the early termination of operating agreements between Via Varejo S.A. and our subsidiary Itaú Seguros S.A. for the offer of extended warranty insurance in "Ponto Frio" and "Casas Bahia" stores.

Please refer to section Our Profile, item 2014 highlights, for further details about Large Corporate P&C Insurance Business and Via Varejo S.A.

Continue to improve efficiency

In 2010, we established an Efficiency Program aimed at identifying, implementing, and monitoring costs and revenues, in addition to promoting a strong culture of operational efficiency. In 2012, 2013 and 2014, we focused on increasing cost savings by reducing unnecessary costs, promoting the simplification and centralization of processes and job descriptions, promoting synergy gains and combining the management of certain business units.

We also aim at simplifying our structure in order to sustain growth. We are committed to improve processes, to streamline operations, to be more efficient in everything we do with the clear purpose of client satisfaction. As an example of how we propose to meet these expectations, in the beginning of 2013 we announced changes to our executive structure, which have enabled us to organize our operations in a simpler and more efficient manner. These changes helped us improve our efficiency ratio and risk-adjusted efficiency ratio in 2014.

Grow our loan portfolio while maintaining asset quality

The growth of our loan portfolio and the maintenance of asset quality are central aspects of our strategy. We are constantly seeking to improve our models for risk management and our economic forecasts and scenario modeling. We intend to increase the average volume of loan operations to maintain and even grow our market share, depending on product, market and client type, including through the development of new products for specific client demographics.

In the last three years, we focused on the improvement of our asset quality by increasing credit selectivity, changing our loan portfolio mix, and prioritizing the sale of less risky products, such as real estate and payroll loans, reducing the origination of higher risk portfolios, such as vehicle loans.

Develop strong relationships with our clients based on client segmentation

We will continue to work on our client segmentation strategy in order to identify our clients' needs and enhance our relationship with our client base, as well as to increase market penetration. We believe that our client segmentation tools and strategies provide us with an important competitive advantage developed over the course of more than 25 years. We aim to fulfill clients' financial needs through a wide product portfolio by cross-selling banking and insurance products and making sales through a variety of channels. We are focused on delivering "best-in-class" client service, in order to maintain and increase client satisfaction and increase portfolio profitability.

In 2013, we moved our middle-market banking business (companies with an annual revenue between R\$30 million and R\$300 million) from our Commercial Bank – Retail segment to our Wholesale segment. Starting in the first quarter of 2013, we began to transition and service these clients through Itaú BBA. Commencing in 2014, we started developing a differentiated business model, which enables us to provide higher quality services and sustainable growth in order to achieve a prominent market position. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 34 – Segment Information, for further details.

Context of this report

This edition of our annual report reflects structural and conceptual changes from the annual report for 2013. We undertook such changes in 2014 in a search for innovation, transparency, and efficiency in obtaining information and in the communication with the public of interest. This report unifies the content of our major annually released reports, such as the annual report on Form 20-F, the Annual Report, and the Offering Memorandum for the Medium-Term Note Program, or MTN Program. The annual report on Form 20-F, filed with the U.S. Securities and Exchange Commission, or SEC, served as reference for the content of this report.

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

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

This annual report contains data from January 1 to December 31, 2014, presenting our corporate and business structure, governance and financial performance, among other matters. The description of our challenges for 2015 in the medium and long term results from interviews carried out with our executives and are aligned with our quarterly conference calls on results. It also includes information on all entities subject to the significant influence or control of Itaú Unibanco Holding S.A. Any potential changes or impacts on the data collected as a result of certain transactions, the acquisition or sale of assets, or any important change for the business is indicated throughout this report. The annual report is divided into the following sections: (i) Context, (ii) Our Profile, (iii) Our Governance, (iv) Our Risk Management, (v) Performance, and (vi) Attachments. [GRI G4-3](#) | [G4-28](#) | [G4-30](#)

The audit of our financial statements in IFRS is carried out by PricewaterhouseCoopers Auditores Independentes, or PwC.

Documents on display

We are subject to the informational requirements for foreign private issuers of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the public reference facilities maintained by the SEC at 100 F Street,

N.W., Washington D.C. 20549 and at the SEC's regional offices at 500 West Madison Street, Suite 1400, Chicago Illinois 60661, and 233 Broadway, New York, New York 10279. Copies of the materials may be obtained by mail from the Public Reference Room of the SEC at 100 F Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the United States at 1-800-SEC-0330. In addition, the SEC maintains an Internet website at www.sec.gov, from which you can electronically access those materials, including this annual report and the accompanying exhibits. We also file financial statements and other periodic reports with the CVM located at Rua Sete de Setembro, 111, Rio de Janeiro, Rio de Janeiro 20050-901, Brazil. The CVM maintains an Internet website at www.cvm.gov.br.

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

Investors may receive a hard copy of this annual report, including our complete audited financial statements of the last fiscal year, free of charges, by requesting a copy from our Investor Relations department, by e-mail, at investor.relations@itau-unibanco.com.br, indicating their contact information and their complete mailing address. Comments and suggestions regarding this report may be sent to the same e-mail. [GRI G4-31](#)

Reading this Report

In this report, the terms:

- **"Itaú Unibanco Holding", "Itaú Unibanco Group", "we", "us" or "our"** refer to Itaú Unibanco Holding S.A. (previously Banco Itaú Holding Financeira S.A.) and all its consolidated subsidiaries and affiliates, except where specified or differently required by the context;
- **"Itaú Unibanco"** refers to Itaú Unibanco S.A. (previously Banco Itaú S.A.), together with its consolidated subsidiaries, except where specified or differently required by the context;
- **"Itaú BBA"** refers to Banco Itaú BBA S.A., with its consolidated subsidiaries, except where specified or differently required by the context;
- **"Brazil"** refers to the Federative Republic of Brazil;
- **"Brazilian government"** refers to the federal government of the Federative Republic of Brazil;
- **"Central Bank"** means the Central Bank of Brazil;
- **"CMN"** means the National Monetary Council;
- **"CVM"** means the Securities and Exchange Commission of Brazil;
- **"Preferred shares"** and **"common shares"** refer to authorized and outstanding preferred and common shares with no par value;
- **"ADSs"** refer to our American Depositary Shares (1 (one) ADS represents 1 (one) preferred share);
- **"R\$", "reais" or "Brazilian real"** mean *real*, the Brazilian official currency; and
- **"US\$", "dollars" or "U.S. dollars"** mean United States dollars.

Additionally, acronyms used repeatedly, technical terms and specific market expressions in this annual report will be explained or detailed in the section Attachments, item Glossary, as well as the full name of our main subsidiaries and other entities referenced in this annual report. [GRI G4-17](#)

The reference date for the quantitative information for balances found in this annual report is as of December 31, 2014 and for results is for the year ended December 31, 2014, except where otherwise stated. Without prejudice to the foregoing, information contained in or accessible through the websites mentioned in this annual report is not part of this document or incorporated by reference herein.

Our fiscal year ends on December 31 and, in this annual report, any mention to any specific fiscal year refers to the 12-month period ended on December 31 of that year. [GRI G4-28](#)

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

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

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

Forward-Looking Information

This annual report contains statements that are or may constitute forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other risks:

- General economic, political, and business conditions in Brazil and variations in inflation indexes, interest rates, foreign exchange rates, and the performance of financial markets;
- General economic and political conditions abroad and in particular in the countries where we operate;
- Government regulations and tax laws and respective amendments;
- Disruptions and volatility in the global financial markets;
- Increases in compulsory deposits and reserve requirements;
- Regulation and liquidation of our business on a consolidated basis;
- Obstacles for holders of our shares and ADSs to receive dividends;
- Failure or hacking of our security and operational infrastructure or systems;
- Strengthening of the competition and industry consolidation;
- Changes in our loan portfolio and changes in the value of our securities and derivatives;
- Losses associated with counterparty exposure;
- Our exposure to the Brazilian public debt;

- Incorrect pricing methodologies for insurance, pension plan and premium bond products and inadequate reserves;
- The effectiveness of our risk management policy;
- Damages to our reputation;
- The capacity of our controlling shareholder to conduct our business;
- Difficulties during the integration of acquired or merged businesses; and
- Other risk factors listed in the section Our Risk Management, item Risk Factors.

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

About our financial information

Our consolidated financial statements, included elsewhere in this annual report, are prepared in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. We first adopted IFRS on January 1, 2010, and our consolidated financial statements for the periods ended December 31, 2011 and 2010 were our first consolidated financial statements presented in accordance with IFRS. All consolidated financial information related to 2014, 2013, 2012, 2011 and 2010 included in this report were prepared in accordance with IFRS.

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

The CMN establishes that financial institutions meeting certain criteria, such as Itaú Unibanco Holding, are required to present consolidated financial statements in accordance with IFRS.

The segment-related data have been derived from our management reporting systems and are not based on IFRS, nor were they prepared in accordance with these accounting standards.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 34 – Segment Information for further details about a discussion on the main differences between our management reporting systems and the consolidated financial statements according to IFRS.

Our consolidated financial statements as of December 31, 2014 and 2013 and for the twelve-month periods ended December 31, 2014, 2013 and 2012 were audited by PricewaterhouseCoopers Auditores Independentes, an independent audit firm, as stated in its report in section Performance, item Financial Performance in this report.

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



1950s:
Banco Federal de Crédito S.A. façade

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Our profile



Our Profile



In numbers

Selected Financial Data – IFRS

The following selected financial data must be read in conjunction

with the section Performance, item Results and Consolidated Financial Statements (IFRS) included in this annual report.

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

(In millions of R\$, except percentages)

ASSETS	AS OF DECEMBER 31,							VARIATION					
	2014	2013	2012	2011	2010	2014-2013	%	2013-2012	%	2012-2011	%	2011-2010	%
Cash and deposits on demand	17,527	16,576	13,967	10,668	10,172	951	5.7	2,609	18.7	3,299	30.9	496	4.9
Central Bank compulsory deposits	63,106	77,010	63,701	98,053	85,776	(13,904)	(18.1)	13,309	20.9	(34,352)	(35.0)	12,277	14.3
Interbank deposits	23,081	25,660	23,826	27,821	14,835	(2,579)	(10.1)	1,834	7.7	(3,995)	(14.4)	12,986	87.5
Securities purchased under agreements to resell	208,918	138,455	162,737	92,248	88,682	70,463	50.9	(24,282)	(14.9)	70,489	76.4	3,566	4.0
Financial assets held for trading	132,944	148,860	145,516	121,889	115,497	(15,916)	(10.7)	3,344	2.3	23,627	19.4	6,392	5.5
Financial assets designated at fair value through profit or loss	733	371	220	186	306	362	97.6	151	68.6	34	18.3	(120)	(39.2)
Derivatives	14,156	11,366	11,597	8,754	7,777	2,790	24.5	(231)	(2.0)	2,843	32.5	977	12.6
Available-for-sale financial assets	78,360	96,626	90,869	47,510	44,539	(18,266)	(18.9)	5,757	6.3	43,359	91.3	2,971	6.7
Held-to-maturity financial assets	34,434	10,116	3,202	3,105	3,170	24,318	240.4	6,914	215.9	97	3.1	(65)	(2.1)
Loan operations and lease operations portfolio, net	430,039	389,467	341,271	322,391	274,843	40,572	10.4	48,196	14.1	18,880	5.9	47,548	17.3
Loan operations and lease operations portfolio	452,431	411,702	366,984	346,264	294,837	40,729	9.9	44,718	12.2	20,720	6.0	51,427	17.4
(-) Allowance for loan and lease losses	(22,392)	(22,235)	(25,713)	(23,873)	(19,994)	(157)	0.7	3,478	(13.5)	(1,840)	7.7	(3,879)	19.4
Other financial assets	53,649	47,592	44,492	40,254	40,945	6,057	12.7	3,100	7.0	4,238	10.5	(691)	(1.7)
Investments in associates and joint ventures	4,090	3,931	3,005	2,544	2,948	159	4.0	926	30.8	461	18.1	(404)	(13.7)
Goodwill	1,961	1,905	-	-	-	56	2.9	1,905	100.0	-	-	-	-
Fixed assets, net	8,711	6,564	5,628	5,358	4,801	2,147	32.7	936	16.6	270	5.0	557	11.6
Intangible assets, net	6,134	5,797	4,671	3,825	2,934	337	5.8	1,126	24.1	846	22.1	891	30.4
Tax assets	35,243	34,742	32,412	26,088	24,142	501	1.4	2,330	7.2	6,324	24.2	1,946	8.1
Assets held for sale	196	117	117	85	78	79,00	67.5	-	0.0	32	37.6	7	9.0
Other assets	13,921	12,142	9,923	7,357	5,637	1,779	14.7	2,219	22.4	2,566	34.9	1,720	30.5
Total assets	1,127,203	1,027,297	957,154	818,136	727,082	99,906	9.7	70,143	7.3	139,018	17.0	91,054	12.5
Average interest-earning assets ⁽¹⁾	955,416	882,472	784,686	721,686	585,125	72,944	8.3	97,786	12.5	63,000	8.7	136,561	23.3
Average non-interest-earning assets ⁽¹⁾	97,526	83,025	70,758	69,134	65,044	14,501	17.5	12,267	17.3	1,624	2.3	4,090	6.3
Average total assets ⁽¹⁾	1,052,942	965,497	855,444	790,820	650,169	87,445	9.1	110,053	12.9	64,624	8.2	140,651	21.6

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

(In millions of R\$, except percentages)

LIABILITIES	AS OF DECEMBER 31,							VARIATION					
	2014	2013	2012	2011	2010	2014-2013	%	2013-2012	%	2012-2011	%	2011-2010	%
Deposits	294,773	274,383	243,200	242,636	202,688	20,390	7.4	31,183	12.8	564	0.2	39,948	19.7
Securities sold under repurchase agreements	288,683	266,682	267,405	185,413	199,657	22,001	8.2	(723)	(0.3)	81,992	44.2	(14,244)	(7.1)
Financial liabilities held for trading	520	371	642	2,815	1,335	149	40.2	(271)	(42.2)	(2,173)	(77.2)	1,480	110.9
Derivatives	17,350	11,405	11,069	6,747	5,671	5,945	52.1	336	3.0	4,322	64.1	1,076	19.0
Interbank market debt	122,586	111,376	97,073	90,498	62,599	11,210	10.1	14,303	14.7	6,575	7.3	27,899	44.6
Institutional market debt	73,242	72,055	72,028	54,807	44,513	1,187	1.6	27	0.0	17,221	31.4	10,294	23.1
Other financial liabilities	71,492	61,274	50,255	44,119	41,012	10,218	16.7	11,019	21.9	6,136	13.9	3,107	7.6
Reserves for insurance and private pension	109,778	99,023	90,318	70,904	56,864	10,755	10.9	8,705	9.6	19,414	27.4	14,040	24.7
Liabilities for capitalization plans	3,010	3,032	2,892	2,838	2,603	(22)	(0.7)	140	4.8	54	1.9	235	9.0
Provisions	17,027	18,862	19,209	15,990	14,457	(1,835)	(9.7)	(347)	(1.8)	3,219	20.1	1,533	10.6
Tax liabilities	4,465	3,794	7,109	7,408	12,110	671	17.7	(3,315)	(46.6)	(299)	(4.0)	(4,702)	(38.8)
Other liabilities	23,660	20,848	19,956	18,625	16,021	2,812	13.5	892	4.5	1,331	7.1	2,604	16.3
Total liabilities	1,026,586	943,105	881,156	742,800	659,530	83,481	8.9	61,949	7.0	138,356	18.6	83,270	12.6
Capital	75,000	60,000	45,000	45,000	45,000	15,000	25.0	15,000	33.3	-	-	-	-
Treasury shares	(1,328)	(1,854)	(1,523)	(1,663)	(628)	526	(28.4)	(331)	21.7	140	(8.4)	(1,035)	164.8
Additional paid-in capital	1,508	984	888	738	490	524	53.3	96	10.8	150	20.3	248	50.6
Appropriated reserves	8,210	13,468	22,423	24,279	16,904	(5,258)	(39.0)	(8,955)	(39.9)	(1,856)	(7.6)	7,375	43.6
Unappropriated reserves	16,301	12,138	7,379	5,561	3,615	4,163	34.3	4,759	64.5	1,818	32.7	1,946	53.8
Cumulative other comprehensive income	(431)	(1,513)	1,735	26	494	1,082	(71.5)	(3,248)	(187.2)	1,709	6,573.1	(468)	(94.7)
Total stockholders' equity attributed to the owners of the the parent company	99,260	83,223	75,902	73,941	65,875	16,037	19.3	7,321	9.6	1,961	2.7	8,066	12.2
Non-controlling interests	1,357	969	96	1,395	1,677	388	40.0	873	90.9	(1,299)	(93.1)	(282)	(16.8)
Total stockholders' equity	100,617	84,192	75,998	75,336	67,552	16,425	19.5	8,194	10.8	662	0.9	7,784	11.5
Total liabilities and stockholders' equity	1,127,203	1,027,297	957,154	818,136	727,082	99,906	9.7	70,143	7.3	139,018	17.0	91,054	12.5
Average interest-bearing liabilities ⁽¹⁾	793,069	738,535	649,026	572,622	464,214	54,534	7.4	89,509	13.8	76,404	13.3	108,408	23.4
Average non-interest-bearing liabilities ⁽¹⁾	169,247	148,215	130,293	150,813	128,220	21,032	14.2	17,922	13.8	(20,520)	(13.6)	22,593	17.6
Total average stockholders' equity ⁽¹⁾	90,626	78,747	76,125	67,385	57,736	11,879	15.1	2,622	3.4	8,740	13.0	9,649	16.7
Total average liabilities and stockholders' equity ⁽¹⁾	1,052,942	965,497	855,444	790,820	650,169	87,445	9.1	110,053	12.9	64,624	8.2	140,651	21.6

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

(In millions of R\$, except percentages)

STATEMENT OF INCOME	FOR THE YEAR ENDED DECEMBER 31,						VARIATION					
	2014	2013	2012	2011	2010	2014-2013	%	2013-2012	%	2012-2011	%	2011-2010
Banking Product	91,657	79,387	81,172	74,276	69,415	12,270	15.5	(1,785)	(2.2)	6,896	9.3	4,861
Losses on Loans Claims	(15,801)	(14,870)	(21,354)	(16,072)	(12,938)	(931)	6.3	6,484	(30.4)	(5,282)	32.9	(3,134)
Banking Product Net of Losses on Loans and Claims	75,856	64,517	59,818	58,204	56,477	11,339	17.6	4,699	7.9	1,614	2.8	1,727
General and Administrative Expenses	(42,550)	(39,914)	(38,080)	(35,674)	(34,632)	(2,636)	6.6	(1,834)	4.8	(2,406)	6.7	(1,042)
Tax Expenses	(5,063)	(4,341)	(4,497)	(4,166)	(4,164)	(722)	16.6	156	(3.5)	(331)	7.9	(2)
Share of Profit or (Loss) of unconsolidated Companies	565	603	175	(113)	349	(38)	(6.3)	428	244.6	288	(254.9)	(462)
Current Income Tax and Social Contribution	(7,209)	(7,503)	(7,716)	(6,956)	(4,042)	294	(3.9)	213	(2.8)	(760)	10.9	(2,914)
Deferred Income Tax and Social Contribution	262	3,160	3,491	3,315	(1,494)	(2,898)	(91.7)	(331)	(9.5)	176	5.3	4,809
Net Income	21,861	16,522	13,191	14,610	12,494	5,339	32.3	3,331	25.3	(1,419)	(9.7)	2,116
Net Income Attributable to Owners of the Parent Company	21,555	16,424	12,634	13,837	11,708	5,131	31.2	3,790	30.0	(1,203)	(8.7)	2,129
Net Income Attributable to Non-Controlling Interests	306	98	557	773	786	208	212.2	(459)	(82.4)	(216)	(27.9)	(13)

(In R\$, except number of shares)

EARNINGS AND DIVIDENDS PER SHARE	FOR THE YEAR ENDED DECEMBER 31,				
	2014	2013	2012	2011	2010
Basic earnings per share ⁽¹⁾⁽²⁾					
Common	3.94	3.01	2.31	2.52	2.13
Preferred	3.94	3.01	2.31	2.52	2.13
Diluted earnings per share ⁽¹⁾⁽²⁾					
Common	3.92	3.00	2.30	2.52	2.12
Preferred	3.92	3.00	2.30	2.52	2.12
Dividends and interest on stockholders' equity per share ⁽³⁾					
Common	1.22	1.03	1.00	0.97	0.86
Preferred	1.22	1.03	1.00	0.97	0.86
Weighted average number of shares outstanding – basic ⁽¹⁾					
Common	2,770,034,003	2,770,034,003	2,770,034,003	2,770,033,973	2,770,033,970
Preferred	2,699,460,382	2,692,213,780	2,696,697,363	2,710,432,134	2,718,609,630
Weighted average number of shares outstanding – diluted ⁽¹⁾					
Common	2,770,034,003	2,770,034,003	2,770,034,003	2,770,033,973	2,770,033,970
Preferred	2,724,080,698	2,713,733,080	2,715,295,033	2,730,583,350	2,743,229,665

(1) Per share information relating to 2013, 2012, 2011 and 2010 have been retrospectively adjusted for the share bonus distribution which occurred in 2014, 2013, 2012 and 2011 as appropriate.

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

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

(In US\$)

	FOR THE YEAR ENDED DECEMBER 31,				
	2014	2013 ⁽¹⁾	2012 ⁽¹⁾	2011 ⁽¹⁾	2010 ⁽¹⁾
Dividends and interest on stockholders' equity per share ⁽²⁾⁽³⁾					
Common	0.46	0.44	0.49	0.52	0.52
Preferred	0.46	0.44	0.49	0.52	0.52

(1) Per share information relating to 2013, 2012, 2011 and 2010 have been retrospectively adjusted for the share bonus distribution which occurred in 2014, 2013, 2012 and 2011 as appropriate.

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

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

Selected consolidated ratios

PROFITABILITY AND PERFORMANCE	FOR THE YEAR ENDED DECEMBER 31,				
	2014	2013	2012	2011	2010
Net interest margin ⁽¹⁾⁽⁴⁾	4.9	5.4	6.2	5.8	7.0
Return on average assets ⁽²⁾⁽⁴⁾	2.0	1.7	1.5	1.7	1.8
Return on average equity ⁽³⁾⁽⁴⁾	24.1	20.9	16.6	20.5	20.3

LIQUIDITY AND CAPITAL	AS OF THE YEAR ENDED DECEMBER 31,				
	2014	2013	2012	2011	2010
Loans and leases as a percentage of total deposits ⁽⁵⁾	153.5	150.0	150.9	142.7	145.5
Total stockholders' equity as a percentage of total assets ⁽⁶⁾	8.9	8.2	7.9	9.2	9.3

(1) Net interest income divided by average interest-earning assets.

(2) Net income attributable to owners of the parent company divided by average total assets.

(3) Net income attributable to owners of the parent company divided by average stockholders' equity.

(4) The average balances are calculated on a monthly basis. Please refer to section Attachments, item Selected Statistical Information, Average Balance Sheets and Interest Rate Data for more detailed information on our average assets, liabilities and stockholders' equity for the years ended December 31, 2014, 2013 and 2012.

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

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

2014 highlights [GRI 64-13](#)

Corporate events and partnerships

Itaú CorpBanca

On January 29, 2014, we entered into an agreement with CorpBanca and its parent companies for the merger of Banco Itaú Chile with and into CorpBanca. Some of the regulatory approvals that are required for closing of this transaction have already been secured. [GRI 64-22](#)

GRI 4-13

Corporate reorganization GRI 4-22 | G4-23

On January 31, 2014, we reorganized our corporate structure to transfer Itaú BBA's institutional treasury and corporate banking activities, including part of its securities and loan portfolios and all other assets and liabilities related to such activities, to Itaú Unibanco. Itaú BBA has retained its investment banking and cash management activities. There are no pending regulatory approvals.

BMG Association GRI 4-22

On April 29, 2014, through our controlled company, Itaú Unibanco S.A., we entered into a business unification agreement with Banco BMG S.A., or Banco BMG, which sets forth the terms and conditions for the unification of the payroll loan businesses of both Banco BMG and Banco Itaú BMG Consignado S.A., or Itaú BMG Consignado. The transaction closed on July 25, 2014, after all applicable regulatory approvals were obtained. As a result of the unification of the businesses, Banco BMG's stake in the total capital and voting stock of Itaú BMG Consignado was increased from 30% to 40%, through a capital increase which was entirely subscribed and paid in by Banco BMG.

Large Corporate P&C Insurance Business

On July 4, 2014, we entered into an agreement with ACE INA International Holdings, Ltd., or ACE, for the sale of all the shares held in Itaú Seguros Soluções Corporativas S.A., or ISSC, to ACE Seguradora S.A., an affiliate of ACE. ISSC conducted the large risk insurance operations for the Itaú Unibanco Group. Its clients were middle and large companies with policies representing high insured values. The transaction closed on October 31, 2014, after all applicable regulatory approvals were obtained.

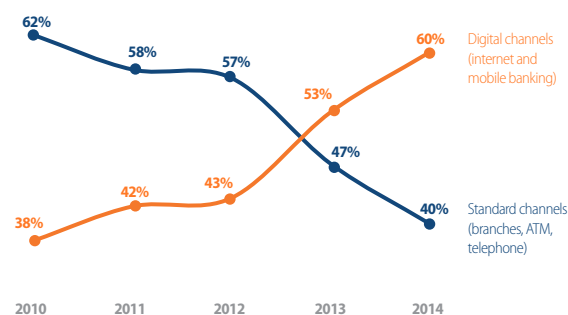
TecBan

On July 17, 2014, we executed a new TecBan shareholders' agreement, through which the signatories agreed to replace part of their external network of Automatic Teller Machines, or ATMs, for Banco24Horas Network ATMs, managed by TecBan, within the next four years. For purposes of this agreement, an external ATM network consists of ATMs located (i) outside of the branch banking system of the relevant financial institution or (ii) where access is not restricted, exclusive or controlled, such as equipment installed in shopping centers, gasoline service stations, supermarkets, etc. The shareholders' agreement became effective on November 14, 2014.

Via Varejo S.A.

On October 1, 2014, the operational agreements between Itaú Seguros S.A. and Via Varejo S.A. related to the offer of extended warranty products in "Ponto Frio" and "Casas Bahia" stores were terminated prior to the expiration of the terms of such agreements. As a result of such early termination by Via Varejo S.A., Via Varejo S.A. paid to Itaú Seguros S.A. R\$584 million, on October 8, 2014, the majority of which corresponded to the restitution of amounts previously disbursed by Itaú Seguros S.A. under such agreements, subject to certain adjustments.

Please refer to the section Performance, item Consolidated Financial Statements (IFRS), Note 3 – Business Development, for further information.

Technology**Volume of transactions**

In line with our strategy of improving efficiency in our businesses and services, continuing the efforts of 2013, in 2014 we announced several innovations, offering greater convenience for our clients. New features have been made available through our digital channels (internet and mobile banking), and investments have been made to improve and create new tools to meet the expansion of these channels (see the chart above), providing quality in transactions in an agile, modern and safe environment. These new features and improvements include:

Personalité Digital – we expanded our client relationship model, in which services are provided exclusively online. In this new platform, the relationship managers offer customer services from 7 a.m. until midnight, Monday through Friday. Consultants specialized in investments, foreign exchange and mortgage loans are also available during those times. Services may be provided by telephone, SMS, videoconference, online chat or email.

Uniclass Digital – through this new platform, relationship managers remotely meet the needs of clients and are available at different times of the physical agencies. The manager and the client communicate in different ways, such as, telephone, SMS and online chat, thus enabling rapid, remote interaction with much convenience.

New ATM – completely redesigned, navigation in the new ATM is easy, fast and intuitive for the customer, with smaller and more simplified screens. Thus, this channel gains an added incentive for use in alignment with our strategy of operations.

Virtual Insurance Store – aiming at increasing the offer to non-accountholders and the presence of our products in electronic channels, we expanded the virtual insurance store (www.lojadesegurositau.com.br), a pioneering undertaking in the insurance market. In addition to accident and residence products, in the last quarter of 2014 we also made travel insurance available through a virtual insurance store and we intensified the dissemination of these services in digital media.

iTempo – is the platform (www.itau.com.br/itempo) which comprises our innovation and convenience services, providing more free time and convenience to our clients. The highlights of this platform in 2014 were:

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- Itaú Apps – keeping the constant improvement and development of our digital channels, we have made available new versions of our applications. Please refer to item Marketing and Distribution Channels for further details about our internet and mobile banking channel;
- Itaú SMS – simplified access to checking account information such as balance and statement, or credit card balance. Clients can send a free SMS to the number 4828 and get the requested information right away; and
- Expansion of the payment service through ATMs – invoice Itaucard cards, tickets of any bank and utility bills can be paid by other banks debit card on our ATMs.

"With an ever-increasing involvement in the routine operations of the business during 2014, our technology department developed solutions for our clients with a focus on mobility and convenience, intensifying the offer of and service in digital channels and mobile applications."

Alexandre de Barros

Itaú Unibanco's Executive Vice President – Technology in 2014

All IT projects are jointly executed with the business, legal and marketing units, taking into consideration sustainability aspects. It is noteworthy that all projects have valuation analysis in order to be approved and prioritized.

We have workplace contingency and disaster recovery processes for our main businesses. Our back up site is also located in the state of São Paulo. Both our primary and secondary data centers have dedicated power systems and generators that are designed to start automatically whenever a power outage occurs.

DataCenterDynamics Brazil Awards – We won the award in the 'Innovation in a Mega-Data Center' category. The DatacenterDynamics Award recognizes innovation, leadership and original thinking in the Brazilian data center industry.

First Annual Brill Award for Efficient IT – The Waste Treatment Plant, implemented in the São Paulo Technology Center, was awarded recognition in 2014, in the Operational Data Center Upgrade (Latin America) category. This award was granted by the Uptime Institute.

Top of Mind Internet 2014 – In a survey conducted by Datafolha Research Institute, we were the most remembered bank in the question to the respondents: "Which is the first brand that comes to your mind when you think about internet?". We have been acknowledged in the Banks category since the survey was created, in 2007.

Efinance 2014 – We received awards in the categories Microcredit and Software Engineering. Sponsored by *Executivos Financeiros* magazine, the award acknowledges the most innovative solutions, implementation and applications in the IT and Telecom areas of financial institutions.

Prêmio Relatório Bancário (banking report award) – We were awarded the "Solutions to The Payment Method" award with respect to the Itaú Tokpag application. The *Relatório Bancário* (Banking Report) is promoted by *Cantarinho Brasileiro*, publication dedicated to covering the Brazilian banking sector.

Awards and Recognition

In 2014 we received a series of awards and acknowledgements helping to strengthen our reputation. A few of our most significant awards and acknowledgements are listed below:

IR Magazine Awards Brazil 2014 – Given by IR magazine, in partnership with the Brazilian Institute of Investor Relations (IBRI), this award reflects the result of a survey of the Brazilian companies with the best "investor relations" practices, conducted by the Getulio Vargas Foundation (FGV), with approximately 400 portfolio managers and investment analysts. We were acknowledged in 7 categories in 2014: Grand Prix for the best Investor Relations program (large cap), Best use of technology (large cap), Best teleconference, Best meeting with investors (large cap), Best annual report, Best performance in investor relations in the 2005-2014 period (large cap), and Best Investor Relations in the Financial Sector.

Prêmio Apimec – We received for the sixth time, the *Companhia Aberta - Categoria A* (publicly held company – A category) offered by Apimec, related to 2013. This is an award for companies with outstanding performance in relationships with the market, considering transparency, timing and quality.

Latin American Executive Team 2014 – Organized by the Institutional Investor magazine, this ranking is based on a survey conducted with managers of investment and pension funds (buy-side analysts), brokers and investment banks (sell-side analysts) operating in Latin America. We won six out of eight categories: "Best Investor Relations" by sell-side and buy-side analysts, "Best CEO" by sell-side and buy-side analysts, "Best Bank CFO" by buy-side analysts and "Best Investor Relations Professional" by buy-side analysts.

World's Best Banks 2014 – Organized by Global Finance magazine, the winners of this award are chosen in a survey with analysts, executives and consultants from financial institutions, and we were acknowledged in the following categories:

- Best Emerging Markets Banks in Latin America 2014 for Banco Itaú Paraguay and Itaú Unibanco;
- World's Best Subcustodian Banks 2014 for our custody services in Brazil, Paraguay and Uruguay;
- World's Best Investment Banks 2014 for Itaú BBA in the Best Investment Bank and Best Equity Bank categories in Regional Winners – Latin America, and outstanding financial institution in Country Winners – Brazil; and
- World's Best Trade Finance Banks 2014 for Itaú BBA in Country Winners – Brazil for the sixth year in a row.

As Empresas Mais Admiradas do Brasil (most admired companies of Brazil) – Promoted by *Carta Capital* Magazine, we ranked first in "Retail Bank" segment and Itaú BBA won in the "Corporate Bank" segment.

Bank of The Year 2014 – We were elected as the bank of the year in the Americas by British Magazine, The Banker. We also were acknowledged as the bank of the year in Brazil, Paraguay and Uruguay.

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Empresas Notáveis Consumidor Moderno (outstanding companies modern consumer) – We stood out in the banking sector in a survey by *Consumidor Moderno* (modern consumer) magazine, conducted in partnership with survey institutes and specialized advisory companies, based on surveys conducted over 2013 with customers' and consumers' perceptions.

15º Prêmio Consumidor Moderno de Excelência em Serviços ao Cliente (15th modern consumer award for customer service excellence) – Promoted by Padrão Group, the award annually recognizes the companies with the best practices in customer service, and in the 2014 edition we won the award in the category "Banks".

2nd Annual Reactions Latin America Awards – Published by British magazine Reactions, these awards acknowledge the main insurance companies in Latin America for the year 2013 and we were elected Best Latin America Investment Bank and Best Brazil Insurer Overall.

Global Counsel Awards 2014 – Itaú BBA received the award as best legal team in the Regulatory (Financial Services) category. This was the first time a Brazilian bank received this award, which places us in an outstanding position in comparison to the other financial institutions with global operations. The award is sponsored by the International Law Office, which chooses the winners by analyzing over 4,000 nominations from corporate lawyers and partners of law firms worldwide, in several categories.

Melhores e Maiores (best and largest) – In the 41st edition of this *Exame* magazine survey, we were recognized by our results for 2013. The ranking assesses data from the largest groups in Brazil, such as stockholders' equity and net revenue. We were ranked first among:

- the 100 largest banks in Latin America, in terms of equity;
- the 200 largest corporate groups in Brazil, in net revenue; and
- the 50 largest banks in Brazil, in terms of equity.

Prêmio de Ouvidorias Brasil 2014 (2014 Brazil ombudsman offices award) – In July 2014, we were recognized for having one of the ten best ombudsman offices in Brazil. The award is an initiative of the *Consumidor Moderno* magazine, and assesses the best ombudsman office cases, with a focus on innovation, meeting the criteria of performance, governance, alliances, integration and social responsibility.

Valor 1000 (Value 1000) – In August 2014, we ranked first in the financial area ranking in the following categories: (i) Highest stockholders' equity and (ii) Best operating income without equity in results. Prepared by the newspaper *Valor Econômico*, the yearly issue analyzes balance sheets under IFRS for the previous year of the one thousand largest companies in Brazil in terms of net revenue.

Prêmio Aberje 2014 (São Paulo) – In October 2014 we were ranked first in the "Special Publication" category due to our Integrated Report 2013. The winning topics were "Connecting information about our strategy and capacity to generate value over time", and "Communication for programs and projects related to Sports", due to the internal campaign to "Engage Itaú's employees, as the national sponsor of the 2014 FIFA World Cup™ and official sponsor of the Brazilian National team".

Cash Management Survey 2014 – We were recognized for the seventh consecutive year as the "Best Cash Management Bank in Brazil" by Euromoney magazine, one of the most important financial market publications. We were also chosen as the "Best Cash Management Bank in Latin America" by Euromoney magazine.

Communication Award – We were elected Advertiser of the Year 2014 by the *Associação Brasileira de Propaganda* – ABP (Brazilian Advertising Association).

Top 1000 World Banks – In June 2014 we ranked as the leaders among the banks in Central America and South America by Tier 1 capital.

Latin Finance's Banks of the Year 2014 – Considered as the principal source of financial market intelligence in Latin America and the Caribbean, LatinFinance magazine named us the bank of the year in Paraguay and Uruguay. The publication also named Itaú BBA the best investment bank of the year in Brazil.

Latin America Syndicated Loan of the Year – We were acknowledged by LatinFinance magazine for the largest and most comprehensive syndicated loan carried out by a financial institution in Latin America for the US\$1.5 billion transaction which included three lead arrangers and 35 participant banks from 147 countries.

3rd Annual North American Structured Products Conference – We won three categories in the Structured Retail Products Awards. We were recognized in the "Best Sales, Brazil", "Best COE Wrapped Sales, Brazil" and "Best Private Banking Product, Brazil" categories.

Dow Jones Sustainability World Index 2014/2015 – We were selected to be included in this index for the fifteenth consecutive year. We are the only Latin American bank that has been included in the index since its launch in 1999.

BM&FBovespa's Corporate Sustainability Index (ISE) 2014/2015 – We were selected to be included in this index in 2014 for the tenth consecutive year. The companies that comprise the index meet standards in socially responsible investment and act as business benchmarks in Brazil.

Carbon Disclosure Project Latin America – We were acknowledged among ten companies named as Leaders in Transparency, in the 2014 Edition of the "Climate Changes" questionnaire. The Leaders in Transparency are those companies recording scores in the top 10%, based on survey results.

Guia Exame de Sustentabilidade (Exame Sustainability Guide) – *Exame* magazine named us the most sustainable company of the year in the 'Financial Institutions, Banks and Insurers' category. This recognition is one of the most important for the sector in Brazil.

Recent Developments

Itaú Unibanco announces a new management structure for the Holding Company

In line with the process of transition already notified to the market, on February 23, 2015, structural changes were announced in the management of Itaú Unibanco Holding S.A., presided by Roberto

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Setubal, and involving an executive committee made up of 3 General Managers and 2 Vice Presidents.

Marco Bonomi was appointed General Manager for Retail (DGV), leading the business of Branches, Cards and Rede, Real Estate, Insurance, Vehicles and Credit. The Marketing area will also come under his leadership.

Candido Bracher will now lead as General Manager of Wholesale (DGA) for business involving large and medium corporates, Asset Management, Private Bank and Custody as well as Latin American business. The latter will remain under the leadership of Ricardo Marino, who until now was on the executive committee of the Itaú Unibanco Holding.

Marcio Schettini takes over as General Manager of Technology, Operations and Efficiency. Consequently, he will lead all the operations necessary for execution of business developed by DGV and DGA, in addition to the activities of Procurement, Property Administration and one of the largest data centers in the world, which the bank inaugurated in March, 2015.

Claudia Politanski continues as Vice President for the Legal and Internal Ombudsman areas and now accumulates the areas of Human Resources, Corporate Communication and Institutional and Governmental Relations.

Eduardo Vassimon remains as Vice President for Risks and will also assume the area of Finance and Financial Control, now reporting as CFO of the Itaú Unibanco Holding. Within this structure, Marcelo Kopel will be nominated as the organization's Investor Relations Officer. Caio David, hitherto Vice President for Finance and CFO of the Itaú Unibanco Holding, will now lead the Institutional Treasury area, which will be under DGA.

"Our objective is to make the transition to the future in a seamless and secure manner and address the more immediate challenges facing the bank. The priorities remain efficiency and simplification. Technology is also a major challenge for us given that it is essential not only to implement our agenda of efficiency and simplification but also in the light of the current scenario with innumerable innovations that are transforming the world and the banking industry. Hence the importance of these changes which we are announcing today", declares Roberto Setubal.

With these changes, three vice presidents of Itaú Unibanco and one from Itaú BBA will be leaving the Itaú Unibanco Holding's Executive Committee:

- Alexandre de Barros, Vice President for the Technology area, leaves the position and remains in the bank as Consultant and Special Advisor to DGTO.
- Zeca Rudge, Vice President of Marketing, Human Resources, Efficiency, Procurement and Property Administration will conclude his career in the bank and take over as Vice Chairman on the Board of Directors of Porto Seguro as our representative.
- Alfredo Setubal, Vice President of Asset Management, Custody and the Private Bank, as well as Investor Relations Officer, leaves the executive area of the bank and will assume as President of Itaúsa, continuing as a member of the Board of Directors of Itaú Unibanco.
- Daniel Gleizer, Vice President for Institutional Treasury, leaves the institution as announced some months ago.

"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 concludes.

Alliance with MasterCard in the payment solutions' market in Brazil

On March 13, 2015, through our subsidiary Itaú Unibanco S.A., we executed an agreement with MasterCard Brasil Soluções de Pagamento Ltda., or MasterCard, to create an alliance in the payment solutions market in Brazil (Strategic Alliance).

During the 20-year term of this Strategic Alliance, Itaú Unibanco and MasterCard will operate a new electronic payments network through a company controlled by MasterCard, in which Itaú Unibanco will have certain approval and veto rights. Such new electronic payments network will operate under a brand with domestic and international acceptance.

Our objectives with respect to the Strategic Alliance are (a) to focus on the growth of its issuing and acquiring businesses, mostly related to such new payment solutions network, (b) to access new payment solutions technologies, (c) to realize important gains of scale and efficiency, and (d) to capitalize on MasterCard's expertise in the management of payment solutions' brands.

The effectiveness of the Strategic Alliance is subject to the satisfaction of certain conditions precedent, including the approval by the appropriate regulatory authorities. The Strategic Alliance is not expected to have a material impact on our financial results for this fiscal year.

Our history

Timeline

ITAÚ	UNIBANCO
1924	• Operating Authorization of Casa Moreira Salles
1944	• Establishment of Banco Central de Crédito S.A.
1945	• Banco Central de Crédito S.A. started its operations
1940s to 1960s	• Change of corporate name to Banco Federal de Crédito S.A., later Banco Federal Itaú and, subsequently, Federal Itaú Sul Americano S.A., after mergers with other Brazilian banks. Merger of Itaú América after the takeover of Banco da América
1970s to 1990s	• Mergers of Casa Bancária Moreira Salles, Banco Machadense and Casa Bancária de Botelhos originating Banco Moreira Salles, subsequently União de Bancos Brasileiros S.A.
	• Organization of BIB – Banco de Investimentos do Brasil
	• Acquisitions of other financial institutions, such as Banco Nacional, making Unibanco one of the three largest financial institutions in Brazil
2000s to 2010s	• Takeover of Banco Aliança, a milestone for expansion in the Northeast region
	• Takeovers of domestic banks, such as Banco União Comercial, making Itaú the second largest private bank in Brazil
	• Acquisition of Banco Francês e Brasileiro S.A., predecessor to Itaú Personnalité
	• Acquisition of state banks Banerj and Bemge
	• Takeover of Banco Bandeirantes and Credibanco, when the Unibanco was ranked among the five largest banks in Latin America and the third largest private bank in Brazil
ITAÚ UNIBANCO	
2008	• Itaú and Unibanco merger, announced on November 3
2009	• Association with Porto Seguro on August 24
2012	• Association with Banco BMG for payroll loan transactions
	• Acquisition of total outstanding shares of Redecard

90 Years of Itaú Unibanco Holding



The trajectories of the former Casa Moreira Salles, founded in 1924, and the old office building of Banco Central de Crédito in the city of São Paulo are inseparable from the

history of Brazilian development. Casa Moreira Salles' activities were centered on the interior of the state of Minas Gerais, more specifically in the region of Poços de Caldas, its objective to provide customers with credit and other minor services – up to that time largely absent from upcountry regions. With the development of this potential, Casa Moreira Salles rose in importance, increasingly focusing operations on its credit business to the detriment of merchandize retailing.

With the expansion of its financial business, the business achieved the status of Banco Moreira Salles following its first merger on May 4, 1940 with the former Banco Machadense. On July 15, 1940, Casa

de Comércio Moreira Salles closed its retail activities to concentrate on the family's entrepreneurial activities involving only the Banco Moreira Salles.

While Banco Moreira Salles was growing in upcountry Minas Gerais and expanding into Mato Grosso as far as the frontier with Bolivia, in São Paulo, Banco Central de Crédito was founded by Alfredo Egydio de Souza Aranha in 1945. During the second half of this decade, Banco Central de Crédito saw rapid appreciation in its shares, offering its stockholders dividends of about 10% and 12%, levels equivalent to São Paulo's leading banks. The institution also expanded with the opening of branches both in the capital as well as in the interior of the state of São Paulo.

In this context, it was during this period that the young Olavo Setubal founded Artefatos Deca Ltda. in partnership with Renato Refinetti, his colleague from their days at Escola Politécnica. The seed capital for the new company was to come from the then chairman of Banco Central de Crédito, Alfredo Egydio de Souza Aranha. The path of the two banks began to cross and become similar one to the other with the growth and development of both the city as well as the state of São Paulo. During the 1940s, the importance of Banco Moreira Salles in the national context grew, decentralizing its activities away from the south of the state of Minas Gerais, even establishing a presence in the city of Santos where it would experience major growth in its operations.

The following years were to see a process of adaptation and consolidation at both Banco Moreira Salles and Banco Central de Crédito in tandem with the ever greater complexity of the banking system and the economy. As time elapsed, the banking structure began to become leaner, triggering a major trend towards mergers and incorporations and resulting in the formation of Banco Federal Itaú and Unibanco – União de Bancos Brasileiros.

From the establishment of the first branch in the state of Minas Gerais, where the oldest institution that is part of the Itaú Unibanco Group were established, to the association between Itaú Holding Financeira and Unibanco – União de Bancos Brasileiros in 2008, nine decades of growth and development have produced one of the largest financial institutions in Latin America in terms of market capitalization as well as the most valuable brand in Brazil.

The association has given rise to the largest Brazilian private sector bank and one of the 30 largest banks in the world by market value as of January 31, 2015. Itaú and Unibanco have developed similar and supplementary characteristics over time with mergers, acquisitions and takeovers characterizing their growth trajectories. As of December 31, 2014, our total assets exceeded R\$1.1 trillion and we had a market capitalization of R\$190.2 billion.

Our history is characterized by entrepreneurial ideals and a visionary spirit which the founding fathers of the original institutions demonstrated from the earliest days. The pugnacity and courage also shown by those that came later in developing the respective operations was also instrumental in developing levels of excellence even before the merger which created the largest private sector bank in the country and one of the largest in Latin America.











Our Vision

Our objective is to be the leading bank in sustainable performance and client satisfaction. For us, sustainable performance means creating shared values for employees, clients, shareholders and society, so as to ensure the longevity of our business.

Our Culture

Our corporate culture is expressed by a set of ten principles that guide the way we do business and outline the approach we expect our teams to take to turn our vision into reality. This set of principles is called *Nosso Jeito de Fazer* ("Our Way of Making it Happen") and we reinforce such values with our employees through a number of initiatives, such as (i) events, including our annual meeting with managers *Encontro entre Líderes* ("Meeting among Leaders") or our awards *Prêmio Walther Moreira Salles*, (ii) our performance assessment processes that measure employees alignment with expected behaviors derived from such principles, and (iii) campaigns in our communication channels.

Our Way of Making It Happen

-  All for the client
-  Passion for Performance
-  Ethical, Responsible Leadership
-  All-Stars who are Team Players
-  Focus on Innovation and Focused Innovation
-  Processes serving People
-  Nimble and Uncomplicated
-  Leave your stripes at the door
-  A Sparkle in One's Eyes
-  Dream Big

In 2014, we celebrated five years of the business combination that created the Itaú Unibanco Group. In those five years, we have fostered a common culture which we have disseminated across the entire organization by means of several initiatives.

We now celebrate yet another step in the direction of consolidating our culture. Through Our Way of Making it Happen alignment survey, conducted bi-annually, we identified an increase of 9% in perceived culture alignment from our employees compared to 2012. Reaching this threshold enables us to believe that we are increasingly aligned with how we would like to do business and relate with our clients. For the fifth consecutive year, we held the "Meeting among Leaders" in April. The opportunity, during which all Itaú Unibanco leaders met in order to become acquainted with and share the Organization's present and future challenges, was crucial for the delivery of messages concerning:

- Continuous growth based on our vision;
- Results attained;
- The Leadership role in technical excellence and people management; and
- Meritocracy cycle.

It is by means of the "Meeting among Leaders" and other initiatives that we intend to develop our culture over the coming years, with a constant focus on sustainable performance and client satisfaction.

Employees

The number of employees within the Itaú Unibanco Group decreased from 95,696 in 2013 to 93,175 in 2014. The decrease in the number of employees is mainly explained as a result of our natural turn-over. Furthermore, there was a decrease of 322 employees due to the sale of our large risk operations, in our insurance business, in October 2014. [GRI G4-9](#)

The tables below show the total number of employees for the years ended December 31, 2014, 2013 and 2012, segmented by region (Brazil and abroad) and operating unit:

EMPLOYEES (BRAZIL AND ABROAD)	DECEMBER 31,			VARIATION (%)	
	2014	2013	2012	2014-2013	2013-2012
In Brazil	86,192	88,783	90,323	(2.9)	(1.7)
Abroad	6,983	6,913	6,654	1.0	3.9
Argentina	1,679	1,696	1,650	(1.0)	2.8
Chile	2,563	2,542	2,451	0.8	3.7
Uruguay	1,176	1,180	1,127	(0.3)	4.7
Paraguay	789	731	701	7.9	4.3
Europe	233	256	261	(9.0)	(1.9)
Other	543	508	464	6.9	9.5
Total	93,175	95,696	96,977	(2.6)	(1.3)

EMPLOYEES (BY OPERATING UNIT)	DECEMBER 31,			VARIATION (%)	
	2014	2013	2012	2014-2013	2013-2012
Commercial Bank – Retail	92,457	90,427	91,304	2.2	(1.0)
Wholesale Bank	395	2,532	2,848	(84.4)	(11.1)
Consumer Credit – Retail	303	2,718	2,781	(88.9)	(2.3)
Activities with the market and corporation	20	19	44	5.3	(56.8)
Total	93,175	95,696	96,977	(2.6)	(1.3)

As Melhores da Dinheiro 2014 (the best of Dinheiro 2014) –

We were the winners in the Human Resources category. Promoted by *Isto É Dinheiro* magazine, this award acknowledges the best companies of the year by using management criteria.

Empresa dos Sonhos dos Jovens – We were ranked fourth as the most sought after company for career aspirations by young Brazilians in 2014. It is organized by *Companhia de Talentos*.

Labor Relations [GRI G4-11](#)

We maintain an ongoing dialogue with the labor unions representing all our employees in different professional categories. Respect, transparency and direct interaction with these unions are among our principles. Our priority is to find creative and negotiated solutions to minimize possible differences and to engage with issues involving our employees.

We guarantee freedom of association to our employees and recognize the rights and privileges of those elected to executive positions in the unions, in compliance with Brazilian law and the collective labor conventions to which we are a part. In addition, we allow unions to run unionization campaigns and, when requested, we hold meeting with the unions, its managers and/or employees.

We maintain our commitment to prioritize collective negotiations and discuss an ongoing agenda of issues with the unions. This agenda enables us to resolve conflicts more efficiently and

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reinforces our commitment to maintain an ongoing relationship with the labor unions.

All our employees are supported by collective labor conventions that guarantee rights in addition to those granted by applicable labor law, in addition to other benefits that we may grant to our employees on a non-recurring basis according to our policies. We make consistent efforts to follow the guidelines established with unions in order to increase the health conditions of our employees and provide them with a productive work environment.

During the collective negotiations of bank employees in 2014, which usually occurs by September, our branches were subject to strikes for 5 business days, resulting in approximately 25.4% of our branches being closed during that period.

During the collective negotiations of bank employees in 2013, our branches were subject to strikes for 18 business days, resulting in approximately 31.6% of our branches being closed during that period.

During a strike of bank employees in 2012, our branches were subject to strikes for 09 business days, resulting in approximately 30.0% of our branches being closed during that period.

In spite of the disruptions to our retail banking operations and, to a lesser extent, our corporate banking operations, we have not historically suffered any significant losses due to these strikes.

Brand

Our brand increasingly stands for the positive transformation we seek in our own lives as individuals, for our society and for our country. Our products and services all reflect our pursuit of enhanced experience for all of the people with whom we interact. Our financial education initiatives permeate all aspects of our business in order to promote financial responsibility for individuals. Our responsibility for the country's development is part of our brand's essence, accordingly, in addition to the positive transformation inherent to our core business, we are also investing in education, culture, sports and urban mobility related projects.

In 2014, our brand was ranked Brazil's most valuable brand for the 11th consecutive year at an estimated value of R\$21.7 billion, according to consulting firm Interbrand. Interbrand's analysis is based on the brand's ability to deliver financial results, influence clients' selection processes and ensure long-term demand.

The platform (#issomudamundo) launched in 2013 to build links between our aim of making people's world better, our causes, and the several projects that benefit from our investments was again our theme for the 2014 institutional campaign.

A survey conducted by the research institute Officina Sophia in 2014 turned in important findings for the brand: the platform users' initiatives help leverage our indicators. For example, among people impacted by any of our outreach campaigns for the platform, we detected 27% better perception in terms of consideration and 50% higher for prestige (better bank).

Our scale and depth is also reflected in our social media numbers. Our Facebook community is the world's largest for a bank, with over 7.4 million fans making it one of the top 10 fan bases for all

Brazilian brands according to Socialbakers monitoring platform. Our Twitter profile is now number one in Brazil's financial sector in terms of followers with over 435,000.

Our social network content strategy carries a series of films stating our point of view using formats specifically devised for the internet on our YouTube brandchannel. We want to inspire people to believe in transformative attitudes by telling stories that encourage them to initiate positive changes. With over 158 million of views, our brandchannel has had more views than any other Brazilian one, in any segment, and more any other financial brandchannel worldwide.

We are continuing to run a special structure monitoring our social media profiles and interacting with the general public and our clients on everything relating to Itaú, questions, suggestions, compliments and complaints. According to Gauge monitoring agency platform, we had over 1.2 million of mentions on social networks, of which 68% were positive or neutral comments. We continue to provide 24/7 customer service via social media and average time to first contact with clients was 6 minutes.

In 2014 we had an unprecedented brand opportunity as local sponsors for the 2014 FIFA World Cup Brazil™. Our challenge was to stand out amongst the global brands that have sponsored the event for decades and have more adherence with this theme. Nevertheless, by the end of the event we were able to show outstanding results for our brand: highest peak engagement in Twitter's history in Brazil with 23.91%, the most Google-searched brand in relation to the 2014 FIFA World Cup Brazil™, the one most associated with Brazil's soccer team and second most associated with the event, according to a survey conducted by Ibope.

Patents

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

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

Main Shareholders

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

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

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

The table below presents information on the persons that, to our knowledge, held over 5% of our common or preferred shares at January 31, 2015:

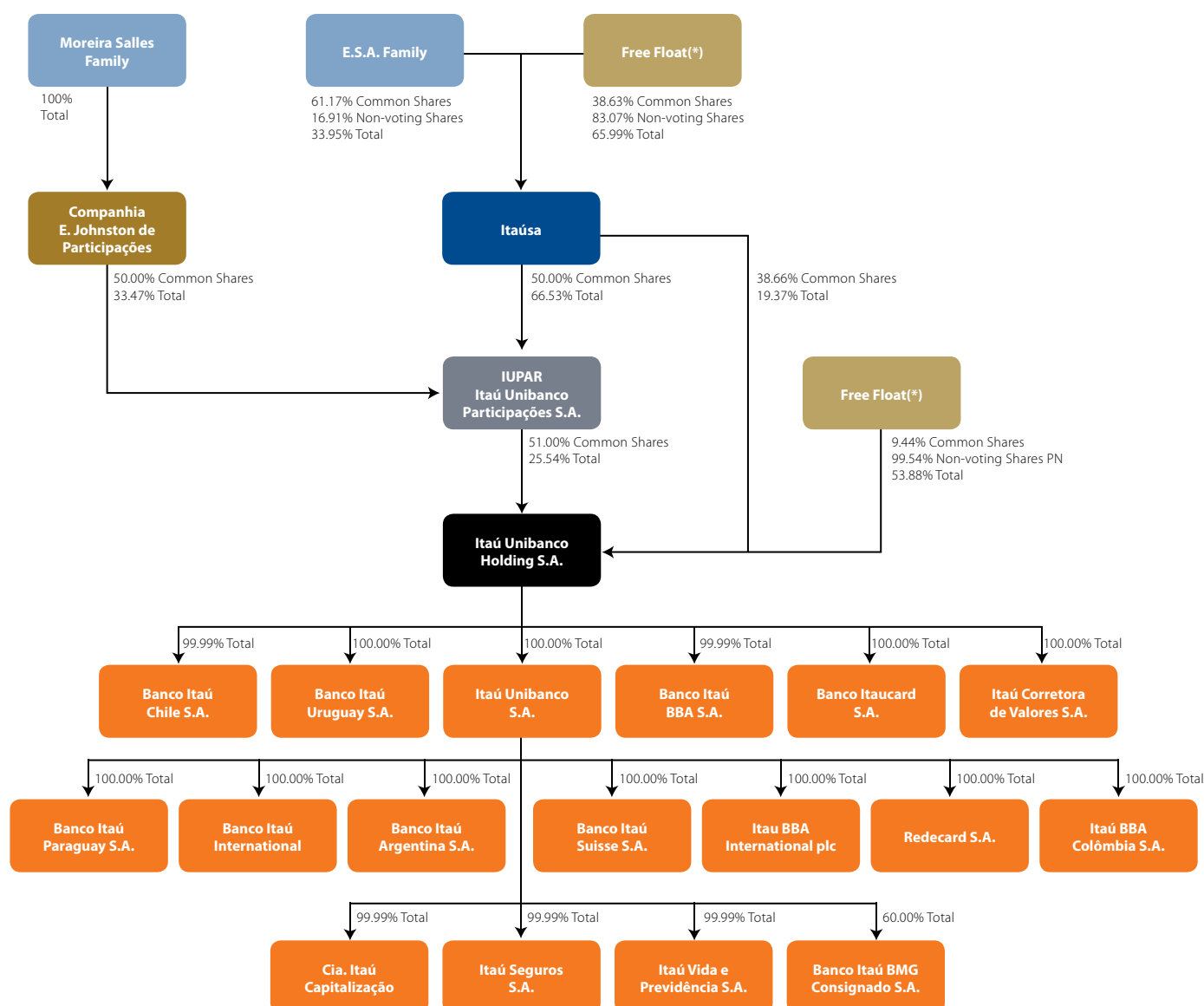
SHAREHOLDERS	COMMON SHARES		PREFERRED SHARES		TOTAL	
	TOTAL NUMBER OF SHARES	% OF TOTAL	TOTAL NUMBER OF SHARES	% OF TOTAL	TOTAL NUMBER OF SHARES	% OF TOTAL
IUPAR – Itaú Unibanco Participações	1,412,718,681	51.0	-	-	1,412,718,681	25.5
Itaúsa – Investimentos Itaú S.A.	1,071,022,909	38.7	93,291	0.0	1,071,116,200	19.4
BlackRock ⁽¹⁾	-	-	192,796,197	7.0	192,796,197	3.5
Others	286,292,413	10.3	2,503,199,305	90.7	2,789,491,718	50.4
Subtotal	2,770,034,003	100.0	2,696,088,793	97.7	5,466,122,796	98.8
Treasury stock	2,541	0.0	64,707,344	2.3	64,709,885	1.2
Total	2,770,036,544	100.0	2,760,796,137	100.0	5,530,832,681	100.0

(1) Share ownership information provided by shareholder.

As of January 31, 2015, 11,226,802 common shares and 1,707,868,177 preferred shares were held by non-Brazilian investors (calculated based on the investors' addresses indicated in our records related to the shares that are in our custody), representing 0.4% and 63.3%, respectively, of the total of each class outstanding.

Ownership Structure

The following chart is an overview of the ownership structure of the Itaú Unibanco group as of January 31, 2015, which includes our controlling shareholders and some of our main subsidiaries:



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

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

IUPAR shareholders' agreement

Itaúsa and Cia. E. Johnston have a shareholders' agreement that governs their relationship as controlling shareholders of IUPAR and, indirectly, as our controlling shareholders and as controlling shareholders of our subsidiaries. Please refer to www.itau.com.br/arquivosstaticos/RI/pdf/IUPARingles.pdf, for further details. Its main terms and conditions are described below.

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

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

Transfer of control and increase of interest in the share capital

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

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

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

Marketing and Distribution Channels

We provide integrated financial services and products to our clients through a variety of marketing and distribution channels. In addition to our traditional portfolio of banking products, we offer products such as insurance, investments, foreign exchange and brokerage.

In the commercial banking – retail segment, we provide Itaú Uniclass clients exclusive services such as dedicated managers, investment advisory services, exclusive cashiers, telephone service through branch managers and higher credit limits. We also provide advisory services on investments and real estate loans to our high-end clients through Itaú Personnalité. Our portfolio of corporate products suited for large companies is managed by our wholesale banking segment.

Our distribution network is divided into physical channels, which include branches, Automatic Teller Machines, or ATMs, and Customer Site Branches (which are banking service centers located at certain corporate clients), or CSBs, and digital channels, such as internet banking, mobile banking and telephones.

Banking transactions carried out through the Internet and mobile channels have grown significantly in recent years.

Branches

Our branch network serves as a distribution network for all of the products and services we offer to our clients.

In 2013, we opened branches especially refurbished for shopping malls, with a new visual identity and service proposal. Located in different cities in the states of São Paulo and Rio de Janeiro, the spaces present a new concept of client service, with a differentiated layout inspired by the design of a retail store. Focusing on the relationship with the client as a way to strengthen contact with the public, this branch is open from 12 p.m. to 8 p.m., with exclusive service to our clients from 5 p.m. on. The first branch with this concept was opened in 2012 in the Villa Lobos shopping mall in the city of São Paulo and, currently, there are 25 branches in Brazil. We intend to extend this concept in the next few years.

Similarly, we also implemented changes in service hours for certain branches located in commercial hubs, which now open at 8 a.m. or 9 a.m. and close at 6 p.m. or 8 p.m. This initiative was designed to adapt our services to the routine of our clients. We intend to extend this model to other malls and trade centers in Brazil in the next few years.

CSBs

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

ATMs

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

We also have arrangements with other network operators, such as the brands "Cirrus" and "Maestro", to allow our clients to use limited services through their networks.

Since 2012, we have made differentiated services available to certain registered clients. In addition to services available to our

clients in general, these registered clients are able to withdraw funds and check current account balances and statements just by using biometric technology. Biometrics enables these registered clients to carry out transactions with fingerprint identification, without typing a password or using a card, providing more security and convenience for our clients. To be able to use biometrics, clients simply register with any Itaú Unibanco branch.

Digital Channels (internet and mobile banking)

The Internet banking channel became important in recent years given the continuous growth in demand for online transactions. We have had Internet banking since 1998, offering convenience through services and products to our individual and corporate clients, such as money transfers, payments, credit, investments, insurance and others. As a result, our transactions through this channel represented 60% of our total client transactions.

One of our most important recent technological innovations has been in mobile banking applications, which allow clients to

access their accounts and perform banking transactions using smartphones or tablets through applications designed with focus on innovation, transaction effectiveness and high-level experience for the customer.

In 2014, we redesigned all the mobile applications for our clients in Brazil: Itaú App (including a version for tablet), Itaú Empresas App, and Itaucard App. We also launched Itaú tokpag App, an application that transfers money using the mobile phone number quickly and safely. Focused on innovation, this application also allows users to make transfers to other banks and interact via message, providing convenience to make transactions. For our operations in Latin America, we launched the Itaú Mobile app for individual clients in Chile, totally aligned with our applications.

The table below shows our branches, CSBs and ATMs network broken down by types of services provided and geographic distribution, as of December 31, 2014, 2013 and 2012:

IN BRAZIL AND ABROAD	BRANCHES			CSBs			ATMs		
	2014 ⁽¹⁾	2013	2012	2014	2013	2012	2014	2013	2012
Itaú Retail	3,640	3,627	3,615	849	860	873	26,721	26,756	26,909
Itaú Personnalité	318	277	240	3	3	3	588	557	500
Itaú BBA	9	9	9	-	-	-	-	-	-
Total in Brazil	3,967	3,913	3,864	852	863	876	27,309	27,313	27,409
Argentina	72	73	75	17	18	20	186	189	194
Chile	99	98	91	-	-	-	70	72	70
Uruguay	23	25	59	1	1	1	54	43	41
Paraguay	30	28	27	4	3	9	297	283	246
Other	5	5	5	-	-	-	-	-	-
Total	4,196	4,142	4,121	874	885	906	27,916	27,900	27,960

BY OUR DISTRIBUTION NETWORK THROUGHOUT BRAZIL (REGION)	BRANCHES			CSBs			ATMs		
	2014 ⁽¹⁾⁽²⁾	2013	2012	2014	2013	2012	2014	2013	2012
South	653	648	637	118	119	120	3,870	3,815	3,790
Southeast	2,606	2,557	2,534	605	611	607	18,912	18,975	19,132
Center-west	297	295	294	42	45	63	1,716	1,707	1,741
Northeast	314	316	304	50	50	49	2,159	2,173	2,113
North	97	97	95	37	38	37	652	643	633
Total in Brazil	3,967	3,913	3,864	852	863	876	27,309	27,313	27,409

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

(2) 72.8% of our branches were located in the states of São Paulo, Rio de Janeiro and Minas Gerais in the southeast of Brazil, Paraná in the south of Brazil, and Goiás in the center-west of Brazil.

Our business

Overview

We provide a broad range of banking services to a diverse client base that includes individuals and corporate clients, on an integrated basis through the following operating segments: **GRI G4-4**

The **Commercial bank – Retail** segment offers services to a diversified base of individuals and companies with annual revenues of up to R\$30 million. Such services include insurance, pension plan and premium bonds, credit cards, asset management, credit products and are customized and developed to meet clients' demands, through specialized units. Our marketing strategies are tailored to each client profile and implemented through the most suitable distribution channels. We aim to increase the number of products used by our clients, thus diversifying our revenue sources. This segment represents an important funding source for our operations and generates significant financial income and banking fees.

Through the **Consumer credit – Retail** segment, we implement our strategy of expanding our offering of financial products and services beyond our current account holders. As such, this segment oversees the financing of vehicles outside our branch network, the offering of credit cards to individuals who are not accountholders and Itaú BMG Consignado operations.

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

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

We also have a broad range of operations outside of Brazil and have built our international presence based on strategically positioned units in the Americas, Europe and Asia. This creates significant synergies in foreign trade finance, the placement of Eurobonds and in the offering of more sophisticated financial transactions and private banking operations. These operations are presented both in the commercial banking – retail and in the wholesale banking segments.

Please refer to section Performance, item Financial Performance, Results, and section Performance, item Consolidated Financial Statements (IFRS), Note 34 – Segment Information, for further information about our segments.

Overview of Products and Services

We have a large and diverse portfolio of products, such as credit and investments, and services to address our clients' needs. Our commercial banking business segment is segregated according to customer profiles. This allows us to be closer to our clients, understand their needs and offer the most suitable products to meet their demands.

"In 2014 we strengthened our activities towards the offering of the right products, to the right clients, in the right channels. We also expanded our distribution channels with the creation of the new Personnalité and Uniclass digital branches, a new way of addressing our clients' needs, with a focus on convenience and mobility."

Marco Bonomi

*Itaú Unibanco's Executive Vice President –
Retail Bank in 2014 and General Manager – Retail starting in 2015*

Itaú Retail Banking (individuals)

Our core business is retail banking and through our retail operation we offer a dedicated service structure to consumer clients throughout Brazil. Our client service structure is targeted to offer the best solutions for each client profile. We classify our retail clients as individuals with a monthly income below R\$10,000.

Our Itaú Uniclass services are available at every branch for clients who earn more than R\$4,000 or R\$5,000 per month, depending on the region, an innovation for Brazil's banking sector. We offer exclusive services to our Itaú Uniclass clients, including investment advisory services, exclusive cashiers, special telephone service and higher credit limits and a large team of dedicated relationship managers.

Our retail network is focused on building lasting, transparent relationships with our clients.

Itaú Personnalité (banking for high-income individuals)

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

Itaú Personnalité's is focused on providing (i) financial advisory services by managers who understand the specific needs of our higher-income clients, (ii) a large portfolio of exclusive products and services and (iii) special benefits based on the type and length of relationship with the client, including discounts on various products and services. Itaú Personnalité services its clients through a dedicated network comprised of 289 branches, located in the main Brazilian cities. Itaú Personnalité clients also have access to our retail banking network of branches and ATMs throughout the country, as well as internet, telephone and mobile banking.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Retail Banking (Including Itaú Personnalité)	In December 2014, we reached a market share of 13.1% based on total outstanding loan balance in <i>reais</i> , positioning us as the third largest bank in this segment in Brazil.	Itaú Unibanco Holding has a leading position in many sector of the Brazilian domestic financial market. Based on Central Bank data and publicly available financial information, our main competitors are Caixa Econômica Federal, Banco do Brasil S.A., Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Itaú Empresas (very small and small companies)

To meet the needs of our corporate clients, we offer, through a dedicated structure, customized solutions and provide detailed advice on all products and services to:

- **Very small companies:** a client base with annual revenues up to R\$1.2 million served by 4,371 banking branches with 2,805 managers as of December 31, 2014; and
- **Small companies:** a client base with annual revenues from R\$1.2 million to R\$30 million served by 359 business offices with 2,008 managers as of December 31, 2014.

All our managers are certified by the Brazilian Financial and Capital Markets Association (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*, or ANBIMA), and throughout the year they receive training to offer the best solutions for each client profile. Our clients rely on our ability to provide products, terms and rates customized to their needs.

Our strategy is to capture market opportunities by meeting the needs of these companies and their owners, particularly with respect to the management of cash flow, credit facilities, investment needs and services.

As was the case in 2013, improving our credit portfolio and reducing our overdue loan portfolio remained our goal in 2014: credit processes, policies and tools were enhanced and we intensified our revenue collection. Our focus on this segment is aligned with our strategy to improve the quality of our loan portfolio.

Focused on meeting our clients' needs, we developed *Conta Certa*, an account plan with customizable service bundles, and we extended our offerings in electronic channels enabling clients to borrow and purchase a wide range of services without having to go to one of our branches.

With respect to cards and merchant services, we saw an increase in the number of accredited merchants, as well as an increase in the level of card transactions and our revenue derived therefrom when compared to previous years. We launched a number of new products in 2014 such as the "Flex" plan, allowing our merchant clients to anticipate revenues from credit card sales and the "Combo" plan, a service plan providing reduced *Conta Certa* fees and REDE equipment rental. In addition, we developed integrated pricing features with respect to loans, cash services and merchant acquiring services.

Improving and simplifying our operational and commercial processes were also in our agenda as we worked on simplifying time-consuming processes such as current account opening and organized our operational and commercial units to work in a standardized manner, similar to franchises.

Public Sector

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

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

In December 2014, we had 2,707 public sector clients and 15 offices in Brazil.

"We play a leading role in the wealth management business, by providing a broad offering of solutions and services in this segment, which allows us to serve our clients in a thorough and efficient manner."

Alfredo Setubal

Itaú Unibanco Holding's Board of Directors Member and Executive Vice President – Wealth Management & Services in 2014

Itaú Private Bank

Headquartered in São Paulo, Itaú Private Bank is a leading wealth management player in Latin America with a market share in Brazil exceeding 25%. Besides our seven offices in Brazil, we also serve our clients from our offices in Chile, Uruguay, Paraguay, Miami, New York, Switzerland, Cayman and Bahamas. Our dedicated team of more than 700 professionals provided comprehensive financial services to several families from most countries in Latin America. In 2014 we reaffirmed our commitment to the Chilean market and the strategic goal of being the largest private bank in the Latin American market, extending our joint venture agreement signed in 2011 with Munita, Cruzat & Claro (MCC) obtaining a 100% ownership interest in the company.

Our clients have access to a complete portfolio of products and services, ranging from investment management to wealth planning, credit and banking solutions. In addition to our in-house customized products and services, we offer our clients access to an open architecture of alternatives from third-party providers. Our team of more than 120 private bankers as of December 31, 2014, supported by a team of investment advisors and product specialists, are dedicated to understanding and addressing the needs of our clients.

Aligned with our mission to be the leading company in client satisfaction and sustainable performance, we decided to focus our strategic priorities, and we intend to continue to do so during the next year, on the following initiatives:

- Being the Private Bank leader in client satisfaction;
- Adding value to client and shareholders with complete offering and long term proactive advisory;
- Continuing to invest in our international platforms to enhance Brazilian clients experience and expand our operation in Latin America;
- Increased operational efficiency of our platform through continuous investments in our IT platforms; and
- Maintaining a focus on risk management and regulatory considerations.

Global Private Banking Awards 2014 – Sponsored by the Professional Wealth Management and The Banker magazines in October 2014, Itaú Private Bank was acknowledged as the "Best Private Bank for Innovation", and for the third time as the "Best Private Bank in Brazil" categories.

24th Global Wealth Summit & Awards – In October 2014, we were chosen for the fifth time as the "Outstanding Global Private Bank in Latin America", in the award promoted by Private Banker International.

Private Banking Survey 2014 – Promoted by Euromoney magazine, we were recognized for the fifth time in the "Best Private Banking Services Overall in Brazil" category and also as "Best Private Banking Services Overall in Paraguay".

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Private Bank	In December 2014, our market share exceeded 25% in terms of assets under management, positioning us as the largest private bank in Brazil.	According to ANBIMA, the Private Bank industry in Brazil held assets totaling R\$645.1 billion as of December 2014, with competition concentrated among large and well-established banks. Our main competitors in the private banking funds are BTG Pactual, Credit Suisse Hedging Griffo and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and ANBIMA.

Itaú Asset Management

Itaú Asset Management is responsible for managing clients' assets. It has positioned itself as the largest private asset manager in Brazil, and one of the leading institutions of its kind in Latin America, by having over R\$360 billion, according to ANBIMA, in assets under

management, around 360 professionals present in 8 countries, and over 50 years of experience in managing resources.

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

Kinea, an alternative investments management company, held R\$5.9 billion in managed assets at the end of 2014.

Top Gestão 2014 (top management) – Itaú Asset Management was recognized in the category “*Maiores – alocação mista flexível*” (biggest – flexible mixed allocation), organized by the *Valor Econômico* newspaper and Standard & Poor’s, which assesses fixed-income funds, multimarket and variable income funds, and recognizes the best fund managers in Brazil. The publication also gave five stars to 13 funds managed by Itaú Asset Management, based on profitability and regularity of the results achieved.

The 1000 Best Investment Funds for 2014 – For the second consecutive year, Itaú Asset Management was named the best investment fund manager in Brazil by *Guia Exame Investimentos Pessoais* (Exame Personal Investments Guide). This recognition is presented by *Exame* magazine in partnership with the Getúlio Vargas Center for Financial Studies (GVCef-FGV), which is responsible for the survey.

Fitch Ratings 2014 – This rating agency, responsible for evaluating the quality of financial products or assets of companies worldwide, assigned an International Scale Asset Manager Rating ‘Highest Standards’ to Itaú Asset Management.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Asset Management	In December 2014, we had a market share of 14.5% in terms of assets under management, positioning us as the largest private asset manager in Brazil.	According to ANBIMA, the asset management industry in Brazil held assets totaling R\$2.682 billion as of December 2014, with competition concentrated among large and well-established retail banks. Our main competitors are Banco do Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and ANBIMA.

Securities Services

Itaú Securities Services business units provide: local custody and fiduciary services, international custody, and corporate solutions that acts as transfer agent and shareholder servicer for Brazilian companies issuing equity, debentures, promissory and bank credit notes. We also work as guarantor in transactions of project finance, escrow accounts and loan and financing contracts.

Our focus is to be a full service provider for institutional clients by offering integrated solutions and an exclusive channel with specialized professionals. To be efficient, these businesses have the technology as a foundation.

Pension funds, insurance companies, asset managers, international institutional investors and equity and debt issuers are our primary clients in these businesses, representing approximately 2,611 clients in 21 countries that reached R\$3.4 trillion of assets under service as of December 31, 2014, which includes investment funds, underwriting, pension funds, trustee and brokerage services.

Global Custodian 2014 Awards for Excellence – We were named, by this acknowledged publication in the securities services sector, as “Single Market Sub-Custody in the Americas: Emerging Markets” in Brazil, which reflects the customers’ opinions regarding the quality of services provided.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Local Custody	In December 2014, we had a market share of 26.0% based on total assets under local custody, positioning us as the second largest Local Custodian.	According to ANBIMA, the local custody in Brazil held assets totaling R\$3,134 billion as of December 2014. Our main competitors are Banco Bradesco S.A. and Banco do Brasil S.A.
International Custody	Our market share in December 2014 was 14.3% in terms of total assets under international custody, positioning us as the second largest International Custodian.	Based on ANBIMA, the international custody service in Brazil totaled R\$1,089 billion of assets as of December 2014. Our main competitors are Banco Citibank S.A., JP Morgan's Securities Services and Banco Bradesco S.A.
Corporate Solutions	In December 2014, we had a leading position as agent and registrar provider to 227 companies listed on BM&FBovespa, which represents 62.5% of companies listed on that exchange. Moreover, we were leader as transfer agent with 478 debentures offerings in the Brazilian market, representing 51.5% of the debentures market in Brazil.	Our main competitors in the equities market are Banco Bradesco S.A. and Banco do Brasil S.A. Our main competitor in debentures is Banco Bradesco S.A.

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

Other products and services portfolio

“In 2014, we consolidated the organizational structure of our Consumer Credit, Real State, Vehicles and Insurance businesses defined in 2013, thereby simplifying the management thereof. In our business, we have prioritized core activities, which benefit from scale, effectively generate value and are intrinsically related to the businesses which the bank operates.”

Marcio Schettini

Itaú Unibanco's Executive Vice President – Consumer Credit, Real State, Vehicles and Insurance in 2014 and General Manager – Technology & Operations starting in 2015

Insurance

Our insurance business provides a wide range of life and personal accident products, automobile and property insurance, credit insurance and travel insurance. Focused on streamlining our portfolio, making our products more complete and distributing our products, our sales channels are branches, the internet, self-service terminals, telemarketing and mobile applications, besides association with retailers. In 2014, we intensified our focus on bancassurance, exploring the synergy among bank channels, such as branches, ATMs and tellers, and among other financial products, approaching card holders and credit takers. This operation offers a higher margin and is less volatile, generating profitability without a credit risk implication, increasing its importance for our revenue diversification.

Focusing on raising our profitability and on reaching more customers more assertively, we expanded our product offerings via digital channels. We have developed the Insurance Online Store, which has an increasing participation in insurance sales. Offering our products to banking and non-banking clients, the Online Store also allowed an expansion in our communication and awareness. Besides travel and personal accidents insurance products, we offer auto insurance and property & casualty insurance, for individuals and small and medium companies. Insurance sold on the Internet in 2014 had an increase of 123.3% in items sold compared to the same period of the previous year.

We work constantly towards offering more efficient processes and a high-quality service to our clients. This resulted in an increase of our sales in 31.1%, in comparison to 2013.

Our strategy to increase our level of penetration in the Brazilian insurance market varies according to the sectors we choose to compete in. For individuals and small and medium company markets, we focus beyond our banking client and credit card base, increasing client penetration. We are working on improving client penetration in property and casualty insurance for small and medium companies. For this purpose, innovation has been a very important factor for our growth in corporate clients. For those customers we offer a specialized advisory service and develop tailor made solutions. Our focus is on developing long term partnerships and maintaining a close relationship with our clients' Human Resources departments.

In October 2014, we completed the sale of our large risk insurance operation and the migration of BMG Seguradora, acquired on June, 2013. Please refer to section Our Profile, item 2014 highlights for further information.

The launch of Proteja, a website for insurance education, had a relevant impact on our brand, reinforced our brand positioning and fostered the understanding of the importance of insurance products. Please refer to www.itau.com.br/proteja for further information about the Proteja website.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Insurance	Giving effect to our 30% ownership interest in Porto Seguro S.A., we reached 12.0% of market share based on earned premiums, excluding VGBL (Redeemable Life Insurance), from January to December, 2014, positioning us as the second largest insurance provider in this segment in Brazil. Considering only our insurance core activities, our market share reached 14.2% in the same period.	The Brazilian insurance market is highly competitive. Our main competitors in this sector, excluding health insurance providers, are affiliated with large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A. Although there is a great concentration of Brazilian banks, this market is still dispersed, especially with players acting in specific niches. As of December 2014 this industry consisted of approximately 158 insurance companies of various sizes, including 41 conglomerates and 49 independent companies. We believe that our alliance with Porto Seguro S.A. resulted in gains in scale and efficiency for us.

Source: SUSEP. Insurance core activities include: Personal Insurance (Life, Personal Accidents, Credit Insurance, Educational, Travel, Unemployment, Funeral Allowance, Serious Diseases, Random Events), Housing, Multiple Peril and Domestic Credit – Individuals.

Private Pension Plans

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

The total funding for private pension plans amounted to R\$17.5 billion from January to December 2014. Income from management fees reached R\$1.16 billion, and technical provisions increased 16.8% in the same period, totaling R\$103.7 billion at December 31, 2014.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Pension plans	In December 2014 our balance of provisions represented 24.4% of the market share for pension plans, positioning us as the third largest pension provider in Brazil.	Our main competitors in private retirement plan products are controlled by large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A., which, like us, take advantage of their branch network to gain access to the retail market.

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

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

Premium bonds are fixed deposits products pursuant to which a client makes a one-time deposit or monthly deposits of a fixed sum that will be returned with accrued interest at the end of a designated term. Ownership in premium bonds automatically qualifies a customer to participate in periodic raffles, each time with the opportunity to win a significant cash prize. During the term of the product, the client can withdraw the balance deposited, less fees for early withdrawal. In 2014, we distributed more than R\$64.9 million in raffle prizes for more than 3.1 thousand clients.

We currently distribute our premium bonds portfolio of products through our branch network, electronic channels and ATMs, and we are currently developing new technologies for channel diversification. As a result of our focus on distribution, the number of products sold through our priority channels increased 71.6% in 2014, in comparison to 2013.

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

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Premium Bonds	In the period from January to December, 2014 we had a market share of 11.1% in terms of revenues from sales of premium bonds, positioning us as the third largest provider of such products in this segment in Brazil.	Our main competitors in premium bonds are controlled by large commercial banks, such as Banco Bradesco S.A. and Banco do Brasil S.A., which, like us, take advantage of their branch network to gain access to the retail market. Our profitability (measured by net profits over revenues from sales) is the highest among our main competitors.

Source: SUSEP.

Payroll Loans

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

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

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

This increase in payroll loans resulted in a higher share of payroll loans within the personal loan portfolio, from 13.5% as of December 2013 to 21.8% as of December 2014.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Payroll Loans	In December 2014, we obtained a market share of 16.1% in terms of payroll loans, positioning us as the third largest bank in this segment in Brazil.	Our main competitors in this business are Banco do Brasil S.A., Caixa Econômica Federal, Banco Bradesco S.A. and Banco Santander Brasil S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Real Estate Financing and Mortgages

Our mortgage business is dedicated to:

- Being aligned with our strategy to invest in lower risk businesses;
- Contributing to the social and financial development of our clients; and
- Creating loyalty – the relationships established in this sector are typically long-term.

We believe we have been leaders in mortgage loans to individuals among Brazilian private banks from 2008 to 2014, which reflects our focus on this business aligned to our strategy of migrating to lower risk portfolios.

We offer products through our network of branches, development companies, and real estate agencies, including our partnership with Coelho da Fonseca Empreendimentos Imobiliários Ltda. and our joint venture with LPS Brasil Consultoria de Imóveis S.A. (Lopes), called "Credipronto". These two long-term agreements provide us with exclusive real estate financing origination at a large number of locations throughout Brazil.

Over the course of 2014, we have added new products to our portfolio with the goal of bringing added-value to our real estate business:

- Home Equity: allows the borrower to use their property as security for personal loans with lower interest rates when compared with the traditional lines of credit. In this case, the client must pay his loan in full in order to use his property as collateral for other loans.
- Property Installment Insurance: guarantees the borrowers the payment of up to four installments in case of involuntary job loss or temporary disability and gives assistance to professional reallocation.

As the result of our new initiatives, the number of mortgages we provided directly to individuals in 2014 was 32.2 thousand, for an aggregate value of R\$9.5 billion in the period. In commercial loans, we financed 28.0 thousand new real estate units during 2014, for an aggregate value of R\$5.4 billion.

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

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

As of December 31, 2014, our outstanding loans to individuals were granted in the form of first mortgages and 98.8% were guaranteed by mortgage liens. In 2014, our entire credit origination was based on the CPM and our loan to value ratio was 42% compared to 40% in 2013.

Euromoney's Real Estate Awards 2014 – In September 2014, we were ranked first in the Banks category, “Overall” and “Equity Finance” subcategories both in Latin America and in Brazil, and also in the “Loan Finance” subcategory in Brazil. The 10th edition of the survey recognizes the best companies that operate in the global real estate market, according to the opinion of real estate consultants, development companies, investment managers, corporate end users and banks.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Real Estate Financing and Mortgages	In the period from January to December 2014, we were the leaders in new loans to individuals among Brazilian privately-owned banks, with 33.8% market share and, second place in terms of new loans to individuals, among all Brazilian banks, with 11.6% market share.	The main player in the Brazilian real estate market is Caixa Econômica Federal (CEF), a government owned bank. CEF is focused on real estate financing and is the leader in this market. Other competitors include Banco do Brasil S.A., Banco Santander Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and ABECIP.

Microcredit

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

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

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

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

Credit Cards and Commercial Agreements

Through proprietary and partnership operations with major retailers, telephone carriers, automakers and airline companies established in Brazil, we offer a wide range of credit and debit cards to more than 62.5 million current and non-current account holders (in number of accounts as of December 31, 2014).

Our main goals in the credit card business are to continually grow our portfolio, improve its profitability, manage the quality of our assets and pursue the total satisfaction of our clients. To this end, our credit card division focuses on the development of new products, assessment of our partnerships, control of the credit quality of our portfolio and on more efficient cost management.

In 2014, we concluded the migration of the Credicard portfolio acquired in May 2013 by means of our acquisition of Banco Citicard S.A. and Citifinancial Promotora de Negócios e Cobrança Ltda.

In August 2014 we launched the *Acelerador de Pontos* (Points Accelerator) in our reward program called *Sempre Presente* (Always Present). With it the client can double their invoice's points by paying a percentage of their monthly expenses, anticipating the award and travel redemptions.

In September 2014 we launched the *TudoAzul Itaucard* co-branded card in partnership with *Azul Linhas Aéreas*, one of the main airlines in Brazil. This action is aligned with our goal of offering a diversified portfolio, providing the best suited product to our clients.

Since its launch on August 2012, the Itaucard 2.0 has issued 5.3 million cards. This credit card is the only in Brazil consistent with the standard international interest model, which charges the revolving interest rates from the date of purchase instead of the invoice due date, allowing lower interest rates.

Our card brand “Hiper” currently issued by Banco Itaucard S.A., was launched in October 2013 initially with credit card functions and, beginning in September 2014, with debit card features. The Hiper branded cards have the benefit of conversion of 120% of the card's annual fee into a bonus for mobile cellphones (currently available for 3 of the 4 largest Brazilian carriers) and can be issued under the 2.0 Itaucard platform as well as other Itaucard credit cards.

ÉPOCA ReclameAQUI Award – *Época* magazine and *Reclame Aqui* named us company of the year in the “Banks and Financial Services – Cards” category. The award is deemed the sector's principal source of recognition based on direct consumer evaluation.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Credit Cards	We are the leaders in terms of transaction purchase volume of cards in Brazil, with 38.2% market share in the period from January to December 2014.	The Brazilian credit card market is highly competitive, growing at a compound annual growth rate of over 16.8% over the last four years as of December 31, 2014, according to the Brazilian Association of Credit Card Companies and Services (<i>Associação Brasileira das Empresas de Cartões de Crédito e Serviços</i>). Our main competitors in this business are Banco do Brasil S.A., Banco Bradesco S.A., Banco Santander Brasil S.A. and Caixa Econômica Federal.

Source: Itaú Unibanco Holding and ABCEC.

Merchant Acquirer

REDE (formerly Redecard) is one of the two largest multi-brand acquirers of credit, debit and benefit card transactions in Brazil. REDE's activities include merchant acquiring, capturing, transmission, processing and settlement of credit and debit card transactions, prepayment of receivables to merchants (resulting from sales made with credit cards), rental of point-of-sale terminals, or POS, check verification through POS terminals, and the capture and transmission of transactions using coupons, and loyalty programs.

Our goal is to be the main partner for merchants that are seeking higher business potential with a focus on IT investments, infrastructure and POS modernization. For those partners, REDE offers a series of products that follow the market's latest trends. Among these products we highlight Mobile REDE, which captures the transaction using a device attached to the smartphone or tablet. It allows card reading and input of purchase data for client's signature, reinforcing our position in new payments solutions for freelancers and micro entrepreneurs. Through e-REDE we intensified and improved the quality of our electronic payments platform, offering not only the acquisition service, but also an antifraud gateway. We offer a single platform for efficient, fast and complete solutions for online payments using a robust antifraud system.

We have experienced significant growth in the e-commerce facets of our merchant acquiring business. In September 2014 we acquired maxiPago!, a Brazilian electronic payment means company focused on e-commerce, for purposes of improving account safety and convenience to our customers, as well as otherwise maintaining our strong digital platform.

In 2014, the Itaú Unibanco acquiring business captured R\$358 billion in transactions with credit cards and debit cards, an increase of 10.9% from 2013. The number of transactions captured and processed reached 3.9 billion, representing an increase of 4.7% from 2013. In December 2014, we had 1.8 million installed POS terminals throughout Brazil, representing an increase of 17.1% from 2013. As of December 31, 2014, REDE was present in almost all municipalities in Brazil with electric power and telecommunications network. We generally consider each POS to represent one client.

The following table sets forth the financial volume of transactions and the amount of transactions of credit and debit cards processed by us in 2014, 2013 and 2012:

	(In billions of R\$)			(In billions)		
	FINANCIAL VOLUME			TRANSACTIONS		
	2014	2013	2012	2014	2013	2012
Credit cards	232	209	183	1.9	1.8	1.7
Debit cards	126	114	94	2.0	1.8	1.6
Total	358	323	278	3.9	3.7	3.3

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Merchant Acquirer	In the period from January to December, 2014 we reached a market share of 37.1% in terms of total transaction volume (credit and debit) generated by the acquiring services, positioning us as the second largest player in this segment in Brazil.	Our main competitors in this business are Cielo S.A., Getnet Tecnologia em Captura e Processamento de Transações H.U.A.H. S.A. (GetNet) and Banco Bankpar S.A. (American Express).

Source: Itaú Unibanco Holding and ABCEC.

Vehicle Financing

As of December 31, 2014, our portfolio of vehicle financing to individuals amounted to R\$28,927 million and to companies reached R\$5,573 million, totaling R\$34,500 million with an average loan to value (ratio of a loan to the value of an asset purchased) of 73.7% in 2014, following a downward trend during the year. Since 2012, we have reduced our risk exposure in this sector and focused on clients with better risk profiles, which allowed us to improve the credit quality of our vehicle loan portfolio.

From January to December 2014, the average term of vehicle financing was 39 months, and half of the transactions were carried out with terms of up to 36 months.

In addition to the branches, dealerships, car retailers and partners, we also focus on efficient sales channels that offer full services to our clients. We receive, on average, 13 million website sessions a month through iCarros, a classified ads website that facilitates the purchase and sale of new and used vehicles. Focused on innovative solutions, the website is also available for mobile applications and offers tools for comparing new vehicles and a pioneering service for receiving financing leads for our partners. Additionally, iCarros offers credit cards, insurances and consortia.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Vehicles	In December 2014, we reached a market share of 15.4% in terms of loans to individuals among banks, positioning us as third in Brazil in this segment.	Our main bank competitors in this business are Banco Santander (Brasil) S.A., Banco do Brasil S.A. and Banco Bradesco S.A.

Source: Itaú Unibanco Holding and the Central Bank.

Consortia

A consortium is a self-financing system created in Brazil with a view to foster savings for the purchase of vehicles and other assets, such as real estate. Pursuant to consortium agreements, participants are pooled according to the specific asset they elect to purchase (e.g., a vehicle of a particular manufacturer and model), which will be paid for in installments. Payments made by the participants of a given consortium are used to create a “pool” of funds, which are used by one or more members of the consortium at a time to acquire the assets elected by the participants, e.g., once a month, and such members continue to make payments as scheduled. Generally, participants may receive the asset, (i) during the course of the consortium agreement (before all installments are paid), if the participant pays an amount (in addition to the regularly scheduled installment due) that is higher than such an additional amount offered by any other consortium member for that period, or (ii) during the course of the consortium agreement (before all installments are paid), if the participant is selected by random drawing, organized by the bank, to receive the asset, while continuing to pay for the remaining installments as scheduled.

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

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

Given these characteristics, this business is strategic to us, contributing to revenue diversification and to a more complete product portfolio offering to our clients. In 2014, we reached the following results:

- Active Contracts: in December 2014, we reached 402 thousand active contracts, with a growth of 8.0% when compared to December 2013;
- Balance of installments receivables: in December 2014 we reached R\$10.9 billion, with a growth of 10.9% when compared to December 2013; and
- Administration Fee: from January to December 2014 we gained R\$610.3 million, with a growth of 48.9% when compared to the same period of 2013.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Consortia Services Fees	In the period from January to September, 2014 we had a market share of 10.4% in total consortia services fees. Considering only banks, we are the second largest provider of such services in terms of fees in Brazil.	Considering only banks, our main competitors in the Brazilian consortia market are Bradesco Adm. Consortia and BB Consortia.

Source: Central Bank.

Wholesale Bank

Wholesale Bank is the segment responsible for banking operations of large (annual revenues over R\$300 million) and middle-market companies (annual revenues from R\$30 million to R\$300 million) and investment banking services. It offers a wide range of products and services to the largest economic groups of Brazil.

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

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

“Despite the challenging macroeconomic environment, we have progressed on a number of initiatives in 2014, including our position as a market leader in Merger & Acquisition transactions and the implementation of a new business model to serve our middle market companies, which we expect to generate additional contribution to the bottom line in the coming years.”

Candido Bracher

*Itaú Unibanco Holding's Board of Directors Member and Executive Vice President
– Wholesale Bank in 2014 and General Manager – Wholesale starting in 2015*

Since October 2013, our middle-market banking business (which includes companies with annual revenues over R\$30 million to R\$300 million), comprised of the “middle” and “upper middle” corporate divisions, became part of the Wholesale Bank management structure.

We have been working to create and implement a new model, to serve as a market benchmark across all aspects of our Middle-Market banking business, such as credit, products and people, in order to establish differentiated and sustainable growth for our Wholesale Bank. We began implementing the new model in 2014 and expect to complete the implementation phase by the end of 2015. The main steps for this year will be: support commercial area with appropriate tools; credit model, team capacity and middle office enhancement; and new commercial centers (*polos*).

We offer a full range of financial products and services to middle-market clients, such as deposit accounts, investment options, insurance and credit products, including investment capital loans, working capital loans, inventory financing, trade financing, foreign currency services, equipment leasing services, letters of credit and guarantees. We also carry out financial transactions on behalf of middle-market clients, including interbank transactions, open market transactions and futures, swaps, hedging and arbitrage transactions. Moreover, we offer a broad number of cash management services to our middle-market clients, including collection services, electronic payment services and Internet office banking.

Investment Banking

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

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

The Banker's Investment Banking Awards 2014 – Promoted by The Banker magazine, Itaú BBA was recognized as the “Most Innovative Investment Bank in Latin America”.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Investment Banking	In the period from January to December 2014, Itaú BBA ranked first in debt capital market ⁽¹⁾ and in merger and acquisitions ⁽²⁾ .	In investment banking, Itaú BBA's main competitors include Banco Santander, Banco de Investimentos Credit Suisse (Brasil) S.A., Banco Merrill Lynch de Investimentos S.A., Banco Morgan Stanley S.A., Banco JP Morgan S.A., Bradesco BBI and Banco BTG Pactual S.A.

Source: (1) ANBIMA Distribution ranking in terms of volume, (2) Thomson ranking by number of deals.

Itaú Corretora (Brokerage)

Itaú Corretora has been providing brokerage services in BM&FBovespa since 1965. We provide retail brokerage services in Brazil to over 90 thousand clients with positions in the equity and fixed income markets, accounting for approximately R\$27.1 billion in trading volume. The brokerage services are also provided to international clients via our broker-dealers in New York.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Retail Brokerage Services ⁽¹⁾	Ranked third in Retail Brokerage Services by trading volume in December 2014.	Main competitors: XP Investimentos, Ágora Corretora de Títulos e Valores Mobiliários S.A., Rico Corretora de Títulos e Valores Mobiliários S.A. and BB Gestão de Recursos Distribuidora de Títulos e Valores Mobiliários S.A.
Cash Equities ⁽¹⁾	Ranked sixth in Cash Equities by trading volume in the period between January and December 2014.	Main competitors: Credit Suisse Hedging-Griffo Corretora de Valores S.A., UBS Brasil Corretora, Morgan Stanley Corretora de Títulos e Valores Mobiliários S.A., XP Investimentos and Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários.
Futures and Derivatives ⁽¹⁾	Ranked fifth in Derivatives and Futures by number of traded contracts in the period between January and December 2014.	Main competitors: UBS Brasil Corretora, BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., ICAP do Brasil Corretora de Títulos e Valores Mobiliários Ltda. and Tullett Prebon Brasil S.A. Corretora de Valores e Câmbio, BGC Liquidez Distribuidora de Títulos e Valores Mobiliários Ltda.
Research ⁽²⁾	Ranked second Research House in Latin America.	Main competitors (local and global players): J.P. Morgan Corretora de Câmbio e Valores Mobiliários S.A., BTG Pactual Corretora de Títulos e Valores Mobiliários S.A., Credit Suisse Hedging-Griffo Corretora de Valores S.A. and Bank of America Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários.

Source: (1) CBLNet, (2) Institutional Investor Magazine.

Our International Business

Itaú Unibanco Holding's Global Footprint GRI G4-8



As of December 31, 2014 we were present in 18 countries outside of Brazil, seven of which are in Latin America. In Argentina, Chile, Paraguay and Uruguay, we offer commercial banking (retail) and wholesale banking with the main focus on commercial banking. In Mexico, we are opening a brokerage company. We also have an Itaú BBA representation office in Peru, and are gradually intensifying our presence in Colombia through our investment banking and corporate operations.

Additionally, we have operations in Europe (France, Germany, Portugal, United Kingdom, Spain, and Switzerland), in the United States (Miami and New York), in the Caribbean (Cayman Islands and the Bahamas), in the Middle East (Dubai), and in Asia (Hong Kong, Shanghai and Tokyo). These are operations that mainly serve institutional, corporate and private banking clients.

Please refer to section Performance, item Financial Performance, Results, Revenues from Operations in Brazil and Abroad, for further information.

Latin America

Latin America is a priority in our international expansion due to the geographic and cultural proximity to Brazil. Our purpose is to be recognized as the "Latin American Bank", becoming a reference in the region for all financial services provided to individuals and companies. We have expanded our business in the region in a sustainable manner over the past years and our priority now is to gain economies of scale, maintain a strong presence in the local retail markets and strengthen our relationships with local companies.

In order to support our more than 1.9 million clients, as of December 31, 2014 we had a network of 246 branches and client service branches (CSBs) in Latin America (ex-Brazil). In Paraguay, we had 40 non-bank correspondents, which are points of service with a simplified structure, strategically located in supermarkets to provide services to our clients in that country. As of December

31, 2014, we also have 36 points of service through OCA S.A., our credit card operator in Uruguay. **GRI G4-9**

"The focus of Itaú Unibanco's operations in Latin America is client satisfaction and the integration of the many businesses and segments in the region, thereby allowing us to have a holistic view and more simple and agile governance."

Ricardo Marino

Itaú Unibanco Holding's Board of Directors Member and Itaú Unibanco's Executive Vice President – Latam



(*) As of December 31, 2014.

GRI G4-8

Banco Itaú Argentina

We operate in Argentina since 1979, where we focus on large companies with business ties to Brazil. In 1994, we initiated our retail operations in Buenos Aires. In 1998, we increased our presence by buying Buen Ayre Bank, subsequently renamed Banco Itaú Argentina.

Through Banco Itaú Argentina we offer products and services in corporate banking, small – and middle-market companies and retail banking. Our corporate banking business focuses on large and institutional clients, providing lending, structured finance, investment and cash management services. Our small – and middle-market operations provide credit for working capital and investments in production capacity increases. Our retail banking business focuses on middle and upper-income clients and services offerings include current and savings accounts, personal loans and credit cards. As of December 31, 2014, Banco Itaú Argentina had 72 branches and 186 ATMs.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Total Loan Portfolio (includes privately-owned banks only)	In September 2014, we had a market share of 3.0% in terms of total outstanding loan balance in <i>Argentine pesos</i> .	Our main competitors are Banco Santander Río S.A., Banco de Galicia y Buenos Aires S.A., BBVA Banco Frances S.A. and Banco Macro S.A.

Source: Central Bank of Argentina.

Banco Itaú Chile

Our business in Chile is mainly focused on retail and high-income clients, but we also operate with middle-market and large corporate clients. In 2014, we opened 3 new branches, totaling 99 branches in our service network in Chile as of December 31, 2014.

We started our activities in Chile in 2007, after Bank of America Corporation transferred the operations of BankBoston Chile and BankBoston Uruguay to us. In August 2014 we extended our agreement signed in 2011 obtaining a 100% interest in Munita, Cruzat & Claro, a key player in wealth management in Chile. The integration, through Itaú Private Bank, will be focused on the continuity of the relationship with clients. Accordingly, we reaffirm our commitment to the Chilean market and the aim to be the largest private bank in the Latin American market.

Currently, we occupy a prominent position in wealth management and, among the major banks in Chile, we have the fastest growing loan portfolio, according to Superintendency of Banks and Financial Institutions, or SBIF, as of December 2014.

Morningstar Awards 2014 – Itaú Chile AGF was elected by Morningstar, a leading company in the provision of independent investment surveys, in the following categories: Mejor Fondo de Renta Fija Latinoamérica (best fixed income fund in Latin America) with the Itaú Latam Corporate Bond Fund A fund, and Mejor Administradora de Renta Fija (best fixed income manager).

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Total Loan Portfolio (includes privately-owned banks only)	In December 2014, our market share was 5.9% based on total outstanding loan balance in <i>Chilean pesos</i> .	Our main competitors are Banco Santander-Chile S.A., Banco de Chile S.A., Banco de Crédito e Inversiones S.A. and Banco Bilbao Vizcaya Argentaria Chile S.A.

Source: Superintendency of Banks and Financial Institutions.

Itaú CorpBanca

On January 29, 2014, we entered into an agreement with CorpBanca and its controlling stockholders for the merger of Banco Itaú Chile and CorpBanca. Some of the regulatory approvals required for the conclusion of this operation have already been obtained.

The transaction creates an important platform for our expansion and search for business development in the region. In Chile, it will allow us to move up from the 7th to the 4th position in terms of loans among privately-owned banks, according to SBIF, as of December 2014.

Banco Itaú Paraguay

Our operations in Paraguay began in 1978 and comprise retail and wholesale banking, through Interbanco, which was acquired in 1995 by Unibanco. In 2010, the Itaú brand was introduced and our bank's name was changed to Banco Itaú Paraguay. In 2014, we opened 2 new branches, totaling 30 branches and 297 ATMs in our service network in Paraguay as of December 31, 2014.

Banco Itaú Paraguay distributes products and services to small and middle market companies, agribusiness, large companies institutional clients and consumer clients. Banco Itaú Paraguay's main sources of income are consumer banking products, primarily credit cards. The retail segment also focuses on payroll clients. Under corporate banking, Banco Itaú Paraguay has a well-established presence in the agribusiness sector.

We are the leading player in the credit card segment and hold the first position among the banks in Paraguay regarding results, return on average equity and efficiency ratio, according to the Central Bank of Paraguay, as of December 2014.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Total Loan Portfolio (includes privately-owned banks only)	In December 2014, we had a market share of 17.0% in terms of total outstanding loan balance in <i>guaranis</i> , positioning us as the third largest privately-owned bank in Paraguay.	Our main competitors are Banco Continental S.A.E.C.A., Banco Regional S.A.E.C.A. and Banco Bilbao Viscaya Argentaria Paraguay S.A.

Source: Central Bank of Paraguay.

Banco Itaú Uruguay

Our banking operations in Uruguay include Banco Itaú Uruguay, OCA (the largest credit card issuer in Uruguay) and the pension fund management company Unión Capital. Our strategy in

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Uruguay is to serve a broad range of clients through customized banking solutions. As of December 31, 2014, Banco Itaú Uruguay had 23 branches and 54 ATMs.

Our retail banking business is focused on individuals and small business clients. Retail products and services focus on the middle and upper-income segments, and also include current and savings accounts, payroll payment, self-service areas and ATMs in all branches, and phone and Internet banking. The wholesale banking division is focused on multinational companies, financial institutions, large and middle market companies and the public sector, providing lending, cash management, treasury, trade and investment services. Additionally, our private banking business unit provides a full portfolio of local and international financial market products.

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

PRODUCT/ SERVICE	MARKET POSITION	ADDITIONAL INFORMATION AND MAIN COMPETITORS
Total Loan Portfolio (includes privately-owned banks only)	In December 2014, we had a market share of 20.0% based on total outstanding loan balance in <i>Uruguayan pesos</i> , positioning us as the third largest privately-owned bank in Uruguay.	Our main competitors are Banco Santander S.A., Banco Bilbao Vizcaya Argentaria Uruguay S.A. and Scotiabank Uruguay S.A.

Source: Central Bank of Uruguay.

Colombia

In Colombia, our wholesale and investment bank has been operating since the end of 2012. Our target market in Colombia consists of institutional investors and large Brazilian companies operating in Colombia as well as Colombian companies operating in Brazil. The product portfolio includes loan operations, foreign trade financing, foreign exchange and derivatives and investment bank activities, such as advising on mergers and acquisitions and accessing the capital markets.

Our presence in Colombia is increasing, and we aim to be one of the three main investment and wholesale banks in Colombia in the next four years. The segments evaluated as the most attractive are mining, energy, oil, gas, and infrastructure-related areas. In addition, as a result of the merger of operations with CorpBanca we will enter the financial retail market in Colombia.

Please refer to section Our Profile, item 2014 Highlights, Recent Developments, for further information about the merger of Banco Itaú Chile with CorpBanca.

Peru

In Peru, we have a representative office and are considering expanding our activities into corporate and investment banking, following the same strategy as in Colombia, so as to take advantage of the strong growth experienced by Peru.

Mexico

In October 2014, the Central Bank of Brazil approved the opening of a brokerage company in Mexico and in November 2014 we received the approval of the local regulatory authorities.

Itaú BBA International

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

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

Other International Operations

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

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

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

Additionally, Itaú BBA participates in the international capital markets as a dealer, as it has equity and fixed income sales and trading teams in São Paulo, New York, London, Hong Kong and Tokyo. We provide extensive research coverage of over 217 listed companies in Brazil, Mexico, Chile, Colombia, Peru, Panama and Argentina. Our international fixed income and equity teams are active in trading and offering Brazilian and Latin American securities to institutional investors.

Competitive Strengths

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

Premier banking brand in Brazil

We believe that our brands are very strong and very well recognized in Brazil and that they have been associated with quality reliability, and with our large portfolio of products, which help us maintain a low client turnover rate, especially among clients in the high-income segment. In 2014, our brand was elected by consulting firm Interbrand as “the most valuable brand” in Brazil for the eleventh consecutive time.

Large branch network in geographic areas with high economic activities

Our Brazilian branch network, while national in scope, is strategically concentrated in the southeast region of Brazil, the country's most developed region. Our branch network in other countries of the Southern Cone (Argentina, Chile, Paraguay, and Uruguay) is also positioned in regions with high levels of economic activity. Having our branch network in key economic areas gives us a strong presence and a competitive advantage to offer our services to a broad range of clients and benefit from selective market opportunities. Our exclusive ATM network allows us to offer a wide range of products and services to our clients, which we see as one of our competitive strengths.

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

Diversified line of products and services

We are a multi-service bank offering a diverse line of products and services designed to address the needs of various types of clients, including corporate clients, very small and small companies, retail clients, high-income individuals, private bank clients, non-accountholders and credit card users. We believe that this business model creates opportunities to improve our relationship with clients and thereby increases our market share. We expect to maintain our leading presence by capturing a solid and increasing number of transactions across various business segments.

Technology and electronic distribution channels as drivers for sales

Our intensive use of technology and electronic distribution channels, which has contributed significantly to an increase in sales

of products and services, is one of our most important competitive advantages. We invest in technology because we believe that it is how we will be able to improve the world of our employees and clients. We focus our efforts on the development of platforms and services that use the best of technology, with the purpose of streamlining and making easier the lives of everybody who relate with the bank, with a focus on mobility and convenience.

Our sophisticated technology supports certain remote banking capabilities (e.g., call centers, internet banking, etc.) and offers clients the ability to verify statements and perform transactions online or over the phone. In addition, our sales teams can access client credit scores with ease and credit proposals can be sent over the internet by any broker registered with our systems.




On December 31, 2014, our IT investments comprised over 78% of our total investments planned for the 2012-2015 period, financed by internal funds. We expect to invest this total amount in data processing systems, purchase of software, system development and in our new Data Center built in the State of São Paulo. Our Data Center, one of the largest in Latin American, had its construction concluded as planned and the configurations of the environmental infrastructure were successfully established. We have begun the migration of our systems and services, which are scheduled to be concluded in the second half of 2016.

Additionally, through our online platforms Uniclass and Personalité Digital we expanded our client relationship model by allowing the relationship managers to offer personalized customer services from 7 a.m. to midnight, from Monday through Friday. We have also redesigned and are offering to our clients other digital channels such as our Itaucard and Itaú Empresas applications. Please refer to section Our Profile, item Marketing and Distribution Channels, for further information about Personalité Digital and other digital channels.

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

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

Our shares

	STOCK EXCHANGE	SYMBOL		CORPORATE GOVERNANCE LEVEL
		COMMON SHARE	PREFERRED SHARE	
	Securities, Commodities and Futures Exchange (BM&FBOVESPA)	ITUB3	ITUB4	Level 1
	New York Stock Exchange (NYSE)	-	ITUB ⁽¹⁾	Level 2
	Buenos Aires Stock Exchange (BCBA)	-	ITUB4 ⁽²⁾	-

(1) American Depositary Shares, or ADSs.

(2) Argentine Certificates of Deposits, or CEDEARs.

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

Preferred shares are nonvoting but entitle the holder to:

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

Brazilian Corporate Law sets forth that preferred shareholders may vote when the company does not pay fixed or minimum dividends to which they are entitled for the period established in

the company's Bylaws, which may never exceed three consecutive fiscal years. The preferred shareholders maintain such right until the payment is made if these dividends are not cumulative or until cumulative dividends are paid.

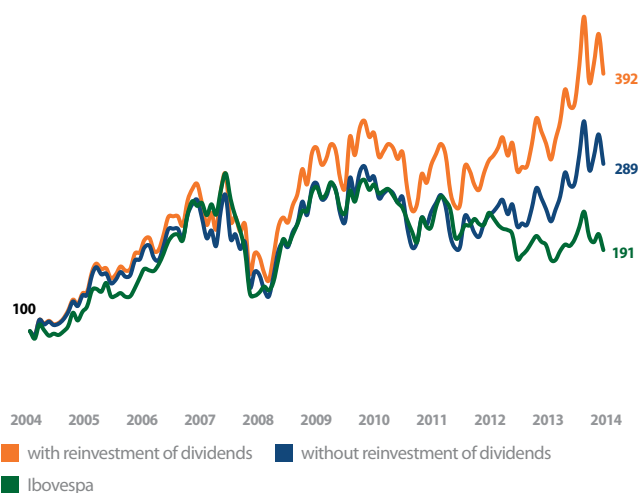
The creation of a new class of shares with priority over preferred shares, as well as any change in preference or in rights associated with preferred shares, must be approved by at least 50% of common shares and also approved by shareholders representing the majority of preferred shares in a special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

The following table sets forth the preferred share price for the periods indicated:

	PER PREFERRED		PER PREFERRED		PER ADS (ITUB)	
	HIGH (IN R\$)	LOW (IN R\$)	HIGH (IN US\$)	LOW (IN US\$)	HIGH (IN US\$)	LOW (IN US\$)
2015 (through March 31, 2015)	36.89	32.75	13.66	10.21	13.53	10.39
January	36.36	32.90	13.66	12.36	13.53	12.12
February	36.89	33.32	12.82	11.58	12.95	11.70
March	36.60	32.75	11.41	10.21	12.53	10.39
2014	41.24	26.60	16.83	11.75	18.32	10.86
September	41.24	33.87	16.83	13.82	18.32	13.88
October	38.35	32.00	15.69	13.09	16.00	12.86
November	39.98	35.04	15.62	13.69	16.11	13.38
December	37.03	32.87	13.94	12.37	14.40	11.95
First quarter	30.82	26.60	13.62	11.75	13.51	10.86
Second quarter	34.48	30.95	15.65	14.05	15.41	13.63
Third quarter	41.24	31.56	16.83	12.88	18.32	13.88
Fourth quarter	39.98	32.00	15.05	12.05	16.11	11.95
2013	31.46	24.36	15.14	10.93	15.74	10.63
First quarter	30.50	27.50	15.14	13.65	15.74	13.78
Second quarter	30.24	25.09	13.65	11.32	14.76	11.27
Third quarter	29.55	24.36	13.25	10.93	13.53	10.63
Fourth quarter	31.46	27.90	13.43	11.91	14.37	11.94
2012	31.90	22.36	15.61	10.94	17.98	10.82
2011	33.55	21.12	17.89	11.26	20.29	12.14
2010	35.98	26.54	21.59	15.93	21.70	14.13

Source: Economatica System.

The graph below shows the evolution of R\$100 invested from December 30, 2004 to December 30, 2014, comparing our preferred share (ITUB4) price, with and without reinvestment of dividends, to the performance of Ibovespa.



We integrate several indices of BM&FBovespa where the financial institution shares may be listed. In the table below, we present our participation in each index portfolio in which we are included for valid portfolios from January to April 2015 and from September to December 2014.

INDICES	CURRENT	PREVIOUS
Broad Indices		
Bovespa Index – Ibovespa	11.23%	9.98%
Brazil 50 Index – IBrX50	11.17%	10.34%
Brazil 100 Index – IBrX100	9.78%	9.18%
Brazil Broad-Based Index – IBrA	10.25%	9.58%
Segment Indices		
BM&FBovespa MidLargeCap Index – MLCX	11.35%	10.63%
Sector Indices		
BM&FBovespa Financials Index – IFNC	20.00%	20.00%
Sustainability Indices		
Corporate Sustainability Index – ISE	6.18%	5.88%
Carbon Efficient Index – ICO2	15.13%	15.09%
Corporate Governance Indices		
Special Corporate Governance Stock Index – IGCX	7.76%	7.70%
Corporate Governance Trade Index – IGCT	12.49%	12.22%
Special Tag-Along Stock Index – ITAG	13.12%	12.80%

Information for the Investor

Adoption of Multiple Voting

Under Brazilian Corporate Law, shareholders that represent at least 5% of share capital with voting rights may demand a multiple voting process up to 48 hours before a general shareholders' meeting. Each share will be entitled to as many votes as the members of the board being elected, and the shareholder has the right to concentrate votes in one candidate or distribute them among several candidates. The presiding officer must inform the shareholders in advance about the number of votes required for the election of each member of the Board of Directors.

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

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

Preemptive right, capital increase and payment for subscribed shares

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

Our Bylaws authorize the Board of Directors to increase our share capital up to a limit of 7.26 billion shares, of which 3.63 billion must be common shares and 3.63 billion must be preferred shares (authorized capital). Up to the limit of our authorized capital, the issuance of our shares may be made without considering our shareholders preemptive rights if (i) made for the sale on a stock exchange; (ii) by a public subscription; and (iii) exchange for our shares in a public offering for the acquisition of our control. Regardless of this provision, all increases in our share capital must be ratified by our shareholders and approved by the Central Bank.

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

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

Form and Transfer

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

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

Redemption and withdrawal rights

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

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

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

In the United States



Our preferred shares have been traded on the NYSE in the form of ADSs (one ADS represents one preferred share), since February 21, 2002, in compliance with NYSE and SEC requirements.

These requirements include disclosure of financial statements in IFRS since 2011 and compliance with U.S. legislative requirements, including the Sarbanes-Oxley Act of 2002.

Our ADSs are issued by The Bank of New York Mellon, as depository, under a Deposit Agreement, dated as of May 31, 2001, as amended and restated as of February 20, 2002 and as of March 30, 2009, effective as of April 3, 2009, among us, the depository and the owners and beneficial owners of ADSs from time to time. The depository's principal executive office is located at One Wall Street, New York, New York 10286.

We do not treat ADS holders as our shareholders and ADS holders have no shareholder rights, which are governed by Brazilian Corporate Law. The depositary is the holder of the preferred shares underlying the ADSs. Holders of ADSs have ADS holder rights.

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

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

Please refer to section Attachments, item Considerations for ADS holders for further information.

Fees and Expenses

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

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

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

(2) Including if the deposit agreement terminates.

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

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

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

Payment of Taxes

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

Reimbursement

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

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

In 2014, we received from the depositary US\$15.9 million for promoting and encouraging the ADR program in the market, out-of-pocket maintenance costs for the ADSs (as described above), any applicable performance indicators relating to the ADS facility, underwriting fees and legal fees.

In Argentina

We also issue CEDEARs, which represent shares of foreign companies traded in Argentina. Our CEDEARs are backed by our preferred shares and they are traded at the BCBA, which is a not-for-profit self-regulatory private association. The BCBA is responsible for registering business and publishing quotations and volume of transactions. Its inspection authority permits, among other measures, the suspension of the trading session whenever it is deemed to be necessary to control or prevent unusual variations in quotations.

Shareholders' Payment

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

The mandatory dividend may be paid as dividends or interest on capital. The main difference between these forms of payment is tax-related. The payment of dividends is tax-free for shareholders. The payment of interest on capital is subject to withholding income tax at a 15% rate, or 25% if the shareholder is a resident of or domiciled in a tax haven jurisdiction or a privileged tax regime.

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

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

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

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

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

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

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 21, b, and section Our Risk Management, item Regulatory Environment, Implementation of Basel III in Brazil.

ADS holders' Payment of Dividends

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

The following table shows dividends and interest on capital paid or declared to the holders of our common and preferred shares since 2011:

DIVIDENDS AND INTEREST ON CAPITAL	2014	2013	2012	2011
Amount ⁽¹⁾ (In millions of R\$)	6,635	5,095	4,518	4,394
Per Share ⁽²⁾ (R\$)	1.22	1.03	1.00	0.97
Payout ⁽³⁾ (%)	30.35	30.8	34.3	30.1
Dividend Yield ⁽⁴⁾ (%)	3.5	3.3	3.3	3.1

(1) Dividends and interest on capital – paid/provisioned for (net).

(2) Dividends and interest on capital – paid/provisioned for (net)/total shares.

(3) Dividends and interest on capital – paid/provisioned for (net)/net income of the year.

(4) Dividends paid per share in the period/price of our preferred share (ITUB4) at final date of the period.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 21 – Stockholders' equity, for further information about dividends and shares outstanding.

On August 4, 2014, our Board of Directors declared the payment of interest on capital, in the amount of R\$0.32556 per share (or R\$0.276726 per share, net of taxes) to be paid out on August 25, 2014 to all shareholders of record as of the close of trading on August 13, 2014. On February 2, 2015, our Board of Directors declared interest on capital in the amount of R\$0.5380 per share (or R\$0.4573 per share, net of taxes) to be paid out on February 26, 2015 to all shareholders of record as of the close of trading on February 10, 2015.

10% bonus for Itaú Unibanco shares

In June 2014, our stockholders received, free of charge, a new share for every ten shares of the same type they held, with the cost assigned of R\$29.83 per bonus share, thus generating a fiscal benefit. We emphasize that we maintained our monthly payments of dividends of R\$0.015 per share.

Further information for the investor [GRI 64-5](#)

We are organized as a publicly held corporation for an unlimited period of time under the laws of Brazil. Our head offices are located at Praça Alfredo Egydio de Souza Aranha, 100, 04344-902, São Paulo, SP, Brazil and our telephone number is +55-11-2794-3547. We are primarily governed by Brazilian Corporate Law and our Bylaws. Our Tax Payer's Registry (CNPJ) is 60.872.504/0001-23, and we are registered with the São Paulo Commercial Registry (*Junta Comercial do Estado de São Paulo*) under NIRE 35300010230. Our corporate purpose, as set forth in Article 2 of our Bylaws, is to perform banking activity in all its authorized forms, including foreign exchange transactions. Our agent for service of process in the United States is the general manager of our New York branch, which is located at 767 Fifth Avenue, 50th floor, New York, NY 10153.

CONTACTS

Shares Program

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

ADS Program

Depository bank	The Bank of New York Mellon
Phone	1 888 BNY ADRS (1 888 269 2377) (U.S. callers) or +1 201 680 6825 (Non-U.S. callers)
Website	www.adrbnymellon.com

CEDEAR Program

Depository bank	Banco Itaú Buen Ayre
Investor Relations	Itaú Unibanco Holding S.A.
Phone	+55 11 2794 3547
E-mail	investorrelations@itau-unibanco.com.br
Website	www.itau.com.br/investor-relations

2015 CORPORATE CALENDAR

Annual General Shareholders' Meeting	April 29, 2015
Earnings Release – First Quarter, 2015	May 5, 2015
Earnings Release – Second Quarter, 2015	August 4, 2015
Earnings Release – Third Quarter, 2015	November 3, 2015

Credit ratings

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

Credit Ratings⁽¹⁾

AS OF DECEMBER 31, 2014	FITCH RATINGS	STANDARD&POOR'S	MOODY'S
Itaú Unibanco Holding S.A.			
Short Term	F2	A-3	P-2
Long Term	BBB+	BBB-	(P) Baa2 ⁽²⁾
Outlook	Stable	Stable	Negative
Itaú Unibanco S.A.			
Short Term	F2	Not publicly rated	P-2
Long Term	BBB+	Not publicly rated	(P) Baa1 ⁽³⁾
Outlook	Stable	Not publicly rated	Negative

(1) International Scale Foreign Currency Ratings.

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

(3) Refers to Itaú Unibanco S.A. Senior Unsecured Debt Rating. Itaú Unibanco S.A. Long Term Deposit Rating was Baa2.

In view of the Brazilian sovereign rating downgrade by Standard & Poor's, or S&P, in March 2014 S&P announced the downgrade of the ratings for 13 financial services institutions, including Itaú Unibanco Holding, at the international level, from "BBB" to "BBB-" (long term) and from "A-2" to "A-3" (short term). This rating action reflected S&P's view regarding the level of exposure to the sovereign in such entities credit and investment portfolio.

Following a change in outlook by Moody's from stable to negative on Brazil's sovereign bond ratings in September 2014, Moody's changed the outlook from stable to negative of the ratings of certain Brazilian financial institutions, including Itaú Unibanco Holding S.A., Itaú Unibanco S.A. and Banco Itaú BBA S.A. with respect to: (i) long-term global local currency deposits and issuer ratings, and (ii) long-term global foreign currency deposits, senior and/or subordinated debt ratings.

Further, in September 2014, after revising its guidelines for assigning ratings on national and regional scales, Standard&Poor's upgraded the short-term national scale ratings of eight Brazilian financial institutions from "brA-1" to "brA-1+", including Itaú Unibanco Holding S.A. and Banco Itaú BBA S.A.

Subsequent event

On March 16, 2015, Moody's published its new bank rating global methodology, and due to this, on March 17 the agency placed the following ratings under review for downgrade: (i) Itaú Unibanco S.A. and Itaú BBA: baseline credit assessment, local currency bank deposits and foreign currency senior debt; and (ii) Itaú Unibanco Holding: local currency issuer and foreign currency senior debt.



3 Our governance



Our Governance

Our Practices

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

In line with such principles, we voluntarily comply with the Code of Self-Regulation and Good Practices for Publicly Held Companies of the Brazilian Association of Publicly Held Companies (*Associação Brasileira de Companhias Abertas*, or ABRASCA), which was based on the best corporate governance practices in effect in Brazil and abroad. Our governance practices have been recognized and as a result, we have been named to the Dow Jones Sustainability Index and to the Corporate Sustainability Index (*Índice de Sustentabilidade Empresarial da BM&FBovespa*, or ISE). Please refer to section Our Profile, item 2014 Highlights for further information about our awards and recognition. **GRI 64-15**

We have adopted a Code of Ethics that applies to all of our employees, directors and officers. Our Code of Ethics is based on principles that support a corporate culture focused on valuing people, on strict compliance with rules and regulations and on a permanent pursuit for development. Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/Itauctcode.pdf for our Code of Ethics.

Additionally, we have adopted the Policy of Material Information Disclosure, which deals with the public disclosure of material

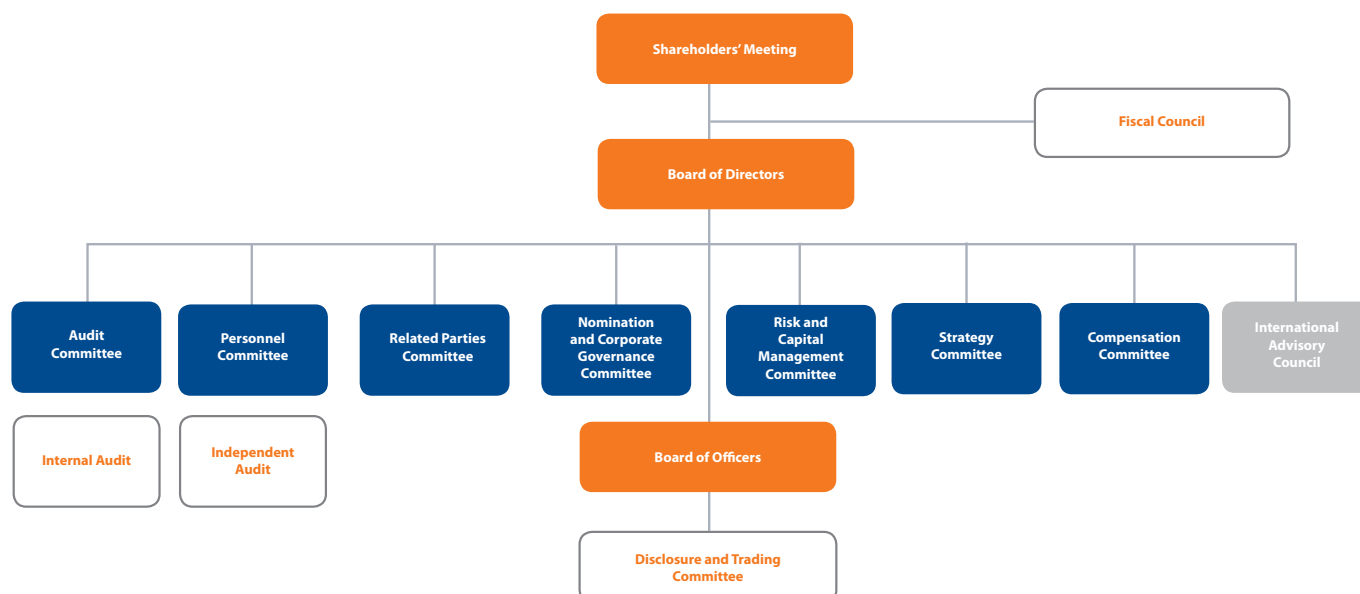
information pursuant to CVM regulation. We also have adopted a Policy on Trading of Securities, which restricts the trading of securities during certain periods and requires management to publicly announce all transactions carried out with our securities, as permitted by CVM regulation. Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/en/ENGLISHpolitica_gc.pdf for our governance principles and practices we adopt.

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

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

Management Structure

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



Annual General Shareholders' Meeting and Extraordinary Shareholders' Meeting

Our Annual General Shareholders' Meeting 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.

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

The notice of a shareholders' meeting must be published three times, on different dates, in official newspapers widely circulated in São Paulo, our principal place of business, setting forth the place, date and time of the meeting, the meeting's agenda and, in the event of an amendment to our Bylaws, a description of the proposed change.

In addition to the requirements of Brazilian Corporate Law, we also publish notices in three different languages (Portuguese, English and Spanish) on our website and email our subscribed investors and shareholders, as well as through CVM, BM&FBOvespa, the SEC, the NYSE and the BCBA.

As a general rule, Brazilian Corporate Law provides that a quorum for a shareholders' meeting consists of shareholders representing at least 25% of a company's issued and outstanding voting share capital, on the first date the meeting is called for, and, if a quorum is not reached, any percentage of the company's voting share capital on a second date the meeting is called for. Generally, our meetings are held with a quorum representing approximately 90% of our voting share capital.

In order to attend a shareholders' meeting, shareholders must present an identification document. A shareholder may be represented at a shareholders' meeting by a proxy appointed less than a year before the meeting. The proxy must be a shareholder, an officer of the company, a lawyer or a financial institution. Investment funds must be represented by their investment fund officer.

Since 2012, we made available an "Online Meeting" tool. 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.

Board of Directors

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

Board members must act impartially, in compliance with pre-established rules, so as to prevent conflicts of interest. Such rules include: [GRI G4-41](#)

- not taking part in resolutions related to matters in which the director's interests conflict with our interests. The director must inform the Board of Directors about the conflict of interest as soon as the matter giving rise to such conflict is included in the agenda or proposed by the Chairman of the Board, and in any event, before the beginning of any discussion on such matter;

- in the event the director or a company controlled or managed by him carries out a transaction with any company of the Itaú Unibanco Group: (a) the transaction must be carried out at arm's length; (b) if it is not an usual transaction or a service provision, there must be an opinion issued by recognized financial advisors evidencing that the transaction was carried out at arm's length; and (c) the transaction must be informed to and conducted under supervision by the Related Parties Committee, by the Ethics and Ombudsman Superintendence or by the channels usually competent in the hierarchy of Itaú Unibanco Group, subject to the rules and conditions set forth in our Related Party Transactions Policy; and
- taking part in no more than four boards of directors of companies that do not belong to the same group.

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

Our Board of Directors is currently composed of twelve members, four of which are independent (33%). Our board members meet on a regular basis eight times a year and on a special basis whenever necessary.

According to our Bylaws, the positions of Chairman of the Board of Directors and Chief Executive Officer or principal executive officer cannot be held by the same person. [GRI G4-39](#)

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

Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/InternalCharterof...pdf, for further information.

Committees of the Board of Directors

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

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

Please refer to www.itaubr.com.br/investor-relations/corporate-governance/rules-and-policies, for each committee rules.

Audit Committee

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

by the Superintendency of Private Insurance (*Superintendência de Seguros Privados*, or SUSEP).

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

The Audit Committee assessments are based on information received from management, external auditors, internal auditors, the units responsible for risk management and internal controls and on the Audit Committee's members own analyses resulting from direct observation. After establishing an annual schedule to comply with its duties, the Committee held 149 meetings over 53 days in the period from January to December 2014.

Pre-approval of Policies and Procedures

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

Fees and Services of the Principal Auditor

The table below presents the total amount charged by PricewaterhouseCoopers Auditores Independentes by category for services rendered in 2014, 2013 and 2012:

(In thousands of R\$)						
FEES	2014	% APPROVED BY THE AUDIT COMMITTEE	2013	% APPROVED BY THE AUDIT COMMITTEE	2012	% APPROVED BY THE AUDIT COMMITTEE
Audit Fees	44,364	100.0	39,129	100.0	37,191	99.0
Audit-Related Fees	5,686	100.0	6,264	99.0	3,330	100.0
Tax Fees	224	100.0	-	-	64	100.0
All Other Fees	475	100.0	508	100.0	1,491	100.0
Total	50,749		45,901		42,075	

- Audit Fees: corresponds to the audit of our annual consolidated financial statements, the review of our quarterly financial statements, as well as the audit and review of financial statements of our subsidiaries, services relating to issuance of comfort letters in securities offerings and audit of internal controls in connection with the Sarbanes-Oxley Act requirements.
- Audit-Related Fees: corresponds to services provided in connection with the issuance of appraisal reports at book value, assistance related to review of documents to be filed with local and foreign regulatory bodies, including documents regarding compliance with legislation and regulations, audit of specific financial statements, compliance with Greenhouse Gas Emissions controls and policies, due diligence activities and assurance of special purpose reports.

- Tax Fees: corresponds to tax consulting, revision of tax contingencies and of potential tax risks, and review of Brazilian income tax.
- Other Fees: corresponds to internet safety testing, evaluation of business continuity management, consultancy for new projects, use of survey and technical materials, training, assistance in analysis of operations, consulting services with respect to the GPS (Global Investment Performance Standards) certification, independent review of accounting and tax matters of transactions outside Brazil and independent review of the implementation plan of Framework – COSO 2013.

"In 2014, the Committee held 149 meetings on 53 days and was particularly focused on monitoring the organization's internal controls and compliance and the activities of the Internal Audit department both locally and at the foreign units.

During this period, Committee members Eduardo Augusto de Almeida Guimarães, Gustavo Jorge Laboissière Loyola and Guy Almeida Andrade reached the end of their terms of office and were replaced by the new Committee members Diego Fresco Gutierrez, in the capacity of financial expert, Maria Helena dos Santos Fernandes de Santana and Sergio Darcy da Silva Alves."

Geraldo Travaglia Filho

Independent Director and President of the Audit Committee

Personnel Committee

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

"The year 2014 was important to complete what we call at Itaú Unibanco the "Meritocracy Cycle". Now, all of our executives receive feedback and are assessed based not only on their past performance but also with respect to the progression of their careers. This way, it is possible to prepare an Individual Development Plan (IDP), an important instrument that allows both the organization and the Executive Board to set development targets in a clear and organized way, including possible future fields of work. Additionally, the IDP provides Itaú Unibanco with a complete mapping of its group of executives, identifying strengths and any weaknesses.

The attraction, training and development of talented professionals was also one of our major advances in 2014. We can cite, for example, the significant increase in our contracting of trainees from the best universities in Brazil, and highlight the holiday intern program that has been increasingly attracting interest from young people. An important program is the training program to the employees who take the great challenge of managing teams. Here, the focus is to develop them in People Management and Ethics and Labor Legislation. For the leaders that are further along in their careers, a new Executive Education Program has been launched that was exclusively designed for the needs and challenges of Itaú Unibanco.

These and other advances related to our People agenda have allowed us to meet the milestone of 80% employee satisfaction, a growth of 400 basis points as measured by our organizational climate survey called Fale Francamente (Speak Frankly). Our internal culture, called Nosso Jeito de Fazer (Our Way of Making It Happen) was also strengthened in 2014 based on the results of our survey with respect to the adherence to the attitudes we value in the organization, where we reached 82%, an increase of 900 basis points."

Pedro Moreira Salles

Chairman of the Board of Directors and President of the Personnel Committee

Related Parties Committee

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

Transactions with related parties

Our Policy for Transactions with Related Parties (Related Parties Policy) defines the concept of related party and establishes rules and procedures for transactions among them. It provides that such transactions must be carried out in writing, under market conditions, pursuant to our internal practices (such as the guidelines set forth in our Code of Ethics) and disclosed in our financial statements, according to materiality criteria defined by accounting standards.

Transactions with related parties involving “significant” amounts, as defined in our Related Parties Policy, are subject to additional internal governance. In December 2014, our Related Parties Policy was amended to establish that “Significant Transactions” with related parties (i.e. transactions or sets of connected transactions that involve, in the period of one year, amounts higher than R\$1 million) must be approved by our Related Parties Committee, composed entirely of independent members of our Board of Directors. Prior to such approval, “Significant Transactions” of less than R\$50 million are submitted to the analysis of our Ethics and Ombudsperson Superintendency. All “Significant Transactions” with related parties are reported to our Board of Directors on a quarterly basis. Please refer to www.itaú.com.br/arquivosstaticos/RI/pdf/en/IHF_Politica_Parties_Relacionadas_ING.pdf for further details about our Related Parties Policy.

Instruction CVM No. 480/2009 was also recently amended to require that transactions with related parties that meet the conditions set forth by Schedule 30-XXXIII of such rule be disclosed within 7 (seven) business days of their occurrence, in accordance with the terms defined in such rule.

Additionally, Brazilian regulation sets forth that financial institutions are not allowed to grant loans, advances or guarantees to certain individuals and entities related to them. Please refer to section Our Risk Management, item Regulatory Environment, Loans and Advances to Related Parties for further details.

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

“In 2014, the Committee analyzed transactions with related parties that have reached, in a single contract or in successive contracts for the same purpose, an amount equal to or higher than 0.1% of our equity in the period of one (1) year, under the terms of the Policy for Transactions with Related Parties then in force. Additionally, it reported to the Board of Directors on the transactions assessed by the Superintendency of Ethics and Ombudsmanship of the Itaú Unibanco Group. At the end of 2014, we decided to increase the authority of the Committee so that, beginning in 2015, it will analyze all transactions with related parties or groups of correlated transactions having an amount, in the period of one (1) year, that exceeds R\$1 million. The reduction in the amount

that will require analysis by the Committee and the resulting expansion of the Committee’s duties are aimed at improving the internal governance of the process for the approval of these transactions in order to ensure equality and transparency and assure shareholders, investors and other stakeholders that Itaú Unibanco is in compliance with the best corporate governance practices.”

Gustavo Jorge Laboissière Loyola

Independent Director and member of the Related Parties Committee

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee is responsible for stimulating and overseeing discussions of matters related to our governance. Its duties include analyzing and issuing opinions on situations of potential conflicts of interest between the directors and companies of the Itaú Unibanco Group, periodically reviewing the criteria for nomination of our independent directors, in accordance with governance principles and applicable regulation, giving methodological and procedural support for the assessment of the board, directors, committees and chief executive officer, and discussing and making recommendations on the succession of the directors and chief executive officer.

Please refer to section Our Governance, item Management Structure, for further information about changes in our Board of Officers.

“The Nomination and Corporate Governance Committee held four meetings in 2014, focusing on a number of matters, including:

- *Assessment of the Executive Committee;*
- *Discussion of possible names of people to participate in the Board of Directors; Audit Committee and composition of the many committees;*
- *Assessment of the Chairman of the Board of Directors and of the CEO and points to be improved for the upcoming assessments;*
- *Review of the Committee charters; and*
- *Review of various policies, with special attention to Antitrust, Trading of Marketable Securities issued by us, Disclosure of a Material Act or Fact and Corporate Governance policies.*

The necessary restructuring has been discussed and the succession process of the current CEO has been submitted. Also, the age limit for the CEO of the Holding company was changed to 62 years of age and the age limit of 60 years of age remained for the management of the Retail and Wholesale Departments.”

Henri Penchas

Director and member of the Nomination and Corporate Governance Committee

Risk and Capital Management Committee

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

"In 2014, the Risk and Capital Management Committee continued to perform its duties of supervision of our risk and capital management activities. Accordingly, it continued to monitor the assessment of the sufficiency and adequacy of our capital levels, in normal and stressed conditions, as well as our consolidated exposures. This year, the Committee reviewed limits established by the risk appetite were reviewed and the discussions on the structure of market risk controls were strengthened."

Pedro Luiz Bodin de Moraes

Independent Director and President of the Risk and Capital Management Committee

Strategy Committee

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

"In 2014, the Strategy Committee continued to implement the strategies determined in its plan for 2020, in addition to aligning the budget and targets for 2015 with such plan."

Accordingly, it is worth noting the divestiture of our large risk insurance operation, as part of the strategy of focusing Itaú Unibanco's operation on the sale of mass-market insurance products related to retail banking. The merger of our banking operations in Chile and Colombia with CorpBanca continued to evolve and is expected to be completed in mid 2015. Special attention has also been paid to the new investments in digital operations, including with respect to the infrastructure and architecture of the systems or to new products."

Nildemar Secches

Independent Director and member of the Strategy Committee

Compensation Committee

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

"In 2014, the Compensation Committee made efforts to assess the impact of legislation on share-based payments, Law No. 12,973. Based on guidance in this Law and regulatory, tax and risk management studies, the Committee approved some changes in the long-term incentive models that will be submitted for approval at the Annual General Shareholders' Meeting."

In addition to the study on the impact of Law No. 12,973, the Compensation Committee continued its activities with respect to the analysis of the incentives arising from the variable compensation models of Itaú Unibanco Holding, with a focus on maintaining the total amounts paid in line with the organization's risk appetite."

Israel Vainboim

Independent Director and member of the Compensation Committee

International Advisory Council

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

Fiscal Council

The Fiscal Council is an independent body composed of three to five members, and the same number of alternates, 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 the Brazilian law. The fiscal council must operate independently from management, our external auditors and the audit committee.

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

Please refer to www.itaubr.com.br/arquivosstaticos/RI/pdf/en/Rules_Fiscal_Council.pdf, for each committee rules.

Board of Officers

Our Board of Officers is elected annually by the Board of Directors and its role is to implement the guidelines proposed by our Board of Directors. The officers manage our daily business activities, ensuring the best allocation and management of our funds to accomplish our established goals. The structure of our Board of Officers is duly comprised, taking into account the segmentation of our business.

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

Disclosure and Trading Committee

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

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

The duties of the Disclosure and Trading Committee include carrying out internal actions intended to improve the information flow, foster the ethical conduct of our management members and our employees in order to ensure transparency, quality, equality and security in the information provided to our shareholders, investors and other agents of the capital market.

Our Directors and Executive Officers

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

At the beginning of 2014, we announced the following changes to our audit committee:

- Sérgio Darcy da Silva Alves, Diego Fresco Gutierrez (as the audit committee independent financial expert), and Maria Helena dos Santos Fernandes de Santana were elected to the Audit Committee (on February 27, March 20 and April 24, respectively). On April 24, 2014, the appointments of Guy Almeida Andrade and Gustavo Jorge Laboissiere Loyola were not renewed.

On April 24, 2014, we announced the following changes to our senior management:

- Wagner Bettini Sanches was elected to the Board of Executive Officers and has since July 31, 2014 been the Officer responsible for Credit Risk Management; and
- Marcelo Kopel was elected to the Board of Executive Officers and was also appointed as member of the Disclosure and Trading Committee.

Ana Tereza de Lima e Silva Prandini resigned from her position on the Board of Executive Officers while Robert George Stribling, responsible for Liquidity Risk Management, and Rogério Calderón Peres were not reelected.

On May 29, 2014, Matias Granata was elected to the Board of Executive Officers and is the Officer responsible for Liquidity Risk and Market Risk Management.

On February 2, 2015, Adriano Cabral Volpini and Cláudio José Coutinho Arromatte were elected to the Board of Executive Officers. Since February 11, 2015, Adriano Cabral Volpini is the Officer responsible for Prevention and Combat of Money Laundering and Cláudio José Coutinho Arromatte is the Officer responsible for Operational Risk Control, Supply of Information, Internal Procedures and Controls with respect to the Trading of Securities in Regulated Markets and Compliance with the Socioenvironmental Responsibility Policy.

On February 21, 2015, we announced a new structure of Itaú Unibanco Holding. Please refer to section Our profile, item 2014 highlights, Recent Developments for further information.

MEMBERS' NAME (AGE), POSITION		MEMBER SINCE	AUDIT COMMITTEE	PERSONNEL COMMITTEE	RELATED PARTIES COMMITTEE	NOMINATION AND CORPORATE GOVERNANCE COMMITTEE	RISK AND CAPITAL MANAGEMENT COMMITTEE	STRATEGY COMMITTEE	COMPENSATION COMMITTEE ⁽¹⁾	INTERNATIONAL ADVISORY COUNCIL ⁽²⁾
Board of Directors ⁽³⁾ (12 members)	Pedro Moreira Salles (55), Chairman	08/2009	P			P		P	P	M
	Alfredo Egydio Arruda Villela Filho (45), Vice Chairman	03/2003				M			M	
	Roberto Egydio Setubal (60), Vice Chairman	03/2003		M			M	M		M
	Alfredo Egydio Setubal (56), Member	06/2007				M				
	Candido Botelho Bracher (56), Member	06/2009		M			M			
	Demosthenes Madureira de Pinho Neto (54), Member	05/2012				M				
	Gustavo Jorge Laboissière Loyola (62), Independent Member	I 06/2006			M		M			
	Henri Penchas (68), Member	03/2003				M		M	M	
	Israel Vainboim (70), Independent Member	I 02/2009				M		M	M	
	Nildemar Secches (66), Independent Member	I 05/2012		M	P			M		
	Pedro Luiz Bodin de Moraes (58), Independent Member	I 06/2009			M		P		M	
	Ricardo Villela Marino (40), Member	06/2008		M				M		M
Board of Officers (14 members)	Roberto Egydio Setubal (60), Chief Executive Officer	12/1995								
	Alfredo Egydio Setubal (56), Executive Vice President and Investor Relations Officer	03/2003								
	Candido Botelho Bracher (56), Executive Vice President	08/2005								
	Caio Ibrahim David (46), Chief Financial Officer and Executive Officer	06/2010								
	Claudia Politanski (44), Executive Officer	11/2008								
	Eduardo Mazzilli de Vassimon (56), Executive Officer	03/2013								
	Ricardo Baldin (60), Executive Officer	07/2009								
	Alexsandro Broedel Lopes (40), Officer	08/2012								
	Eduardo Hiroyuki Miyaki (42), Officer	08/2011								
	Emerson Macedo Bortoloto (37), Officer	11/2011								
	Marcelo Kopel (50), Officer	06/2014								
	Matias Granata (40), Officer	07/2014								
Audit Committee ⁽³⁾ (6 members)	Rodrigo Luis Rosa Couto (39), Officer	01/2012								
	Wagner Bettini Sanches (43), Officer	06/2014								
	Alkimir Ribeiro Moura (73), Independent Member	I 06/2010	M							
	Diego Fresco Gutierrez (44), Independent Member	I 04/2014	M							
	Geraldo Travaglia Filho (63), Independent Member	I 03/2013	P							
	Luiz Alberto Fiore (63), Independent Member	I 03/2012	M							
Fiscal Council ⁽³⁾ (3 members)	Maria Helena dos Santos Fernandes de Santana (55), Independent Member	I 06/2014	M							
	Sergio Darcy da Silva Alves (69), Independent Member	I 04/2014	M							
	Alberto Sozin Furuguem (71), Independent Member	I 07/2006								
	Iran Siqueira Lima (70), Independent Member	I 03/2003								
Luiz Alberto de Castro Falleiros (57), Independent Member		I 04/2012								

(1) Includes individuals that are not members of our Board of Directors: José Castro Araújo Rudge.
 (2) Includes individuals that are not members of our Board of Directors or employees of the Itaú Unibanco Group: Alessandro Profumo, André Lara Rezende, Andres Velasco, Angel Corcóstequi, Carlos Ghosn, Pedro Sampaio Malan, Vikram Pandit and Woods Staton.
 (3) Independence criteria for the members of the Board of Directors, Audit Committee and Fiscal Council are diverse, under our policies and applicable regulations in force.

 President
  Member
  Independent Member
  also Member of the Board of Directors

Board of Directors

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

He has also been a Member of the Board of Directors of Totvs S.A. since March 2010, Chairman of the Board of Directors of Companhia E. Johnston de Participações since 2008, and Member of the Board of Directors of IUPAR since November 2008, having been Chairman (November 2008 to April 2012).

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

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

Alfredo Egydio Arruda Villela Filho (Vice Chairman) has been a Vice Chairman of the Board of Directors since March 2003. He has also served a Member of the Board of Directors since April 1997; being Vice Chairman since January 2010; and having been Chairman (April 2009 to January 2010) and Vice Chairman (April 1997 to April 2009) of Itaútec S.A.; Member of the Board of Directors (April 2004 to April 2010), being the Board's Chairman (April 2009 to November 2009) and Vice Chairman (April 2004 to April 2009 and November 2009 to April 2010) of Elekeiroz S.A.; Member of the Board of Directors since 1996, being the Board's Vice Chairman since 2008 of Duratex S.A.; Member of the Board of Directors since August 1995, serving as Vice Chairman since May 2011 and CEO since September 2009 of Itaúsa.

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

He has a Bachelor's degree in Mechanical Engineering from Mauá Engineering School of the Mauá Technology Institute (IMT) and Postgraduate degree in Business Administration from the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*, or FGV) both in Brazil.

Roberto Egydio Setubal (Vice Chairman) has held several positions within the Itaú Unibanco Group including Chief Executive Officer since November 1995 at Itaú Unibanco Holding S.A.; Chairman of the Board of Directors of Banco Itaú BBA S.A. since November 2004; President and CEO since April 1994, General Manager (July 1990 to April 1994) and Member of the Board of Directors (May 1991 to March 2003) of Itaú Unibanco S.A.

He has also served as Executive Vice President of Itaúsa since May 1994; Member of the Board of the International Monetary

Conference since 1994; Member of the International Advisory Committee of The Federal Reserve Bank of New York since 2002; Member of the International Advisory Committee of the NYSE since April 2000; Member of the China Development Forum since 2010; President of the National Federation of Banks (FENABAN) and of the Brazilian Federation of Banks (FEBRABAN) (April 1997 to March 2001); President of the Advisory Board of the FEBRABAN since October 2008; Co-Chair do WEF 2015 (World Economic Forum) since 2015.

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

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

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

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

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

Candido Botelho Bracher (Member) has been a Vice Chairman of the Board of Directors since March 2013 and CEO of Banco Itaú BBA S.A. since August 2005.

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

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

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

He was an Executive Vice President at Banco Itaú BBA S.A. (November 2008 to April 2009); Executive Vice President at Unibanco (December 2004 to April 2009); Executive Officer at

Unibanco Asset Management (August 2002 to July 2005). He was Vice President of the National Association of Investment Banks (ANBID) (2000 to 2003); Chief Executive Officer at Dresdner Asset Management (November 1999 to 2002); Director of Foreign Affairs at the Central Bank (1997 to March 1999) and General Monetary and Financial Policy Coordinator for the Ministry of Finance (1993).

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

Gustavo Jorge Laboissière Loyola (Independent Member)

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

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

Henri Penchas (Member) has been, at the Itaú Unibanco Group as a Member of the Board of Directors of since September 1998 and Vice Chairman (July 2003 to April 2009) of Banco Itaú BBA S.A.; Member of the Board of Directors (April 1997 to March 2003), Senior Vice President (April 1997 to April 2008), Executive Vice President (May 1993 to April 1997), Executive Director (1988 to 1993) of Itaú Unibanco S.A.

He has also been the Executive Vice President since April 2009 and Investor Relations Officer since 1995. He was an Executive Officer of Itaúsa (December 1984 to April 2008). He has served as a Member of the Board of Directors and Member of the Audit and Risk Management Committee of Duratex S.A. since April 2013 and as a Member of the Board of Directors of Elekeiroz S.A. since April 2013. He has been a Member of the Board of Directors and Member of the Disclosure Committee since April 2013 and CEO (April 2013 to April 2014) of Itaútec S.A. – Itaútec Group.

He has a Bachelor's degree in Mechanical Engineering from Mackenzie University and Postgraduate degree in finance from FGV, both in Brazil.

Israel Vainboim (Independent Member) was a Member of the Board of Directors of Unibanco (1988 to 2008) and CEO of Unibanco Holdings S.A. (1994 to 2007), having acted as Chairman of the Board of Directors (2007 to 2009). He served as CEO (1988 to August 1992), Managing Vice President (1978 to 1988) of Unibanco and was responsible for the back office of the Unibanco Group (1973 to 1977).

He has a Bachelor's degree in Mechanical Engineering from the Federal University of Rio de Janeiro (*Universidade Federal do Rio de*

Janeiro, or UFRJ) in Brazil and a M.B.A. from Stanford University in the United States.

Nildemar Secches (Independent Member) has been a Vice Chairman of the Board of Directors of WEG S.A. (1998 to 2011) and Board of Directors since 2011; Vice Chairman of the Board of Directors of Iochpe-Maxion since 2004; Member of the Board of Directors of Suzano Papel e Celulose since May 2008 and of Ultrapar S.A. since April 2002.

He was the CEO of Perdigão S.A. (January 1995 to October 2008); General Corporate Officer of the Iochpe-Maxion Group (1990 to 1994). He served as a Director of the Brazilian Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*, or BNDES) (1987 to 1990) and Chairman of the Board of Directors of Brasil Foods – BRF S.A. (April 2007 to 2013). He served as President of the Association of Chicken Producers and Exporters (2001 to 2003).

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

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

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

Ricardo Villela Marino (Member) has served Itaú Unibanco Group as an Executive Vice President of Itaú Unibanco S.A. since August 2010. He served as Executive Officer (September 2006 to August 2010), Senior Managing Director (August 2005 to September 2006), Managing Director (December 2004 to August 2005) at Itaú Unibanco S.A. He has served as an Alternate Member of the Board of Directors of Itaúsa since April 2011. He has served as an Alternate Member of the Board of Directors of Duratex S.A., Elekeiroz S.A. and Itaútec S.A. since April 2009. He was President of the Latin American Federation of Banks (FELABAN) (2008 to 2010).

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

Board of Officers

Caio Ibrahim David (Chief Financial Officer and Executive Officer) has been an Executive Vice President of Itaú Unibanco S.A. since August 2010.

He joined Itaú Unibanco S.A. in 1987 as a trainee, having worked in the controller's and market and liquidity risk control departments. He worked as an associate at Bankers Trust in New York in the

Global Risk Management unit in 1998. He has served as a Member of the Board of Directors of Investimentos Bemge S.A. since April 2012 and as a Member of the Board of Directors of Dibens Leasing S.A. – Arrendamento Mercantil since July 2010. He also served as Executive Officer of Itauseg Participações S.A. (a BM&FBovespa-listed company until November 2012) (April 2010 to April 2013). He served as Vice Chairman of the Board of Directors of Redecard S.A. (June 2010 to December 2012).

He has a Bachelor's degree in Engineering from Mackenzie University (1990), a Postgraduate degree in Economics and Finance (1993) from USP, Master's degree in Controllershship from USP (1997) in Brazil, and an M.B.A. from the New York University (1999) with specialization in finance, accounting and international business in the United States.

Claudia Politanski (Executive Officer) has been an Executive Vice President of Itaú Unibanco S.A. since July 2013. She is currently responsible for our ombudsman and our legal division and serves as general legal counsel.

She joined Unibanco in 1991 and became an Executive Officer (August 2007 to July 2014), Officer (February 2006 to August 2007) and a Deputy Director (July 2003 to February 2006). She was also an Executive Officer of Itaú Unibanco S.A. (February 2010 to March 2013).

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

Eduardo Mazzilli de Vassimon (Executive Officer) has held several positions within the Itaú Unibanco Group including Managing Vice President of Itaú Unibanco S.A. since March 2013 and Member of the Board of Directors of Banco Itaú BBA S.A. since November 2004.

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

He has a Bachelor's degrees in Economics from the School of Economics of USP (1980) and in Business Administration from FGV (1980). Master's degrees from the São Paulo Business Administration School of FGV (1982) and from École des Hautes Études Commerciales (1982) in France.

Ricardo Baldin (Executive Officer) served the Itaú Unibanco Group as an Executive Officer at Itaú Unibanco S.A. (February 2010 to April 2011).

He has been a Member of the Audit Committee of Porto Seguro S.A. since October 2011. In 1977, he was hired as a trainee by PricewaterhouseCoopers where he was a partner for 18 years. As an independent auditor, he was the partner responsible for

financial institutions. He was also the partner responsible for the financial institutions group of PricewaterhouseCoopers in South America, where he was responsible for the coordination of many projects in the region, including the assessment of the Ecuadorian financial system. He was the Director of the National Association of Financial, Business Administration and Accounting Executives (ANEFAC) and he was also responsible for the financial institutions group of the Institute of Independent Auditors of Brazil (IBRACON).

He has a Bachelor's degree in Accounting from Vale do Rio dos Sinos University, São Leopoldo, State of Rio Grande do Sul (1978) and continued education certificates in management and finance from the Dom Cabral Foundation and FGV.

Alexsandro Broedel Lopes (Officer) has served the Itaú Unibanco Group as Officer at Itaú Unibanco S.A. since May 2012.

He has been an Officer at Investimentos Bemge S.A. since June 2012 and an Officer at Dibens Leasing S.A. – Arrendamento Mercantil since August 2012. He has been a Full Professor of Accounting and Finance at USP since 2002, teaching in undergraduate, master's and Postgraduate level courses in the finance and accounting fields. He served as a Commissioner at the CVM (2010 to 2012). He is a member of the Standards Advisory Council and of the IFRS Foundation Education Advisory Group.

He has a Ph.D. in Accounting and Finance from the Manchester Business School (2008) in the United Kingdom, a Postgraduate degree in Controllershship and Accounting from USP (2001), a Bachelor's degree in Accounting from USP (1997), and a Bachelor's degree in Law from USP (2012). He was also awarded the *Prêmio Unibanco de Desempenho Universitário* (Unibanco Award for University Performance) and the *Prêmio Prof. Ari Toribio de Melhor Trabalho de Conclusão de Curso* (Prof. Ari Toribio Award for the Best Course Final Paper).

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

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

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

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

He worked at Banco Bandeirantes S.A. (1992 to 2001) and was responsible for performing IT and operational process audits.

He has a Bachelor's degree in Data Processing Technology from Tiberiça Integrated Schools and Postgraduate degree in Audit and Consultancy in Information Security from Associated Schools of São Paulo (FASP). In 2004, he obtained the CISA certification issued by ISACA. He has an M.B.A. degree in Internal Audit from the Institute for Accounting, Actuarial and Financial Research Foundation (*Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras*, or FIPECAFI).

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

He has a degree in Business Administration from *Fundação Armando Álvares Penteado* (FAAP) in Brazil.

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

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

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

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

He has worked as an Inspector of the Direct Supervision Department – DESUP at Central Bank (1988 to 2003), Financial Stability Institute of the BIS where he carried out an internship during which he participated in the preparation and lectured in a preparation course for bank supervisors of regulatory authorities worldwide (April to June 2003) and McKinsey & Company Associate at Consultant Member of the Risk Management Practice and Specialized in Risk and Finance subjects (September 2005 to February 2008).

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

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

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

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

Audit Committee

Alkimar Ribeiro Moura (Independent Member) was an Independent Member of the Supervision Board of the São Paulo Stock Exchange, BM&FBOvespa S.A. (October 2007 to September 2010); a Member of the Board of Directors of Banco Nossa Caixa S.A. (May 2006 to February 2007); Vice-President of Finance and Capital Markets of Banco do Brasil S.A. (April 2001 to January 2003). He was as a Member of the Board of Directors of Cia. Brasil de Seguros (May 2001 to February 2003) and of Banco Bandeirantes S.A. (May 1999 to December 2000). He was Deputy Governor for Monetary Policy (February 1994 to February 1996) and for Financial System Regulations and Organization of the National Financial System (February 1996 to September 1997), both at the Central Bank of Brazil. He is a retired Professor of Economics at the São Paulo Business Administration School of FGV (EAESP/FGV).

He has a Bachelor's degree in Economics from the Federal University of Minas Gerais in Brazil, a Master of Arts degree from the University of California and a Ph.D. in Applied Economics from Stanford University, both in the United States.

Diego Fresco Gutierrez (Independent Member) has served as an independent consultant on complex issues of financial reporting, particularly to companies with double listing (in Brazil and in the U.S.A.) since June 2013. He served as Partner at PwC – São Paulo (2000 to June 2013) in the Capital Markets and Accounting Advisory Services area and before had several positions at PwC in Uruguay and the United States.

He has a Bachelor's degree in Accounting from Universidad de la Republica Oriental del Uruguay in 1994; has been a Certified Public Accountant - "CPA" registered in the State of Virginia (United States) since 2002 (Registration 27.245) and is a Member of the Commission of Governance in Financial Institutions of the Brazilian Institute of Corporate Governance since 2013.

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

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

Luiz Alberto Fiore (Independent Member) was an Independent Auditor of PwC (1971 to 1973). He joined Deloitte Touche Tohmatsu, where was a Partner in the External Audit and Corporate Finance departments (1973 to 2010). He was also a Member of the Board of Officers and Board of Directors of Deloitte Brazil (1987 to 2008) and a Member of the International Board of Deloitte Corporate Finance (1998 to 2005).

He has a Bachelor's degree in Business Administration from the Pontifical Catholic University of São Paulo (ESAN-PUC-SP) and a Bachelor's degree in Accounting from Mackenzie University, both in Brazil.

Maria Helena dos Santos Fernandes de Santana (Independent Member) served as a Member of the Board of Directors since April 2013 and Chairman since April 2014 of the Corporate Governance Committee at Companhia Brasileira de Distribuição S.A.; Member of the Board of Directors at CPFL Energia S.A. since April 2013; Member of the Board of Directors and Coordinator of the Audit Committee at Totvs S.A. since April 2013; Member of the Board of Trustees of the IFRS Foundation since January 2014. She was Chairperson (July 2007 to July 2012) and Commissioner (July 2006 to July 2007) at CVM; Vice President (2004 to 2006) and Member of the Board of Directors since 2001 at Brazilian Institute of Corporate Governance (Instituto Brasileiro de Governança Corporativa, or IBGC); Chairperson of the Executive Committee (2010 to 2012) at International Organization of Securities Commissions, or IOSCO. Worked for BOVESPA – São Paulo Stock Exchange (now BM&FBovespa S.A.) for 12 years, acting as Head of Listings and Issuer Relations from 2000 to June 2006. Was involved, since the beginning, with the creation of the Novo Mercado and the Corporate Governance Listing Tiers, having been in charge of their implementation.

She has a Bachelor's degree in Economics from the School of Economics, Business and Accounting at the University of São Paulo (*Faculdade de Economia, Administração e Contabilidade da Universidade de São Paulo*, or FEAUSP) in Brazil.

Sergio Darcy da Silva Alves (Independent Member) served as a Member of the Audit Committee of Banco Santander S.A. (October 2006 to March 2013) and Member of the Regulatory Committees as Coordinator and Auditor of São Paulo Stock Exchange – BM&FBovespa S.A. since January 2007. He has held several positions: Director of the National Financial System Regulation and Organization (September 1997 to April 2006); Head of the National Financial System Regulation and Organization Department (April 1991 to August 1997); Deputy Head of the National Financial System Regulation and Organization (March 1985 to March 1991); Coordinator of the Capital Markets Department in the Division of Financial Institutions Authorization up to 1985.

He has a Bachelor's degree in Economics from *Faculdade de Economia e Administração* of UFRJ (1968) and an Advance Course on Accounting Sciences from the *Associação de Ensino Unificado de Brasília* (AEUDF) (1975 to 1978) both in Brazil.

Fiscal Council

Alberto Sozin Furuguem (Independent Member) previously held several positions at the Central Bank, including Economist and Head of the Economic Department (1981 to 1983), Officer (1985), Regional Delegate in São Paulo (1991 to 1992) and Clerk (1963 to 1966). He also worked at the Ministry of Finance as Minister Mário Henrique Simonsen's Assistant (March 1974 to March 1975) and at the Government of the State of Rio de Janeiro as a Development Bank Officer (1975 to 1979).

He graduated with an undergraduate degree in Economics and with a Postgraduate Degree from FGV, both in Brazil (January 1967 to December 1968).

Iran Siqueira Lima (Independent Member) held several positions at the Central Bank holding various positions (1967 to 1993), including: Deputy Head of the Capital Markets Inspection Department (1976 to 1979), Head of the Capital Markets Department (1979 to 1984), Officer of the Capital Markets Department (1984), Officer of the Inspection Department (1985) and Regional Delegate in São Paulo, State of São Paulo (1991 and 1993). In 1986, he took a leave of absence from the Central Bank and served as Officer of the Capital Markets Department at Banco da Cidade S.A. In that same period (1986 to 1988), he founded a consulting firm in the capital markets field, where he held the position of Managing Partner from 1987 to June 1988. At Brazilian Federal Government worked as Secretary of Budget and Control of Government Companies (SEST) (July 1988 to March 1990). He was Economic and Finance Officer of Telebrás – Telecomunicações Brasileiras S.A. (May 1991 to December 1992) and was a Member of the Board of Directors of the BNDES, of Telesp – Telecomunicações de São Paulo and of Telebrás – Telecomunicações Brasileiras S.A. Since 1972, he has been teaching courses related to Accounting and Finance in the following Universities: Association of Unified Education of the Federal District (AEUDF), UnB, USP, and the M.B.A. courses of FIPECAFI.

He has a Bachelor's degree in Economics from the University of the State of Rio de Janeiro (UERJ) (1969) and a Bachelor's degree in Accounting from the Association of Unified Education of the Federal District (AEUDF) (1973). He has a Postgraduate degree in Economics Engineering and Industrial Administration from Candido Mendes University (1971) and Master's and Postgraduate degrees in Accounting and Controllershship from USP (1976 and 1998, respectively).

Luiz Alberto de Castro Falleiros (Independent Member) has been a Member of the Board of Directors at Tiradentes University since April 2009, an Alternate Member of the Fiscal Council at AES Tietê and Tupy S.A. since April 2010. He was a Member of the Fiscal Council at Banco Indusval (April 2010 to April 2012). Additionally, he was General Manager at Banco Alfa de Investimento S.A. (July 1998 to December 2000), Superintendent of Market Relations at SABESP – Companhia de Saneamento Básico do Estado de São Paulo (January 1997 to June 1998), Deputy Director Investment (January 1992 to December 1996) and Underwriting Officer (January 1991 to January 1992) at Banco ABC – Roma S.A.

He has a Bachelor's degree in Economics from UNICAMP, in Campinas (1978) and an M.B.A. in Finance from the Schools of Campinas (*Faculdades de Campinas*, or FACAMP) (2004), both in Brazil.

Directors' and Senior Management's Compensation

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Our Compensation Policy is in accordance with guidelines provided under applicable Brazilian regulation and is built upon our principles and practices and is intended to better align the interests of our shareholders and our management. Regarding variable compensation, the purpose of our Compensation Policy is to attract, retain and reward management achievements; and also intends to stimulate the adoption of prudent levels of risk exposure in the short, medium and long term.

Accordingly, our Compensation Policy sets forth that of the total aggregate variable compensation paid, at least 50% must be paid in shares or share based instruments, and at least 50% must be deferred for future payment in a minimum period of three years. Deferred and unpaid portions may be proportionally retained due to a significant reduction of realized recurring net income or negative result for the current period (claw back).

Our governance structure for the establishment of compensation sets forth clear and transparent processes, and is overseen by the Compensation Committee. Among others, its responsibilities comprise the formulation of our Compensation Policy, which must be submitted to the annual approval of the Board of Directors. Additionally, our Compensation Committee acts as an important intermediate with the Central Bank, increasing the accuracy and transparency of information provided to this regulatory body. Please refer to www.itaubank.com.br/arquivosstaticos/RI/pdf/CompensationCommittee.pdf for further information.

The maximum amount to be paid to management is proposed by the Board of Directors and approved at our Annual General Shareholders' Meeting. For 2014, the amount approved was R\$145 million.

Additionally, we have established a profit sharing plan pursuant to which each beneficiary is assigned annually a base amount for computation of payments. The final amount of the payment to an individual is based on the consolidated results of the Itaú Unibanco Group, the results of the business unit to which the individual belongs and the individual's performance. This individual amount is determined by multiplying the base amount by several indexes that represent the mentioned Key Performance Indicators (Itaú Unibanco Holding results and/or business unit results and individual performance).

Our Annual General Shareholders' Meeting also approved an individual monthly fixed compensation of R\$15,000 for the members of our fiscal council and R\$6,000 for their alternates.

In 2014, we recorded expenses for our management compensation, including the stock option plan in the amount of approximately R\$845 million, which includes fees in the approximate amount of R\$343 million, profit sharing of approximately R\$261 million and contributions to pension plans of approximately R\$7.0 million. In addition, management received benefits, such as health and dental care, which totaled approximately R\$4.0 million. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 35 – Related Parties – (b) Compensation of the Key Management Personnel, for further details.

Brazilian legislation does not require the disclosure of individual compensation of our management, except for the highest and lowest amount received, and it is not necessary to identify those individuals. The Brazilian Institute of Financial Executives of Rio de Janeiro (*Instituto Brasileiro de Executivos de Finanças*, or IBEF Rio de Janeiro) filed, on behalf of its members, a lawsuit challenging the legality of this disclosure requirement, and an injunction was granted to suspend such requirement. We do not intend to make this disclosure until the matter is finally determined. Please refer to section Our Risk Management, item Regulatory Environment, Compensation of Directors and Officers of Financial Institutions, for further information.

Our Compensation Policy provides for post-employment benefits for our management, including medical benefits such as health plan and annual medical check-up. Except for the benefits established by our Compensation Policy, we do not have service contracts with our management providing for benefits upon termination of employment.

Stock Option Plan

We have a stock option plan through which our employees and management receive stock options. These options enable employees and management to share the risk of fluctuation of the price of our preferred shares with other shareholders and is intended to integrate the beneficiaries of our Stock Option Plan into the development process of our group in the medium and long term.

Our Personnel Committee manages the Stock Option Plan, including matters such as strike prices, vesting periods and effectiveness of options, in compliance with the rules set forth in the Stock Option Plan.

Options may only be granted to beneficiaries if there is net income sufficient for the distribution of mandatory dividends. Please refer to section Our profile, item Information for the Investor, Shareholders' Payment, for further information on the payment of dividends. Also, to avoid the dilution of shareholders, the sum of shares to be used for compensation of management and options to be granted each year will not exceed the limit of 0.5% of total shares outstanding at the closing balance sheet date of the same year. In the event the number of shares delivered and options granted is below the 0.5% limit, the difference may be added for purposes of share based compensation or granting of options in any one of the seven subsequent fiscal years.

In 2014, 11,007,189 options were granted pursuant to our Stock Option Plan. On December 31, 2014, we still had 74,451,399 options to be exercised by the beneficiaries, comprising 572 beneficiaries of simple options and 249 beneficiaries of partners' options. Please refer to section Performance, Item Consolidated Financial Statements (IFRS), Note 22 – Stock Option Plan.

Main Differences between Brazilian and U.S. Corporate Governance Practices

In the U.S., we have listed our ADSs on the NYSE as a foreign private issuer and, as a result, the NYSE allows us to comply with certain corporate governance requirements established by applicable Brazilian legislation in lieu of those under the NYSE's corporate governance listing standards applicable to U.S. companies with securities listed on the NYSE.

Under the NYSE rules, we are only required to: (i) have an audit committee or an audit board that meets certain requirements, as discussed below; (ii) provide notice by our chief executive officer to the NYSE with respect to any non-compliance by us with any applicable NYSE corporate governance listing standards; (iii) provide the NYSE with annual and interim written affirmations of our compliance with the NYSE corporate governance listing standards; and (iv) provide a statement of the significant differences between our corporate governance practices and practices required by the NYSE to be followed by U.S. listed companies. Except for those requirements, we are permitted to manage our corporate governance in accordance with applicable Brazilian legislation.

The description of the significant differences between our corporate governance practices and those required of U.S. listed companies follows below. Our main rules and policies can be found at www.itaubank.com.br/investor-relations/corporate-governance/rules-and-policies.

Majority of Independent Directors

The NYSE rules require that the majority of the board members be independent. Independence is defined by various criteria, including the absence of a material relationship between the director and the listed company. However, under NYSE rules, listed companies (whether U.S. or foreign) of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with the majority independence requirement.

Brazilian legislation does not have a similar requirement. Nevertheless, our Board of Directors has four directors considered independent pursuant to the criteria established in our Corporate Governance Policy. For further information on the composition of our Board of Directors, see section Our Governance, item Management Structure, Our Directors, Officers and Committee Members.

Additionally, Brazilian Corporate Law, the Central Bank and the CVM have established rules that address the duties and responsibilities of companies' officers and directors and their professional qualification, so as to ensure the proper operation of the board.

Executive Sessions

NYSE rules require that non-management directors meet at regularly scheduled executive sessions without the presence of directors who are also officers of the company.

Brazilian legislation does not have a similar requirement. However, we hold such executive sessions at least once a year. Currently, two thirds of the members of our Board of Directors are non-management directors.

Nomination and Corporate Governance Committee and Compensation Committee

NYSE rules require that listed companies have a nominating or corporate governance committee and also a compensation committee, each entirely composed of independent directors and governed by a charter on the purposes and responsibilities of such committee. However, under NYSE rules, listed companies (whether U.S. or foreign) of which more than 50% of the voting power is held by an individual, a group or another company, such as in our case, are not required to comply with such requirement.

Brazilian legislation does not require us to have a nominating or corporate governance committee. However, we have elected to form a Nomination and Corporate Governance Committee responsible for stimulating and overseeing discussions of matters related to the company's governance. Currently, one out of six members of our Nomination and Corporate Governance Committee is considered independent under our Corporate Governance Policy.

Brazilian legislation does not require listed companies to have a compensation committee. Nonetheless, we are required to establish a Compensation Committee pursuant to Brazilian banking regulation. In accordance with such regulation, our Compensation Committee reports to the Board of Directors and members of the Compensation Committee are not required to be independent. However, currently, two out of six members of our Compensation Committee are considered independent under our Corporate Governance Policy.

Please refer to section Our Governance, item Management Structure, for further information about our Nomination and Corporate Governance Committee and our Compensation Committee.

Audit Committee

NYSE rules require that listed companies have an audit committee that (i) is composed of at least three independent members who are financially literate; (ii) complies with SEC rules related to the audit committee of companies registered with NYSE; (iii) has at least one member who has accounting or financial management expertise; and (iv) is governed by a charter that expressly sets out the purposes and responsibilities of the committee and that establishes annual performance assessments.

The applicable Brazilian legislation regulates independent audit services rendered to financial institutions and requires the establishment of an audit committee composed of at least three independent members, pursuant to Brazilian banking regulation. Our Audit Committee, formed on April 28, 2004, meets applicable Brazilian legal requirements, is elected annually by the Board of Directors and is composed of professionals with proven technical qualification compatible with the responsibilities of this committee.

Under SEC rules, we are not required to have an Audit Committee constituted or operated in accordance with NYSE rules if we meet specified SEC requirements. We believe that our Audit Committee is compliant with the requirements of Rule 10A-3(c)(3) under the Exchange Act and that it is able to act independently when performing its responsibilities. Our Audit Committee, to the extent permitted by Brazilian legislation, performs all functions required to be performed by an audit committee by Rule 10A-3 under the Exchange Act.

In line with the applicable Brazilian legislation, hiring independent auditors is the responsibility of the Board of Directors, whereas the recommendation for hiring and removing independent auditors is the responsibility of the Audit Committee. Thus, our Board of Directors acts in lieu of the Audit Committee, as permitted by Rule 10A-3(c)(3)(v) under the Exchange Act, for the purpose of hiring our independent auditors.

Shareholders' Approval of Management Members' Compensation and Long-Term Incentive Programs

NYSE rules require that shareholders have the opportunity to vote on all share-based compensation plans and significant changes thereto, including significant increases in the number of shares available to the plan, with a few exceptions.

Brazilian legislation sets forth a similar requirement, as it establishes the need for approval of the aggregate annual compensation of management members (including shares) and stock option plans at General Stockholders' Meetings. Please refer to section Our Governance, items Directors' and Senior Management's Compensation and Long-Term Incentive Programs for further information.

Corporate Governance Guidelines

NYSE rules require that listed companies adopt and disclose their corporate governance guidelines.

Brazilian legislation does not establish a similar requirement. However, we have a Corporate Governance Policy that consolidates the corporate governance principles and practices that we adopt. We believe such corporate governance principles and practices, consistent with Brazilian legislation, are compatible with the guidelines established by the NYSE. We have adopted stricter rules than those required by Brazilian legislation, since we voluntarily adhered to BM&FBovespa's Level 1 of Corporate Governance and granted tag-along rights to all shareholders, regardless of their voting rights. Please refer to section Our Governance, item Our Practices, for further information.

Code of Ethics

NYSE rules require that listed companies adopt and disclose a

code of business conduct and ethics for their directors, officers and employees. NYSE also requires that listed companies promptly disclose any waiver of the code provisions for directors or officers.

Brazilian legislation does not have a similar requirement. However, we have a Code of Ethics that, among other matters, governs the conduct of all directors, officers and employees of the Itaú Unibanco Group, detailing the principles that guide our attitudes and practices.

Internal Audit

NYSE rules require that listed companies maintain an internal audit function to provide management and the audit committee with ongoing assessments of the company's risk management processes and internal control systems.

Brazilian banking legislation establishes a similar requirement, since it requires that financial institutions have an internal audit function. Our internal audit function is responsible for assessing the sufficiency and effectiveness of our operating and management controls, as well as the adequacy of our risk identification and risk management processes. In addition, our internal audit function is independent from management in carrying out its activities and has access to all places, information and people deemed necessary for it to carry out its duties. The internal audit function is administratively subordinated to the Chairman of the Board of Directors, and its activities are supervised by the Audit Committee.



4

Our risk management

GRI 4-2



Our Risk Management

Risk Factors

This section addresses the risks we consider relevant for our business and for investment in our securities. Should any of these events occur, our business and financial condition, as well as the value of the investments made in our securities, may be adversely affected. Accordingly, investors should carefully assess the risk factors described below and the information disclosed in this document.

Other risks that we currently deem irrelevant or we are not aware of may give rise to effects similar to those mentioned above should they actually occur.

Macroeconomic Risks

Changes in economic conditions may adversely affect us.

Our operations are dependent upon the performance of the Brazilian economy and, to a lesser extent, the economies of other countries in which we do business. The demand for credit and financial services, as well as clients' ability to pay, is directly impacted by macroeconomic variables, such as economic growth, income, unemployment, inflation, and fluctuations in interest and foreign exchange rates. Therefore, any significant change in the Brazilian economy and, to a lesser extent, in the economies of other countries in which we do business may affect us.

After a period of accelerated economic expansion, Brazil's growth rates began to slow down in 2011, and continued at a slow rate through 2014. Growth may be limited by a number of factors, including structural factors, such as inadequate infrastructure, which entail risks of potential energy shortages and deficiencies in the transportation sector, among others, and lack of qualified professionals, which can reduce the country's productivity and efficiency levels. Depending on their intensity, these factors could lead to decreasing employment rates and to lower income and consumption levels, which could result in increased default rates on loans we make and, therefore, have a material adverse effect on us.

Brazilian authorities exercise influence on the Brazilian economy. Changes in monetary, fiscal and foreign exchange policies and in the Brazilian government's structure may adversely affect us.

Brazilian authorities intervene from time to time in the Brazilian economy, through changes in fiscal, monetary, and foreign exchange policies, which may adversely affect us. These changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our clients' ability to pay and, consequently, affecting us.

In addition, changes in the Brazilian government's structure may result in changes in government policies, which may affect us. This uncertainty may, in the future, contribute to an increase in the volatility of the Brazilian capital markets, which, in turn, may have an adverse impact on us. Other political, diplomatic, social and economic developments in Brazil and abroad that affect Brazil may also affect us.

Inflation and fluctuations in interest rates may have a material adverse effect on us.

Sudden increases in prices and long periods of high inflation may cause, among other effects, loss of purchasing power and distortions in the allocation of resources in the economy. Measures to combat high inflation rates include a tightening of monetary policy, with an increase in the SELIC interest rate, resulting in restrictions on credit and short-term liquidity, which may have a material adverse effect on us. Changes in interest rates may have a material effect on our net margins, since they impact our funding and credit granting costs.

In addition, increases in the SELIC interest rate could reduce demand for credit, increase the costs of our reserves and the risk of default by our clients. Conversely, decreases in the SELIC interest rate could reduce our gains from interest-bearing assets, as well as our net margins.

Instability of foreign exchange rates may negatively affect us.

Brazil has a floating foreign exchange rate system, pursuant to which the market establishes the value of the Brazilian *real* in relation to foreign currencies. However, the Central Bank may intervene in the purchase or sale of foreign currencies for the purpose of easing variations and reducing volatility of the foreign exchange rate. In spite of those interventions, the foreign exchange rate may significantly fluctuate. In addition, in some cases, interventions made with the purpose of avoiding sharp fluctuations in the value of the Brazilian *real* in relation to other currencies may have the opposite effect, leading to an increase in the volatility of the applicable foreign exchange rate.

Instability in foreign exchange rates could negatively impact our business. A potential depreciation of the Brazilian *real* could result in (i) losses on our liabilities denominated in or indexed to foreign currencies; (ii) a decrease in our ability to pay for obligations denominated in or indexed to foreign currencies, as it would be more costly for us to obtain the foreign currency required to meet such obligations; (iii) a decrease in the ability of our Brazilian borrowers to pay us for debts denominated in or indexed to foreign currencies; and (iv) negative effects on the market price of our securities portfolio. On the other hand, an appreciation of the Brazilian *real* could cause us to incur losses on assets denominated in or indexed to foreign currencies. For further information on how the effects of these variables may affect us, please see "The value of our securities and derivatives is subject to market fluctuations due to changes in Brazilian or international economic conditions and may produce material losses" below.

An expansionist fiscal policy may affect us.

An excessively expansionist fiscal policy, combined with increased intervention by the Brazilian government in the economy, could generate a loss of confidence of local and foreign investors. Less credibility could lead to the downgrading of the Brazilian sovereign debt by credit rating agencies, and negatively impact the local economy, causing the depreciation of the Brazilian *real*, an increase in inflation and interest rates and a deceleration of economic growth, thus adversely affecting our business, results of operations and financial condition.

Crises and volatility in the financial markets of countries other than Brazil may affect the global financial markets and the Brazilian economy and have a negative impact on our operations.

The economic and market conditions of other countries, including the United States, countries of the European Union, and emerging markets, may affect the credit availability and the volume of foreign investments in Brazil, to varying degrees. Crises in these countries may decrease investors' interest in Brazilian assets, which may materially and adversely affect the market price of our securities, making it more difficult for us to access capital markets and, as a result, to finance our operations in the future.

Banks that operate in countries considered to be emerging markets, including us, may be particularly susceptible to disruptions and reductions in the availability of credit or increases in financing costs, which may have a material adverse impact on their operations. In particular, the availability of credit to financial institutions operating in emerging markets is significantly influenced by movements of aversion to global risk. In addition, any factor impacting investors' confidence, such as a downgrade in credit ratings or an intervention by a government or monetary authority in one of such markets, may affect the price or availability of resources for financial institutions in any of these markets, which may affect us.

The disruptions and volatility in the global financial markets may also have significant consequences in the countries in which we operate, such as volatility in the prices of equity securities, interest rates and foreign exchange rates. Higher uncertainty and volatility may result in a slowdown in the credit market and the economy, which, in turn, could lead to higher unemployment rates and a reduction in the purchasing power of consumers. In addition, such events may significantly impair our clients' ability to perform their obligations and increase overdue or non-performing loan operations, resulting in an increase of the risk associated with our lending activity. Thus, global financial crises, in addition to the Brazilian macroeconomic environment, may also affect in a material and adverse way the market price of securities of Brazilian issuers or lead to other negative effects in Brazil and in the countries in which we operate and have a material adverse effect on us.

Please refer to section Context, item Macroeconomic Context, Global and Brazilian Context for further details about data and economic indicators.

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

Certain Brazilian companies in the energy and infrastructure sectors are facing investigations by the CVM, the SEC, the U.S. Department of Justice (DOJ), the Brazilian Federal Police and other Brazilian public entities who are responsible for corruption and cartel investigations, in connection with corruption allegations (so called *Lava Jato* investigations) and, depending on the outcome of such investigations and the time it takes to conclude them, they may face downgrades from credit rating agencies, experience funding restrictions and have a reduction in revenues, among other negative effects. The companies involved in the *Lava Jato* investigations, a number of which are our clients, may also be prosecuted by investors on the grounds that they were misled by the information released to them, including their financial state-

ments. Moreover, the current corruption investigations have contributed to reduce the value of the securities of several companies. The investment banks (including Itaú BBA Securities) that acted as underwriters on public distributions of securities of such investigated companies are also a party in some law suits in the U.S. and may be parties to other legal proceedings yet to be filed. We cannot predict how long the corruption investigations may continue, or how significant the effects of the corruption investigations may be for the Brazilian economy and for the financial sector that may be investigated for the commercial relationship that may be held with companies involved in *Lava Jato* investigations. After reviewing our control procedures and our monitoring systems, we believe we are in compliance with the existing standards, especially related to anti-money laundering standards and, therefore, we did not identify any criminal illicit practice to be assigned to us. Negative effects on a number of companies may also impact the level of investments in infrastructure in Brazil, which may also lead to lower economic growth.

Legal and Regulatory Risks

Changes in applicable law or regulations may have a material adverse effect on our business.

Changes in the law or regulations applicable to financial institutions in Brazil may affect our ability to grant loans and collect debts in arrears, which may have an adverse effect on us. Our operations could also be adversely affected by other changes, including with respect to restrictions on remittances abroad and other exchange controls as well as by interpretations of the law by courts and agencies in a manner that differs from our legal advisors' opinions.

Financial crises may also cause the Brazilian government to change laws and regulations applicable to Brazilian financial institutions. For example, in response to the global financial crisis which began in late 2007, Brazilian national and intergovernmental regulatory entities, such as the Basel Committee on Banking Supervision, proposed regulatory reforms to prevent the recurrence of similar crises, including the Basel III framework, which increased minimum regulatory capital requirements. Please refer to section Our Risk Management, item Regulatory Environment, Basel III Framework and Implementation of Basel III in Brazil for further details about regulatory capital requirements. Once the implementation of the Basel III framework is completed for Brazilian banks and its effects fully evaluated, we may need to reassess our funding strategy for regulatory capital if additional regulatory capital will be required to support our operations under the new standards.

Moreover, the Brazilian Congress is considering enacting new legislation that, if signed into law as currently drafted, could adversely affect us. For example, a proposed law to modify the Brazilian consumer protection code would allow courts to change the terms and conditions of credit agreements in certain situations and would make the collection of amounts from those individuals more difficult. In addition, several other local or state legislatures are considering bills intending to impose differing physical security measures and standards of customer services, such as limits in queues and accessibility requirements, that, if signed into law, could affect our operations. More recently, passed and proposed bills in certain state legislatures are imposing or intending to impose restrictions on the ability of creditors in general to have their report insolvent borrowers included in the records of credit protection bureaus, which could also adversely affect us.

We also have operations in countries outside of Brazil, including, but not limited to, Argentina, Chile, Colombia, Paraguay, United Kingdom, Uruguay, United States and Switzerland. Changes in the laws or regulations applicable to our business in the countries where we operate, or the adoption of new laws, and related regulations, may have an adverse effect on us.

Increases in compulsory deposit requirements may have a material adverse effect on us.

Compulsory deposits are reserves that financial institutions are required to maintain with the Central Bank. Compulsory deposits generally do not provide the same returns as other investments and deposits because a portion of these compulsory deposits does not bear interest; instead, these funds must be held in Brazilian federal government securities and used to finance government programs, including a federal housing program and rural sector subsidies. The Central Bank has periodically changed the minimum level of compulsory deposits. Increases in such level reduce our liquidity to grant loans and make other investments and, as a result, may have a material adverse effect on us.

We are subject to regulation on a consolidated basis and may be subject to liquidation or intervention on a consolidated basis.

We operate in a number of credit and financial services related sectors through entities under our control. For regulation or supervision purposes, the Central Bank treats us and our subsidiaries and affiliates as a single financial institution. While our consolidated capital base provides financial strength and flexibility to our subsidiaries and affiliates, their individual activities could indirectly put our capital base at risk. Any investigation or intervention by the Central Bank, particularly in the activities carried out by any of our subsidiaries and affiliates, could have a material adverse impact on our other subsidiaries and affiliates and, ultimately, on us.

If we or any of our financial subsidiaries becomes insolvent, the Central Bank may carry out an intervention or liquidation process on a consolidated basis rather than conduct such procedures for each individual entity. In the event of an intervention or a liquidation process on a consolidated basis, our creditors would have claims on our assets and the assets of our consolidated financial subsidiaries. In this case, credits of the same nature held against us and our consolidated financial subsidiaries would rank equally in respect of payment. If the Central Bank carries out a liquidation or intervention process with respect to us or any of our financial subsidiaries on an individual basis, our creditors would not have a direct claim on the assets of such financial subsidiaries, and the creditors of such financial subsidiaries would have priority in relation to our creditors in connection with such financial subsidiaries' assets. The Central Bank also has the authority to carry out other corporate reorganizations or transfers of control under an intervention or liquidation process.

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

According to our Bylaws, we are obligated to pay our shareholders at least 25% of our annual adjusted net income, which may differ significantly from our net income calculated under IFRS. However, this adjusted net income may be capitalized, used to absorb losses or otherwise retained as allowed by Brazilian Corporate

Law. In addition, Brazilian Corporate Law allows us to suspend the mandatory distribution of dividends in any particular year if our Board of Directors informs our shareholders that such distribution would be incompatible with our financial condition. Therefore, in the occurrence of such event, the holders of our shares and ADSs may not receive any dividends.

Furthermore, due to the implementation of Basel III rules, the Central Bank may reduce or determine that no dividends will be paid by financial institutions that are not in compliance with the CMN's capital requirements.

Please refer to section Our Profile, item Our shares, Information for the Investor, Shareholders' Payment and section Our Risk Management, item Regulatory Environment, Basel III Framework, Implementation of Basel III in Brazil for further details about the payments of dividends on our shares and ADSs and information about CMN's capital requirements.

Tax reforms may adversely affect our operations and profitability.

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

Decision on lawsuits due to government monetary stabilization plans may have a material adverse effect on us.

We are defendants in numerous standardized lawsuits filed by individuals in respect of the monetary stabilization plans, or MSP, from 1986 to 1994, implemented by Brazilian federal government to combat hyper-inflation. We record provisions for such claims upon service of process for a claim.

In addition, we are defendants in class actions, similar to the lawsuits by individuals, filed by either (i) consumer protection associations or (ii) public attorneys' office (*Ministério Público*) on behalf of holders of savings accounts. Holders of savings accounts may collect any amount due based on such a decision. We record provisions when individual plaintiffs apply to enforce such decisions, using the same criteria used to determine provisions for individual lawsuits.

The Federal Supreme Court (*Supremo Tribunal Federal*, or STF) has issued some decisions in favor of the holders of savings accounts, but has not issued a final ruling with respect to the constitutionality of the MSPs as applicable to savings accounts. In relation to a similar dispute with respect to the constitutionality of the MSPs as applicable to time deposits and other private agreements the STF has decided that the bills were constitutional. In order to facilitate a final and definitive ruling regarding saving accounts, the *Confederação Nacional do Sistema Financeiro*, or Consif, an association of Brazilian financial institutions, filed a special proceeding with the STF (*Arguição de Descumprimento de Preceito Fundamental nº 165*), in which the Central Bank has filed an amicus brief, arguing that holders of savings accounts did not incur actual damages and that the MSPs as applicable to

savings accounts were in accordance with the federal constitution. Accordingly, the STF suspended the ruling of all appeals involving this matter until it has handed down a final decision.

In addition, the Superior Court of Justice (*Superior Tribunal de Justiça*, or STJ), which is the highest court responsible for deciding cases relating to federal laws, is expected to imminently rule on several aspects that will directly determine the amount due, in case the STF rules against the constitutionality of the MSPs. The most relevant of such decisions will be: (i) the accrual of compensatory interests on the amount due to the plaintiff, in filings that carry no specific claim to such interests; (ii) the initial date of default interests, in regard to class actions; and (iii) the possibility of compensating the negative difference arising in the month of the MSP implementation, between the interests actually paid on saving accounts and the inflation rate of the same period, with the positive difference arising in the months subsequent to the MSP implementation, between the interests actually paid on saving accounts and the inflation rate of the same period. Also, the STJ ruled that the term for filing class actions expired 5 years of the date of the MSP implementation. As a consequence, numerous class actions have been extinct by the Judiciary as a result of such ruling.

We are also subject to operational risks associated with the handling and conducting of a large number of lawsuits involving government monetary stabilization in case of loss.

Please refer to section Performance, Item Financial Performance, Liabilities, Litigation for further information.

Tax assessments may adversely affect us.

As part of the normal course of business, we are subject to inspections by federal, municipal and state tax authorities. These inspections, arising from the divergence in the understanding of the application of tax laws may generate tax assessments which, depending on their results, may have an adverse effect on our financial results.

Risks Associated With Our Business

Market Risk Factor

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

The securities and derivative financial instruments in our portfolio may cause us to record gains and losses, when sold or marked to market (in the case of trading securities), and may fluctuate considerably from period to period due to domestic and international economic conditions. If, for example, we enter into derivative transactions to hedge against decreases in the value of the Brazilian *real* or in interest rates and the Brazilian *real* appreciates or interest rates increase, we may incur financial losses and such financial losses could have a material adverse effect on us. In addition, we may incur losses from fluctuations in the market value of positions held, including risks associated with transactions subject to variations in foreign exchange rates, interest rates, price indexes, and equity and commodity prices, along with various indexes on these risk factors.

We cannot predict the amount of realized or unrealized gains or losses for any future period. Gains or losses on our investment portfolio may not contribute to our net revenue in the future or may cease to contribute to our net revenue at levels consistent with more recent periods. We may not successfully realize the appreciation or depreciation now existing in our consolidated investment portfolio or in any assets of such portfolio.

Operational Risk Factor

Failures, deficiency or inadequacy of our internal processes and human error or misconduct may adversely affect us.

Although we have in place information security controls, policies and procedures designed to minimize human error, and make continuous investments in infrastructure, management of crises and operations, the operational systems related to our business may stop working properly for a limited period of time or may be temporarily unavailable due to a number of factors. These factors include events that are totally or partially beyond our control such as power outages, interruption of telecommunication services, and generalized system failures, as well as internal and external events that may affect third parties with which we do business or that are crucial to our business activities (including stock exchanges, clearing houses, financial dealers or service providers) and events resulting from wider political or social issues, such as cyber-attacks or unauthorized disclosures of personal information in our possession.

Operating failures, including those that result from human error 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 our business, reputation and results of operations.

Cyberattacks may cause loss of revenue and reputational harm through data security breaches that may disrupt our operations or result in the dissemination of proprietary or confidential information.

We manage and store certain proprietary information and sensitive or confidential data relating to our operations. We may be subject to breaches of the information technology systems we use for these purposes. We are strongly dependent on technology and thus are vulnerable to viruses, worms and other malicious software, including "bugs" and other problems that could unexpectedly interfere with the operation of our systems. We also rely in certain limited capacities on third-party data management providers whose possible security problems and security vulnerabilities may have similar effects on us.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities before or after a cyber incident could be significant and the lack of remediation may result in interruptions, delays and may affect clients and partners.

Competition Risk Factor

We face risks associated with the increasingly competitive environment and recent consolidations in the Brazilian banking industry.

The Brazilian market for financial and banking services is highly competitive. We face significant competition from other large Brazilian and international banks. Competition has increased as a result of recent consolidations among financial institutions in Brazil and of regulations that increase the ability of clients to switch business between financial institutions. Please refer to section Our Risk Management, item Regulatory Environment, Antitrust Regulation for further information about the competition on the Brazilian Markets. Such increased competition may adversely affect us by, among other things, limiting our ability to retain or increase our current client base and to expand our operations, or by impacting the fees and rates we adopt, which could reduce our profit margins on banking and other services and products we offer.

Credit Risk Factors

Changes in the profile of our business may adversely affect our loan portfolio.

Our historical loan loss experience may not be indicative of our future loan losses. While the quality of our loan portfolio is associated with the default risk in the sectors in which we operate, changes in our business profile may occur due to our organic growth or merger and acquisition activity, changes in local economic conditions and, to a lesser extent, in the international economic environment, in addition to changes in the tax regimes applicable to the sectors in which we operate, among other factors. Any changes affecting any of the sectors to which we have significant lending exposure may adversely affect our loan portfolio. For example, in recent years, Brazilian banks have experienced an increase in loans to consumers, particularly in the automotive sector. However, this increased demand for vehicle financing was followed by a significant rise in the level of consumer indebtedness, which led the automotive sector to incur high nonperforming loan rates. As a result, many financial institutions recorded higher loan losses due to an increased volume of provisions and a decrease in loans for vehicle acquisition.

We may incur losses associated with counterparty exposure risks.

We may incur losses if any of our counterparties fail to meet their contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to our counterparties. This counterparty risk may arise, for example, from our entering into reinsurance agreements or credit agreements pursuant to which counterparties have obligations to make payments to us and are unable to do so, or from our carrying out transactions in the foreign currency market (or other markets) that fail to be settled at the specified time due to non-delivery by the counterparty, clearing house or other financial intermediary. We routinely conduct transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients, and their failure to meet their contractual obligations may adversely affect our financial performance.

We have significant exposure to Brazilian federal government debt.

Like most Brazilian banks, we invest in debt securities issued by the Brazilian government. As of December 31, 2014, approximately 12.0% of all our assets and 54.9% of our securities portfolio were comprised of these debt securities. Any failure by the Brazilian government to make timely payments under the terms of these securities, or a significant decrease in their market value could negatively affect our results of operations and financial condition.

Underwriting Risk Factor

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

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

Although the pricing of our insurance and pension plan products and the adequacy of the associated reserves are reassessed on a yearly basis, we cannot accurately determine whether our assets supporting our policy liabilities, together with future premiums and contributions, will be sufficient for the payment of benefits, claims, and expenses. Accordingly, the occurrence of significant deviations from our pricing assumptions could have an adverse effect on the profitability of our insurance and pension products. In addition, if we conclude that our reserves and future premiums are insufficient to cover future policy benefits and claims, we will be required to increase our reserves and record these effects in our financial statements, which may have a material adverse effect on us.

Management Risk Factors

Our policies, procedures and models related to risk control may be ineffective and our results may be adversely affected by unexpected losses.

Our risk management methods, procedures and policies, including our statistical models and tools for risk measurement, such as value at risk (VaR), and default probability estimation models, may not be fully effective in mitigating our risk exposure in all economic environments or against all types of risks, including those that we fail to identify or anticipate. Some of our qualitative tools and metrics for managing risk are based on our observations of the historical market behavior. In addition, due to limitations on information available in Brazil, to assess clients' creditworthiness, we rely largely on credit information available from our own databases, on certain publicly available consumer credit information and other sources. We apply statistical and other tools to these observations and data to quantify our risk exposure. These tools and metrics may fail to predict all types of future risk exposures. These risk exposures, for example, could

arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses, therefore, could be significantly greater than indicated by historical measures. In addition, our quantified modeling may not take all risks into account. Our qualitative approach to managing those risks could prove insufficient, exposing us to material unexpected losses.

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

Damages to our reputation could harm our business and outlook.

We are highly dependent on our image and credibility to generate business. A number of factors may tarnish our reputation and generate a negative perception of the institution by our clients, counterparties, shareholders, investors, supervisors, commercial partners and other stakeholders, 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 third-party failures in risk management, among others. In addition, certain significant actions taken by third parties, such as competitors or other market participants, may indirectly damage our reputation with clients, investors and the market in general. Damages to our reputation could have a material adverse effect on our business and prospects.

Strategy Risk Factors

Our controlling shareholder has the ability to direct our business.

As of January 31, 2015, IUPAR, our controlling shareholder, directly owned 51.00% of our common shares and 25.54% of our total share capital, giving it the power to appoint and remove our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of dividends.

In addition, IUPAR is jointly controlled by Itaúsa, which, in turn, is controlled by the Egydio de Souza Aranha family, and by the Moreira Salles family. The interests of IUPAR, Itaúsa and the Egydio de Souza Aranha and Moreira Salles families may be different from the interests of our other shareholders.

Our Board of Directors is currently comprised of 12 members, only four of whom are deemed independent in accordance with our Corporate Governance Policy. 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.

In addition, some of our directors are affiliated with IUPAR and circumstances may arise in which the interests of IUPAR and its affiliates conflict with the interests of our other shareholders. To

the extent that these and other conflicting interests exist, our shareholders will depend on our directors duly exercising their fiduciary duties as members of our Board of Directors.

The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us.

As part of our growth strategy in the Brazilian and Latin America financial sector, we have engaged in a number of mergers, acquisitions and partnerships with other companies and financial institutions in the past and may pursue further such transactions in the future. Any such transactions involve risks, such as the possible incurrence of unanticipated costs as of result of difficulties in integrating systems, finance, accounting and personnel platforms, fail in diligence or the occurrence of unanticipated contingencies. In addition, we may not achieve the operating and financial synergies and other benefits that we expected from such transactions.

There is also the risk that antitrust and other regulatory authorities may impose restrictions or limitations on the transactions or on the businesses that arise from certain combinations or applying fines or sanction due to the interpretation of the authorities of irregularities on a corporate merger, consolidation or acquisition, even if the institution has done this legally, clearly and transparently, as they and the experts in corporate law understood.

If we are unable to take advantage of business growth opportunities, cost savings and other benefits we anticipate from mergers and acquisitions, or if we incur greater integration costs than we have estimated, then we may be adversely affected.

Financial Reporting Risks

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

In connection with the preparation of our consolidated financial statements, we use certain estimates and assumptions based on historical experience and other factors. While we believe that these estimates and assumptions are reasonable under the circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, our reported operating results could be materially adversely affected.

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

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file with or submit to the SEC under the Exchange Act is accumulated and communicated to management, recorded, processed summarized and reported within the time periods specified in SEC rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, including related accounting controls, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns

can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls.

Any failure by us to maintain effective internal control over financial reporting may adversely affect investor confidence in our company and, as a result, the value of investments in our securities.

We are required under the Sarbanes-Oxley Act of 2002 to furnish a report by our management on the effectiveness of our internal control over financial reporting and to include a report by our independent auditors attesting to such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent auditors determine that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market prices of our shares and ADSs could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies subject to SEC regulation, also could restrict our future access to the capital markets.

Risk and Capital Management

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

Our risk management process includes:

- Identification and measurement of existing and potential risks in our operations;
- Approval of risk management and control institutional policies, procedures and methodologies according to the guidelines of the Board of Directors and our corporate strategies; and
- Management of our portfolio seeking optimal risk-return ratios.

The purpose of the identification of risks is to map the internal and external risk events that may affect the strategies and goals of our

business and support units, with potential impact on our results, capital, liquidity and reputation.

Risk management processes permeate through our entire institution and are aligned with the guidelines of our Board of Directors and senior management which, through the committees described below determine overall risk management objectives by establishing targets and limits applicable to our business units. The control and capital management units, in turn, support our management by means of monitoring procedures and risk and capital analysis. Please refer to section Our Governance, item Management Structure, Board of Directors and Board of Officers for further details about our Board of Directors responsibilities.

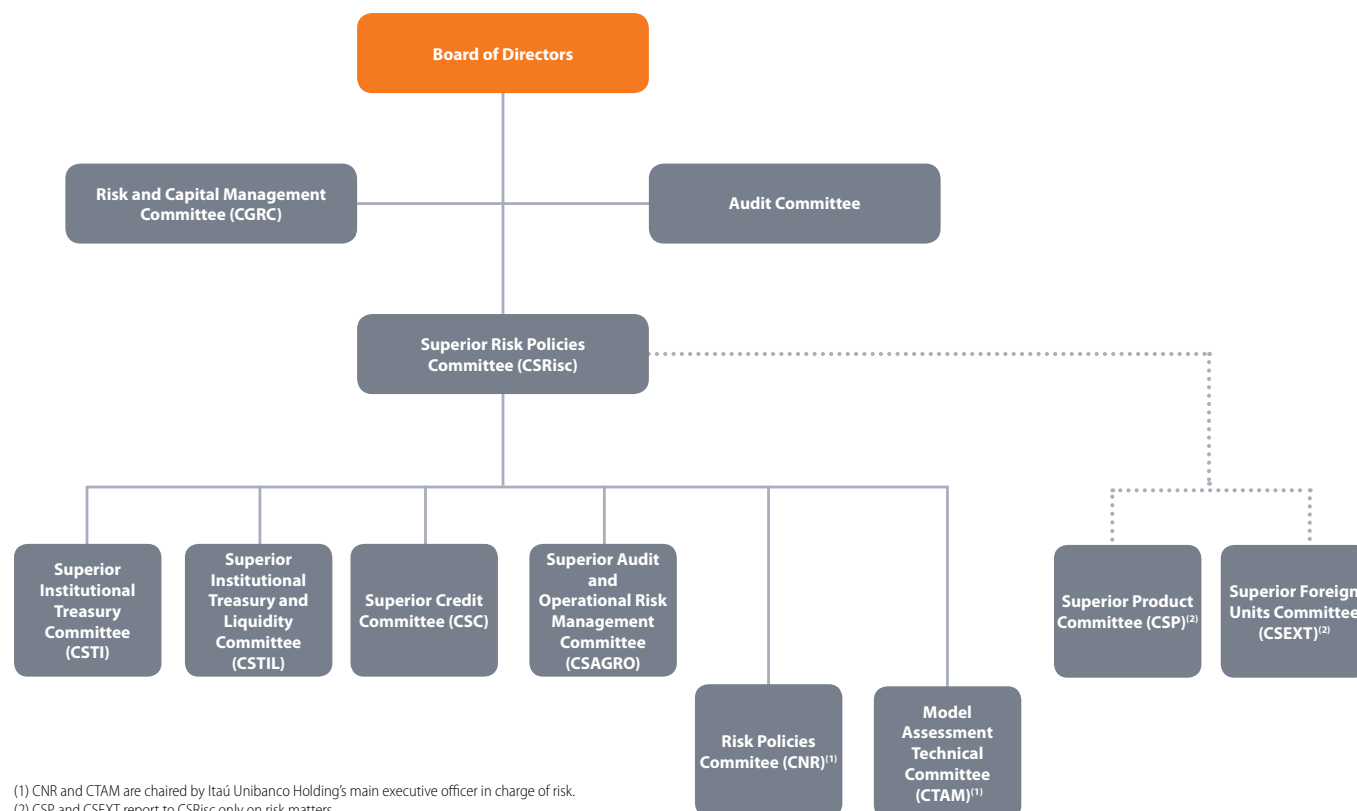
Our organizational risk management governance is structured in compliance with regulations in Brazil and abroad and in line with market best practices. Control of our credit, market, operational, liquidity and underwriting risks is performed in a centralized manner by an independent unit, led by an executive director reporting to our Chief Executive Officer (CEO) and to the Board of Directors, in order to ensure that such risks are managed pursuant to our risk appetite and our existing policies and procedures. This independent unit is also responsible for centralizing our capital management. Centralized control is intended to provide the Board of Directors and senior management with a global view of our exposures to risks, as well as with a prospective view of our capital adequacy, so as to optimize and expedite appropriate corporate decisions with respect thereto.

We manage proprietary information technology (IT) systems to comply with the Central Bank's capital reserve requirements, as well as for risk measurement purposes, following regulations and regulatory models. We also coordinate actions among different units to verify compliance with qualitative and quantitative requirements established by relevant authorities to maintain the minimum required capital and monitor risks.

Risk and Capital Governance

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, the highest authority with respect to risk and capital management decisions. At the executive level, risks are managed by the Superior Committees, which are chaired by our CEO. Please also refer to section Our Governance, item Management Structure, Committees of the Board of Directors, Risk and Capital Management Committee for further details about the responsibilities of these Committees.

The following committees are part of our risk and capital management governance structure:



Risk and Capital Management Committee (CGRC): supports the Board of Directors in the implementation of its duties related to our risk and capital management by meeting every two months and submitting reports and recommendations to assist the Board of Directors in its decision-making with respect to:

- Decisions regarding our appetite for risk in terms of capital, liquidity, results and franchise (our brand), ensuring these aspects are in alignment with our strategy and including: acceptable levels of capital and liquidity, types of risk to which we could be exposed as well as aggregate limits for each type of risk, tolerance with respect to volatility of results and risk concentrations, general guidelines on tolerance regarding risks that may have an impact on franchise (or the value of our brand, i.e. risk of image);
- Supervision of our risk and capital management and control activities to ensure our adequacy to the risk levels assumed and the complexity of transactions in which we engage, as well as compliance with regulatory requirements;
- Review and approval of capital management institutional policies and strategies that establish mechanisms and procedures intended to maintaining capital compatible with the risks incurred by us;
- Determination of our minimum expected return on capital for our entire business, as well as monitor performance;
- Supervision of our incentive structures, including compensation, seeking to ensure their alignment with risk control and value creation objectives; and
- Promotion and improvement of our risk culture.

Audit Committee: we have a single Audit Committee overseeing all entities within the Itaú Unibanco Group that are either authorized to operate by the Central Bank or that are supervised by the SUSEP.

In accordance with its internal rules, approved by the Board of Directors, the Audit Committee must meet at least quarterly and otherwise when the Chairman of the committee deems necessary. The committee is responsible for overseeing the quality and integrity of our financial statements, the compliance with legal and regulatory requirements, the performance, independence and quality of the services provided by our independent auditors and of work performed by our internal auditors, and the quality and effectiveness of the internal control and risk management systems.

Please refer to the section Our Governance, item Management Structure for further details about the responsibilities of these Committees.

Superior Risk Policies Committee (CSRisc): meets at least every two months and is responsible for:

- Establishing general risk policies that determine risk managers' performance and approval levels for the respective risk managers of each identifiable risk;
- Approving necessary procedures for compliance with our institutional policies and procedures;
- Approving decisions on whether to take risks with significant impact on capital and reviewing decisions by other committees within their own thresholds; and
- Setting individual limits by type of risk and in line with our risk appetite.

Superior Institutional Treasury Committee (CSTI): meets every month and is for, within the authority level established by the CSRisc, discussing and deciding on:

- Exposure limits for market risk and the maximum loss limits (VaR) of our positions (including stress conditions);

- Retention periods with respect to our primary types of risks taking into account position amounts and market liquidity;
- Positions managed by our CSTI;
- Risk control models and procedures, including those in addition to those delegated by the CSRisc;
- Matters and limits related to treasury operational risk;
- Stop loss policies;
- Compensation policies (for the purposes of risk alignment); and
- Accounting hedge strategies.

Superior Institutional Treasury and Liquidity Committee (CSTIL): meets on a quarterly basis and is responsible for:

- Controlling the use of liquidity limits;
- Analyzing the current and future levels of liquidity and taking actions intended to promote prudent and efficient management of our cash flows; and
- Discussing and deciding, within the authority delegated by the CSRisc, maximum levels of liquidity mismatch (GAP) for the various terms and currencies, minimum levels of reserves in local and foreign currency, our policies for raising and investing funds in the domestic and foreign financial markets, criteria and rules for determining internal transfer prices of funds in the companies in Itaú Unibanco Group, strategies for financing the group portfolios, criteria and models for assessing liquidity risk and contingency plans for liquidity.

Superior Credit Committee (CSC): meets on a weekly basis to discuss our credit risk and is our highest authority on approval of individual credit levels. It is responsible for:

- Analyzing and deciding on credit proposals that are beyond the authority of the Credit Commissions and Committees that report to it;
- Analyzing and deciding on changes of the maximum credit authority levels of the Credit Commissions and Committees that report to it;
- Analyzing and deciding on credit risk policies of the Wholesale Bank; and
- Reviewing decisions with respect thereto which were not made due to a lack of consensus at the committee immediately subordinate to it, or that were submitted to it for its review on account of such transactions relevance or other features.

Superior Audit and Operational Risk Management Committee (CSAGRO): meets at least on a quarterly basis and seeks to understand the risks associated with our processes and business, defines guidelines for managing operational risks, and assesses the results of our internal control and compliance system. It is responsible for:

- Analyzing audit results with emphasis on matters relating to policies, investments and governance, as well as determining and monitoring related actions;
- Determining operational risk management guidelines;
- Monitoring the development of models for loss provisions and capital allocation to operational risk; and
- Analyzing the results of the activities of our internal controls, operational risks and legal compliance units.

Risk Policies Committee (CNR): meets on a quarterly basis and reviews, validates and approves, within the authority

level established by the CSRisc, our risks control and capital management institutional policies.

Model Assessment Technical Committee (CTAM):

CTAM – Market: it meets every two months or upon request for the approval and assessment of market and pricing risk models based on the opinion of the independent model validation group and it suggests and monitors action plans for the validated models. Its main responsibilities are: approve models related to the calculation of market and pricing risk, decide whether or not to use the market and pricing risk models, approve, recommend, suggest and monitor the action plans proposed for the validated models and monitor the performance of the market risk model as time goes by, determining new developments, if necessary.

CTAM – Credit: to recommend or to veto the use of credit risk models based on the opinion of the independent model validation department, inform of any points of risk and monitor the action plans. Its responsibilities are separated into Executive Authority Level (which meets on a monthly basis or upon request) and Superintendent Authority Level (which meets every fifteen days or upon request).

Superior Product Committee (CSP): meets on a weekly basis and is the highest authority to approve our products, operations, services and related processes. It is responsible for:

- Evaluating products, operations, services and processes that do not fall under the responsibility of others committees subordinated to it;
- Ensuring our products, operations, services and processes meet the needs of clients and segments (suitability); and
- Evaluating products, operations, services and processes that involve risk to our image.

Superior Foreign Units Committee (CSEXT): meets on a quarterly basis, supervises our businesses outside of Brazil and is the highest authority for approving initiatives, transactions, services and processes in the markets where we operate outside Brazil. It is responsible for:

- Ensuring that our business initiatives in our international units comply with Itaú Unibanco Holding's governance policies on matters related to accounting, corporate tax, financial and liquidity, risk control, credit policies, internal control, audit and technology; and
- Making decisions with respect to initiatives, operations, services and processes that are not addressed by local committees or that involve risks to our image in the markets where we operate outside of Brazil.

"Over the past two years, we have simplified our processes and intensified the focus on risk management, in addition to control and mitigation, starting to understand and contribute to the business. We also worked to increase the dissemination of the risk culture throughout the bank, with the involvement of our executives, reviewing the expected behavior of our employees and introducing the subject in the institution's routine operations".

Eduardo Vassimon

Itaú Unibanco's Vice President – Risks Control in 2014 and Risks & Finance Control and Management starting in 2015

Risk Management

Credit Risk

Credit risk is the possibility of losses due to (i) the failure by the borrower, issuer or counterparty to perform their respective financial obligations under agreed upon terms; (ii) the devaluation of a credit agreement arising from a deterioration of the risk rating of the borrower, issuer or counterparty; (iii) the reduction of earnings or remuneration; and (iv) the benefits granted upon renegotiation or the recovery costs.

Our credit risk management structure is the primary responsibility of all Business Units and aims to maintain the quality of our credit portfolio consistent with risk appetite levels for each market segment in which we operate. The Business Units are responsible for:

- Following up and closely monitoring the portfolios of credit under their responsibility;
- Granting credit in accordance to the authority levels, market conditions, macroeconomic prospects, changes in markets and products and the effects of sector and geographic concentrations; and
- Managing credit risk adopting actions that provide sustainability to its business.

Our institutional policies on credit risk management are approved by our Board of Directors and applicable to all of our companies and subsidiaries in Brazil and abroad.

Our credit policy is developed based on internal factors, such as borrower ratings criteria, performance and evolution of our portfolio, default levels, return rates, and allocated economic capital, and on external factors related to the economic environment, interest rates, market default indicators, inflation and changes in consumption levels.

Our credit risk management governance is conducted through corporate bodies that report to the Board of Directors or to our executive officers and act primarily by assessing competitive market conditions, setting our credit limits, reviewing control practices and policies and approving actions at different authority levels. The risk communication and reporting process, including the disclosure of institutional policies on credit risk management, is also part of this governance structure.

Our credit risk control is carried out by an independent area within the bank, which is responsible for risk management and which operates separately from business units, as required by current regulations. For the credit risk control process, the main responsibilities of the risk management control area are:

- Monitoring and controlling the performance of the credit portfolios in accordance with the limits approved by senior management;
- Conducting a centralized control of the credit risk area, which is through a unit that is independent from our other business units;
- Managing the process of preparation, review and approval of institutional policies applied to credit risk, as provided for regulatory guidelines;
- Monitoring the adequacy of the level of the "Patrimônio de Referência" with respect to the credit risk assumed; and
- Assessing the credit risk of the operations at the authority levels appointed by the credit commissions.

Our evaluation process, with respect to policies and products, enables us to identify potential risks in order to ensure that credit decisions fall within our acceptable risk parameters, taking into account the economic benefits thereof.

Our centralized process for approving credit policies and validating models ensures the synchronization of credit actions.

The credit rating for our wholesale transactions is based on information such as the economic and financial condition of a potential borrower, its cash-generating capabilities, its relevant affiliated parent and companies and the current and prospective situation of the economic sector in which it operates. Credit proposals are analyzed on a case-by-case basis through our internal approval governance structure.

With respect to our retail transactions (individuals, small and middle-market companies), rating is assigned based on two statistical models: (i) application (in the early stages of our relationship with a customer) and (ii) behavior (used for customers with whom we already have a relationship). Decisions are made based on scoring under these models and resulting ratings are continuously monitored by our credit risk independent unit. In some cases, an individual analysis of specific cases may be performed, in which case credit approval is submitted to the applicable authority levels.

Government securities and other debt instruments to be purchased or held in our portfolio are classified by our credit risk independent area or business unit according to our credit quality parameters with the purpose of managing the exposures.

We seek to strictly control our credit exposure to clients and counterparties, taking action to remediate occasional situations in which our actual exposure exceeds targeted levels. In the cases where our actual exposure exceeds targeted levels, we may seek enforcement of contractual provisions such as the right to demand early payment or require additional collateral and/or guarantees.

We count on a specific structure and processes aimed at ensuring that the country risk related to our client is managed and controlled, including: (i) country risk governance; (ii) country ratings; (iii) credit limits for specific countries; (iv) limits monitoring; and (v) actions for limit breaches.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 36 – Management of Financial Risks for further details about Credit Risk.

Loan Approval Process

Extensions of credit are approved based on policies at the Business Unit level, determined in accordance with the assumptions of each department and our bank's risk appetite. The decision to extend credit may be granted by means of a pre-approval process or the traditional approval mechanism, which is applied on a client by client basis. In both cases, the decisions are made based on principles of credit quality such as credit rating supported by statistical models, percentage of income committed by/leverage of the client and credit restrictions determined by us and the market.

The Business Units prepare and keep updated the policies and procedures of the credit cycle.

The credit granting process contemplates the use of credit protection services with the purpose of checking whether a client's credit history includes information that could be considered an obstacle to granting a loan, such as assets blocked by court orders, invalid tax payer identification numbers, prior or pending debt restructuring or renegotiation processes and checks not honored due to insufficient funds.

The policy assessment process allows for the identification of potential risks and is intended to ensure that credit decisions make sense from both an economic and a risk perspective.

Individuals

Our branch network extends nationwide and adopts a client segmentation strategy pursuant to which products and services are developed to meet the specific needs of a diversified client base. Credit products offered at our branch network and through our electronic channels include, among others, overdraft protection, credit cards, personal loans and vehicle financing.

In all cases, an internal credit score is applied and a cut-off threshold is defined for each product line.

In the case of pre-approved credit, if a client's risk profile is within the cut-off threshold and parameters established under our credit policy, the credit is considered pre-approved and is automatically available to the client. In the cases where credit is not pre-approved, credit review is carried out through a traditional process under which proposals are assessed on an individual basis by a credit expert. Under this process, approvals are decided by a credit desk, since commercial managers do not have authority to approve individual applications.

Documentation required at the moment the client decides to open an account with us or when we grant a loan includes an application form with the client's signature, personal identification and proof of income.

Credit cards

Our credit card business is comprised of Itaucard and Hipercard credit cards as well as credit cards from associations and commercial agreements with significant retailers. Our credit cards are available to account-holding or non-account holding clients, and can be applied for by telephone, internet or points of service at our partner institutions.

The credit granting process for credit cards includes a pre-qualification phase in which internal or market restrictive filters are applied. For eligible clients, the maximum credit amount offered takes into consideration the client's risk, based on statistical models specifically designed for credit cards (application score) and on the applicants' income. A fixed interest rate is applied to revolving credit transactions.

Personal loans

Our decision on whether to grant loans to our account holders takes into account the client's income level and our internal client credit rating, which is based on internally developed statistical models. Through these models, we determine which clients will receive credit offers and in which amounts, the maximum number of installments and the maximum amount for monthly installments, based on fixed interest rates.

Payroll loans

Our payroll loan products are available to account-holding or non-account holding clients. Fixed installments are directly deducted from the borrower's payroll to the bank's account without being recorded in the debtor's account.

The maximum percentage of loan installments is defined by law and is limited to 30% of a payroll loan borrower's net income.

Our strategy in this segment is to focus on loans to the INSS's beneficiaries, that receive benefits from federal, state or municipal governments, which, combined with our good management practices and credit policies, should allow us to increase this portfolio with low delinquency levels compared to other types of products.

Documentation required to receive a payroll loan includes personal identification, proof of payroll and residence and proof of the bank account where the client receives payroll benefits. If the salary is deposited with us, this documentation is not necessary.

Itaú BMG Consignado is the financial institution controlled by Itaú Unibanco Holding through which we engage in the offering, distribution and sale of payroll loans in Brazil.

Vehicle financing

Vehicle financing proposals are submitted through (i) partner car dealers throughout Brazil for all types of clients (whether account holders or not) or (ii) directly at our branches or through electronic channels for account holders.

A client's internal credit rating and the terms and conditions of the proposed transaction are taken into account before approving the proposal. If the proposed transaction meets all of our credit policy requirements, which determine maximum installment amounts, loan to value, or LTV, and maturity, and the client's personal information is validated by credit protection services, the loan is automatically approved.

A fixed interest rate is set based on the credit rating and the characteristics of the transaction. All vehicle financing transactions are secured by the asset itself, and the maximum LTV is defined to support any possible stress periods.

Mortgage loans

In addition to real estate loans provided through our branch network, we have entered into partnerships with large real estate brokers in Brazil, which originate real estate financing transactions for us on an exclusive basis and in different cities across the country.

The approval of real estate loans is based on assumptions involving the portion of a client's income to be committed to loan repayments, the client rating according to our internal rating system and the maximum LTV, so that even under a stress scenario LTV is kept at adequate levels. Interest rates are fixed.

The data included in the financing proposal is analyzed, validated and confirmed by supporting documentation provided by the client. The proposal may be rejected if the information provided to us is found to be inconsistent, the proposal fails to meet our current policy requirements or any requested information fails to be provided.

Credit to very small and small companies

We offer products such as working capital financing and discount of trade receivables to very small and small companies.

Credit limits to very small and small companies are assigned according to a client's revenues and are based on a business risk assessment, as well as on other criteria such as the financial condition of the company's shareholders or partners, the identification of possible credit restrictions and an evaluation of the economic sector in which the company operates.

Similarly to our procedures for granting of loans to individuals, credit may be granted to very small and small companies pursuant to a pre-approved limit or subject to an individual analysis by a credit desk.

Documentation required includes the company's governing documents, proof of revenues and information on the partners or shareholders.

Much of the credit we extend to for companies in this segment requires the provision of collateral or guarantees. Transactions to finance the production of goods usually require machinery and equipment as collateral. Working capital financing may be collateralized by trade receivables, checks receivable or credit cards receivable or may be collateralized by the company's partners or shareholders and/or third parties.

Interest rate can be fixed or variable depending on the product that is chosen by the client.

Corporate Credit

The credit analysis process for middle market and large companies is carried out based on the financial condition of such companies and any corporate groups to which they belong. The credit analysis takes into account the company's history, financial capacity and adequacy of the requested transaction to the client's needs. This analysis is based on the company's financial statements (balance sheet, statement of income, statement of cash flows), on-site meetings with the company, market conditions, analysis of the economic sector in which the company operates and inquiries into credit protection services. An environmental analysis is carried out simultaneously with our credit analysis, and a plan of action may be created as a result of this analysis for the company to comply with the requirements determined by our internal environmental policy or a recommendation to deny the credit may be issued.

The proposed maximum credit amount extended and the client internal rating, with a cut-off defined, are submitted to the appropriate credit authorization levels depending on the amount involved, term of the transaction and available security or guarantees, in accordance with our governance policies. Interest rate can be fixed or variable depending on the product that is chosen by the client within the credit limit approved.

International Units

We operate in 18 countries outside of Brazil, seven in Latin America (Argentina, Chile, Paraguay, Uruguay, Colombia, Peru and Mexico), six in Europe (France, Germany, Portugal, United Kingdom, Spain, and Switzerland), United States, China, Japan, Middle East (Dubai) and the Caribbean (Bahamas). **GRI G4-6**

The individual and legal entities of International Units follow procedures similar to those applied to individuals and the corporate segments mentioned above. For the individuals segment, lending is mainly based on income level and internal credit rating. In the corporate segment, the granting of credit is based on the economic and financial analysis of the client.

Credit granting in our subsidiaries operating outside of Brazil follows the same corporate governance and policies described above. All subsidiaries are subject to a centralized management that monitors the performance of our portfolio, establishes rules for credit granting and is responsible for the corporate governance related to credit granting.

The total loan and lease operations in Latin America increased by 14.9% in 2014, representing 9.2% of our total loan and lease operations portfolio.

Risk-Mitigating Instruments

As part of our credit risk control, we have institutional policies establishing guidelines and duties in connection with the request of provision of collateral and each business unit is responsible for establishing, in their own credit policies, credit risk management rules for the acceptance of such collateral.

Collateral are required to mitigate our risk exposure to certain transactions. Collateral may be personal or in the form of security interest or other legal arrangements designed to mitigate credit risk.

In order to be considered a risk-mitigating instrument, collateral must meet the certain legal requirements.

All collateral that may impact credit risk, capital allocation and accrual are periodically reviewed by us, ensuring that they are legally enforceable.

Market Risk

Market risk is the possibility of losses resulting from fluctuations in the market value of positions held by a financial institution, most typically caused by variations in foreign exchange rates, interest rates, Brazilian inflation indexes, equity and commodity prices, along with various indexes for these risk factors. Market risk management is the process by which our management monitors and controls risk of variations in the value of financial instruments due to market movements, while aiming to optimize the risk-return ratio through an adequate limit and alert structure (described below), effective risk management models and related management tools.

Our policies and general market risk management framework are consistent with the principles contained in CMN regulations and applying all business units and legal entities of the Itaú Unibanco Group.

Our market risk management strategy is aimed at balancing corporate business goals, taking into account, among other things:

- Political, economic and market conditions;
- The market risk profile of the portfolio; and
- Expertise within the Itaú Unibanco Group to support operations in specific markets.

Our market risk management framework is subject to the governance and hierarchy of committees, with specific limits assigned to different portfolios and levels (for example, Banking Portfolio, Trading Portfolio, Equities Desk), as well as classes of market risk (such as interest rate risk, foreign exchange risk, among others). Daily risk reports, used by the business and control units, are also sent to senior management. In addition, our market risk management and control process is subject to periodic reviews. The key principles underlying our market risk control are as follows:

- Provide visibility and comfort for all senior management levels that market risks assumed must be in line with our risk-return objectives;
- Provide disciplined and informed dialogue of the overall market risk profile and its evolution over time;
- There must be transparency as to how the business works to optimize results;
- The market risk control structure must provide early warning mechanisms to facilitate effective risk management, without obstructing the business objectives; and
- Concentration of risks must be monitored and avoided.

Market risk is controlled by a unit that is independent from our “risk originating” business units and is responsible for performing the daily activities of: (i) risk measurement, and assessment; (ii) monitoring of stress scenarios, limits and alerts; (iii) application of stress scenarios, analysis and tests; (iv) reporting of risk findings to responsible individuals within the relevant business unit, in accordance with our governance requirements; (v) monitoring the necessary actions to readjust positions and/or levels of risk to make them viable; and (vi) providing support for the launch of new financial products. To this end, we have a structured process of communication and information flow that provides information to our Superior Committees and monitors compliance with the requirements of Brazilian and relevant foreign regulatory agencies.

Our structure of limits and alerts follows the guidelines of the Board of Directors and is approved by the Superior Risk Policies Committee (CSRisc), that meets at least every two months, after endorsement by the Superior Institutional Treasury Committee (CSTI). This structure of limits and alerts promotes the effectiveness and coverage of control and is reviewed at least annually. The limits range from aggregated risk indicators at the portfolio level to more granular limits at the individual desk level. The market risk limits framework extends to the risk factor level, with specific limits that aim to improve the process of risk monitoring and understanding as well as prevent risk concentration. Limits and alerts are calibrated based on projections of future balance sheets, stockholders’ equity, liquidity, complexity and market volatility and our risk appetite. The process of setting these limit levels and breach reporting follows the procedures approved by our financial conglomerate’s internal policies. There is a structured process of communication and information flow, which provides information for all executive levels at our institution, including the Board of Directors members through the CGRC, that meets every two months. Market risk limits are monitored on a daily basis and breaches and potential breaches of limits are reported and discussed in appropriate committees in accordance with the following procedure:

- Within one business day, to the management of the relevant business units and to the risk control and the business unit executives; and

- On a monthly basis, to the Superior Institutional Treasury Committee (CSTI), which is chaired by our Chief Executive Officer.

We hedge transactions with clients and proprietary positions, including foreign investments, in order to mitigate risks arising from fluctuations in market risk factors (e.g., prices) and maintain the positions on the breaching limits. Derivatives are commonly used for these hedging activities. When these transactions are classified as hedges for accounting purposes, specific supporting documentation is reviewed, allowing for an ongoing follow up of the hedge effectiveness (retrospectively and prospectively) and of any changes in the accounting process. The accounting and managerial hedging procedures are governed by our internal institutional policies. Our market risk framework categorizes transactions as part of either the Banking Portfolio or the Trading Portfolio, in accordance with criteria established by specific regulation.

Our Trading Portfolio is composed of all transactions with financial and commodity instruments (including derivatives) held with the intention of trading, to benefit from arbitrage opportunities, or using such transactions to hedge risk within this portfolio, and that have no restriction on trading. Profits are based on changes in actual or expected prices in the short term.

Our Banking Portfolio is predominantly characterized by trades originated from the banking business and related to the management of our balance sheet. As a general rule, this desk’s portfolios are held without intent of trading and time horizon of medium and long term.

Market risk exposures that are inherent to many financial instruments, including derivatives, are composed of various risk factors. A risk factor refers to a market parameter whose variation impacts the evaluation of a certain position. The main risk factors measured by us are:

- Interest rates: the risk of losses from transactions that are subject to interest rate variations;
- Other foreign interest rates: the risk of losses from transactions subject to foreign interest rate variations;
- FX rates: the risk of losses from positions subject to foreign exchange rate variation (e.g., foreign currency positions);
- Brazilian inflation indexes: the risk of losses from transactions subject to variations in inflation linked indexes; and
- Equities and commodities: the risk of losses from transactions that are subject to equity and commodity price variations.

The CMN has regulations establishing the segregation of market risk exposure at a minimum into the following categories: interest rates, FX rates, equities and commodities. Brazilian inflation indexes are treated as a group of risk indicators and receive the same treatment of the others risk indicators, such as interest rates and FX rates and follows the governance and risk limits framework adopted by our management for market risk assessment.

Market risk is analyzed based on the following key metrics:

- Value at Risk (VaR): a statistical metric that quantifies potential economic losses based on normal market conditions, considering a defined holding period and confidence level;

- Losses in Stress Scenarios (Stress Testing): a simulation technique to evaluate the impact on assets, liabilities and derivatives portfolios of various risk factors in extreme market situations (based on prospective and historic scenarios);
- Stop Loss: a mechanism that triggers a management review of positions, if the accumulated losses in a given period reach specified levels;
- Concentration: cumulative exposure of certain financial instrument or risk factors calculated at market value (MtM – Mark to Market); and
- Stressed VaR: a statistical metric derived from VaR, aimed at capturing the largest risk in simulations of the current portfolio, taking into consideration observable returns in historical scenarios of extreme volatility.

In addition to the risk metrics described above, sensitivity and loss control measures are also analyzed. They include:

- Gap Analysis: accumulated exposure of cash flows by risk factor, which are marked-to-market and positioned by settlement dates;
- Sensitivity (DV01 – Delta Variation Risk): impact on the market value of cash flows when a one annual basis point change is applied to current interest rates or index rates; and
- Sensitivities to Various Risk Factors (Greek): partial derivatives

of a portfolio of options in connection with the prices of the underlying assets, implied volatilities, interest rates and time.

Please refer to our Consolidated Financial Statements (IFRS), Note 36 – Management of Financial Risks for further details about Market Risk.

VaR – Consolidated Itaú Unibanco Holding

We improved our internal methodology to calculate Consolidated VaR, migrating from the “parametric” approach to a “historical simulation” approach (except with respect to our Foreign Units, which are in the process of migrating to the historical simulation methodology). This new methodology carries out the full repricing of all positions, using the real historical distribution of assets.

The table below shows the Consolidated Total VaR (utilizing both approaches), comprising our Trading Portfolio and Banking Portfolio, and our subsidiaries abroad, namely Itaú BBA International, Banco Itaú Argentina, Banco Itaú Chile, Banco Itaú Uruguay, Banco Itaú Paraguay and Itaú BBA Colombia showing where there are higher concentrations of market risk. We adhered to our policy of operating within low limits in relation to capital and maintained our conservative management and portfolio diversification approach through the period.

(In millions of R\$)

GLOBAL VAR (PARAMETRIC APPROACH)	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2014	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2013	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2012
Group of Risk Factor												
Brazilian Interest rate	89.0	37.0	193.0	127.8	172.4	65.6	416.9	69.1	191.2	71.8	427.6	348.7
Other Interest rate	43.8	21.1	149.4	90.4	26.2	8.6	76.7	45.2	20.4	7.3	49.6	11.4
FX rate	28.7	3.6	110.6	8.9	34.5	4.4	70.2	10.4	25.7	4.6	53.9	8.8
Brazilian Inflation Indexes	89.0	45.9	144.7	82.9	76.1	37.3	155.5	65.7	110.3	14.8	325.0	51.2
Equities and commodities	19.1	10.4	35.0	24.8	29.6	14.0	60.1	20.4	24.2	13.6	43.5	16.8
Foreign Units												
Itaú BBA International	1.1	0.4	2.3	1.6	2.4	1.6	4.1	1.9	1.7	0.7	5.1	1.1
Banco Itaú Argentina	4.0	0.9	18.8	1.9	4.0	2.2	7.4	5.7	3.0	1.7	5.6	5.5
Banco Itaú Chile	3.3	1.3	5.5	5.3	5.6	2.1	13.6	2.1	5.5	3.2	9.6	4.4
Banco Itaú Uruguay	1.6	0.8	2.6	2.1	2.8	1.5	8.9	1.7	1.7	0.3	3.4	2.0
Banco Itaú Paraguay	1.3	0.6	3.6	3.5	0.9	0.4	1.8	0.9	0.4	0.2	1.4	1.0
Banco Itaú BBA Colombia	0.4	0.1	1.2	0.5	0.4	0.0	1.3	0.2	-	-	-	-
Diversification effect ⁽¹⁾				(169.3)				(113.0)				(77.1)
Total	125.5	59.0	231.4	180.4	224.5	97.9	443.4	110.4	289.7	118.0	601.4	373.7

(1) Reduction of risk due to the combination of all risk factors.

GLOBAL VAR (HISTORICAL SIMULATION APPROACH) ⁽¹⁾	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2014
Group of Risk Factor				
Brazilian Interest rate	92.4	37.0	161.8	124.8
Other Interest rate	60.4	21.1	93.2	83.6
FX rate	36.1	3.6	141.2	26.5
Brazilian Inflation Indexes	99.1	45.9	162.9	115.7
Equities and commodities	22.8	10.4	60.7	22.5
Foreign Units				
Itaú BBA International	1.1	0.4	2.3	1.6
Banco Itaú Argentina	4.0	0.9	18.8	1.9
Banco Itaú Chile	3.3	1.3	5.5	5.3
Banco Itaú Uruguay	1.6	0.8	2.6	2.1
Banco Itaú Paraguay	1.3	0.6	3.6	3.5
Banco Itaú BBA Colombia	0.4	0.1	1.2	0.5
Diversification effect ⁽²⁾				(194.9)
Total	131.9	59.0	227.7	193.1

(1) Except for the “Foreign Units” (calculated by the parametric methodology).

(2) Reduction of risk due to the combination of all risk factors.

On December 31, 2014, our average global VaR (parametric) was R\$125.5 million, or 0.12% of our consolidated stockholders’ equity on December 31, 2014, compared to our average global VaR (parametric) of R\$224.5 million on December 31, 2013 or 0.27% of our consolidated stockholders’ equity on December 31, 2013, and to R\$289.7 million on December 31, 2012, or 0.38% of our consolidated stockholders’ equity on December 31, 2012. On December 31, 2014, our average global VaR (historical simulation) was R\$131.9 million, or 0.13% of our consolidated stockholders’ equity on December 31, 2014.

VaR – Trading Portfolio

The table below presents risks arising from all positions with the intention of trading, following the criteria defined above for our trading portfolio, or the Trading Portfolio.

Our total average Trading Portfolio VaR was R\$25.7 million on December 31, 2014, compared to R\$40.2 million on December 31, 2013 and to R\$54.3 million on December 31, 2012.

(In millions of R\$)

TRADING PORTFOLIO VAR	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2014	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2013	AVERAGE	MINIMUM	MAXIMUM	DECEMBER 31, 2012
Group of Risk Factor												
Brazilian Interest rate	22.2	7.8	44.8	16.6	38.2	15.7	104.9	20.1	38.3	12.8	95.4	25.2
Other Foreign Interest rate	12.1	3.6	35.0	3.6	13.7	4.5	31.7	21.7	10.7	4.2	27.2	6.4
FX rates	7.9	2.4	22.8	10.7	31.8	6.2	68.1	9.4	25.1	4.9	55.6	9.9
Brazilian Inflation Indexes	15.9	8.1	27.3	8.1	12.0	3.1	30.4	21.4	9.4	1.8	22.2	7.1
Equities and commodities	10.3	1.7	57.2	4.3	19.2	5.8	38.2	13.7	23.3	13.8	41.5	14.8
Diversification effect ⁽¹⁾				(26.4)				(56.0)				(38.6)
Total	25.7	13.1	54.3	16.9	40.2	17.7	71.7	30.3	54.3	21.3	112.3	24.7

(1) Reduction of risk due to the combination of all risk factors.

Sensitivity Analyses (Trading and Banking Portfolios)

As required by Brazilian regulation, we conduct sensitivity analysis for market risk factors considered important. The highest resulting losses are presented below, with impact on result, by risk factor, in each such scenario and are calculated net of tax effects, providing a view of our exposure under different circumstances.

The sensitivity analyses of the Trading Portfolio and Banking Portfolio presented here are based on a static assessment of the portfolio exposure. Therefore, such analyses do not consider the dynamic response capacity of management (e.g., treasury and market risk control unit) to initiate mitigating measures and minimize the possibility of significant losses. In addition, the analysis is intended to assess risk exposure, regardless of whether or not financial instruments are accounted for on an accrual basis.

(In thousands of R\$)

EXPOSURES		TRADING PORTFOLIO ⁽¹⁾ DECEMBER 31, 2014			TRADING AND BANKING PORTFOLIOS ⁽¹⁾ DECEMBER 31, 2014		
RISK FACTORS	RISK OF CHANGE	SCENARIO I	SCENARIO II	SCENARIO III	SCENARIO I	SCENARIO II	SCENARIO III
Interest Rate	Fixed Income Interest Rates in reais	(540)	(126,764)	(237,705)	(5,493)	(1,417,835)	(2,688,954)
Foreign Exchange Linked	Foreign Exchange Linked Interest Rates	22	(1,729)	(3,374)	-	(19,266)	(34,458)
Foreign Exchange Rates	Prices of Foreign Currencies	610	165,600	337,463	(17,308)	(247,730)	(414,333)
Price Index Linked	Prices Indexes Linked Interest Rates	(16)	(5,703)	(11,680)	(1,700)	(238,647)	(430,973)
TR	TR Linked Interest Rates	(20)	(5,093)	(9,579)	705	(224,170)	(473,074)
Equities	Prices of Equities	(78)	(11,769)	(35,990)	1,661	(49,699)	(122,034)
Total		(22)	14,542	39,135	(22,135)	(2,197,347)	(4,163,826)

(1) Amounts net of tax effects.

In order to measure these sensitivities, the following scenarios (modified on the second quarter of 2014), are used:

- Scenario I: Addition of one basis point to interest rates and associated indexes and one percentage point to currency and equity prices;
- Scenario II: Shocks of 25 percent in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor; and
- Scenario III: Shocks of 50 percent in fixed interest rates, currency coupon, inflation, interest rate indexes and currency and share prices, both for growth and fall, considering the largest resulting losses per risk factor.

Interest rate sensitivity

Interest rate sensitivity is the relationship between market interest rates and net interest income arising from the maturity or the characteristics of the renegotiation of prices of interest-bearing assets and liabilities.

Our strategy for interest rate sensitivity considers the return rates, the underlying risk level and the liquidity requirements, including our minimum regulatory cash reserves, mandatory liquidity ratios, withdrawals and maturity of deposits, capital costs and additional demand for funds.

The pricing structure is matched when equal amounts of these assets or liabilities mature or are renegotiated. Any mismatch of interest-bearing assets and liabilities is known as a gap position. A negative gap position indicates liability sensitivity and normally means that a decline in interest rates would have a positive effect on net interest income, while a positive gap position indicates asset sensitivity and normally means that an increase in interest rates would have a positive effect on net interest income. Additionally, the interest rate sensitivity may vary in the renegotiation periods presented due to the different renegotiation dates within the period. Also, variations among the different currencies in which the interest rate positions are denominated may arise.

These relationships are material for a particular date, and significant fluctuations may occur on a daily basis as a result of both the market forces and management decisions. Our Superior Institutional Treasury and Liquidity Committee (CSTIL) analyzes the Itaú Unibanco Group's mismatch position on a monthly basis and establishes limits for market risk exposure, interest rate positions and foreign currency positions.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 36 – Management of Financial Risks for further details about the position of our interest-bearing assets and liabilities as of December 31, 2014. Note 36 to our audited interim consolidated financial statements provides a snapshot view, and accordingly, does not reflect the interest rate gaps that may exist at other times, due to changing asset and liability positions, and management's actions to manage the risk in these changing positions.

Exchange rate sensitivity

Most of our banking operations are denominated in or indexed to Brazilian *reais*. We also have assets and liabilities denominated in foreign currency, mainly in U.S. dollars, as well as assets and liabilities that, although denominated in Brazilian *reais*, are indexed to U.S. dollars and, therefore, expose us to exchange rate risk. The Central Bank regulates our maximum open, short and long foreign currency positions. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 36 – Management of financial risks for further details.

The gap management policy adopted by the Superior Institutional Treasury and Liquidity Committee takes into consideration the tax effects with respect to our foreign

exchange positions. Since the gains from the foreign exchange rate variation on investments abroad are not taxed, we set up a hedge (a liability in foreign currency derivative instruments) in an amount sufficient so that our total foreign exchange exposure, net of tax effects, is consistent with our low risk exposure strategy.

Our foreign exchange position on the liability side is composed of various elements, including the issuance of securities in international capital markets, credit from foreign banks used to finance import and export transactions, and dollar-linked on-lendings from government financial institutions. The proceeds of these financial operations are usually invested in loans and in the purchase of dollar-linked securities.

(In millions of R\$, except percentages)

AS OF DECEMBER 31, 2014	BRAZILIAN CURRENCY	DENOMINATED IN FOREIGN CURRENCY ⁽¹⁾	INDEXED TO FOREIGN CURRENCY ⁽¹⁾	TOTAL	% OF AMOUNTS DENOMINATED IN AND INDEXED TO FOREIGN CURRENCY OF TOTAL
Assets	677,430	286,197	163,576	1,127,203	39.9
Cash and deposits on demand	7,391	7,727	2,409	17,527	57.8
Central Bank compulsory deposits	58,476	4,630	-	63,106	7.3
Interbank deposits	7,874	15,207	-	23,081	65.9
Securities purchased under agreements to resell	208,751	167	-	208,918	0.1
Held-for-trading financial assets	118,486	5,905	8,553	132,944	10.9
Financial assets designated at fair value through profit or loss	-	733	-	733	100.0
Derivatives	6,501	7,655	-	14,156	54.1
Available-for-sale financial assets	11,989	43,697	22,674	78,360	84.7
Held-to-maturity financial assets	13,335	10,767	10,332	34,434	61.3
Loan operations and lease operations portfolio	197,346	146,654	108,431	452,431	56.4
Allowance for loan losses	(19,980)	(2,412)	-	(22,392)	10.8
Other financial assets	7,306	39,735	6,608	53,649	86.4
Investments in associates and joint ventures	4,089	1	-	4,090	0.0
Goodwill	1,567	197	197	1,961	20.1
Fixed assets, net	7,854	431	426	8,711	9.8
Intangibles assets, net	5,444	345	345	6,134	11.2
Tax assets	33,570	835	838	35,243	4.7
Assets held for sale	182	14	-	196	7.1
Other assets	7,249	3,909	2,763	13,921	47.9
Percentage of total assets	60.1%	25.4%	14.5%	100.0%	
Liabilities and Stockholders' Equity	616,263	287,741	223,199	1,127,203	45.3
Deposits	94,584	100,927	99,262	294,773	67.9
Securities sold under repurchase agreements	257,997	15,343	15,343	288,683	10.6
Financial liabilities held for trading	-	486	34	520	100.0
Derivatives	3,901	6,931	6,518	17,350	77.5
Interbank market debt	39,858	40,430	42,298	122,586	67.5
Institutional market debt	2,553	34,460	36,229	73,242	96.5
Other financial liabilities	15,384	39,576	16,532	71,492	78.5
Reserves for insurance and private pension	109,657	59	62	109,778	0.1
Liabilities for capitalization plans	3,010	-	-	3,010	-
Provisions	16,994	33	-	17,027	0.2
Tax liabilities	3,728	737	-	4,465	16.5
Other liabilities	12,383	4,356	6,921	23,660	47.7
Non-controlling interests	1,357	-	-	1,357	-
Stockholders' equity	54,857	44,403	-	99,260	44.7
Percentage of total liabilities and stockholders' equity	54.7%	25.5%	19.8%	100.0%	

(1) Predominantly U.S. dollar.

Backtesting

The effectiveness of the VaR model is validated by the use of backtesting techniques that compare hypothetical daily results with the estimated daily VaR. The number of exceptions (i.e. deviations) with respect to the pre-established VaR limits should be consistent, within an acceptable

margin, with the hypothesis of 99.0% confidence intervals (i.e., there is a 1.0% probability that the financial losses are higher than the losses estimated by the model), considering a period of 250 business days (ending on December 31, 2014). The backtesting analysis presented below takes into consideration the ranges suggested on the document

"Supervisory Framework for the use of backtesting in conjunction with the internal models approach to market risk capital requirements", published by the Basel Committee.

The ranges are divided into:

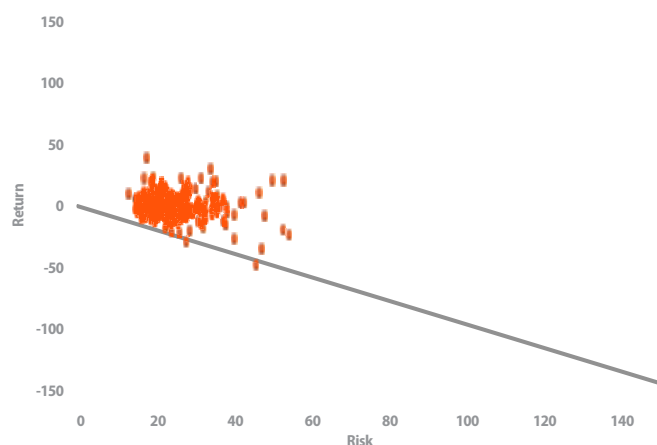
- Green (0 to 4 exceptions): corresponds to backtesting results that do not suggest any problems with the quality or accuracy of the models adopted;
- Yellow (5 to 9 exceptions): refers to an intermediate range group, which indicates the need to pay attention and/or monitor and may indicate the need for improvement actions and/or monitoring and may indicate the need of reviewing the model; and
- Red (10 or more exceptions): demonstrates the need for an improvement action.

The exposure graph below illustrates the reliability of risk measures generated by the models we use in the Trading Portfolio (foreign units are not included in the graph below given the immateriality of amounts involved).

The graph shows the adequacy level of the market risk models used by us, presenting the risk (absolute value) versus return pairs for the period considered. Since the diagonal line represents the threshold where risk equals return, all the dots below this line indicate exceptions to the estimated risk. For the exposure of the Trading Portfolio, the hypothetical losses exceeded the VaR estimated by the model on 2 days during the 250 day period ended on December 31, 2014.

Backtesting – Trading Portfolio Exposure⁽¹⁾

(In millions of R\$)



(1) Foreign units are not considered.
Source: Itaú Unibanco Holding

Operational Risk

Operational risk is defined as the possibility of losses arising from failure, deficiency or inadequacy of internal processes, people or systems or from external events that affect the achievement of strategic, tactical or operational objectives. It includes legal risk associated with inadequacy or deficiency in contracts signed by us, as well as penalties due to noncompliance with laws and punitive damages to third parties arising from the activities undertaken by us.

Internally, we classify the following as first-level operational risks:

- Internal fraud;
- External fraud;
- Labor demands and deficient security in the workplace;

- Inadequate practices related to clients, products and services;
- Damages to our own physical assets or assets in use;
- Interruption of our activities;
- Failures in information technology systems; and
- Failures in the performance, compliance with deadlines and management of our activities.

In line with CMN regulation, we have an operational risk management governance structure and an institutional policy, which are annually approved by the Board of Directors and are applicable to our local and foreign companies and subsidiaries.

Our operational risk management structure is composed of activities of operational risk control and management, the purpose of which is to support proper identification and assessment of risks and our decision-making process, the creation of value for stockholders and the protection of our assets and image.

Our operational risk management structure is supported by a governance process that is structured through discussion forums and committees that report to the CSAGRO and CSRisc, which, in turn, report to the Board of Directors, and is based on well-defined roles and responsibilities in order to reinforce the segregation of the business and management and control activities. This structure is intended to ensure independence between our units and, consequently, informed decisions with respect to risks. This independence is reflected in the risk management carried out on a decentralized basis under the responsibility of the business units and in the centralized control carried out by the operational risk and internal control and compliance units by means of methodologies, training and certification of the control environment on an independent basis and providing tools for monitoring them.

Our management structure seeks to identify, assess, mitigate, monitor and report the operational risk for our purpose of ensuring the quality of the control environment in accordance with our internal guidelines and applicable regulations.

The managers of our executive units use corporate methodologies that are built and made available by the internal control, compliance and operational risk departments. Among the methodologies and tools used are the self-evaluation and the map of the organization's prioritizes risks, the approval of processes and products, the monitoring of key risk indicators and the database of operational losses. Therefore, our operational risk Management ensures a single framework for the management of processes, systems, projects and new products and services.

Within the governance of our management process, there are specific operational risk, internal control and compliance forums where the consolidated reports on risk monitoring, controls, action plans and operational losses are regularly presented to our business unit executives.

The dissemination of the risk and control culture to the employees by means of training is an important pillar of our operational risk agenda, aimed at providing a better understanding of the matter and playing a relevant role in risk mitigation.

Crisis Management and Business Continuity

The purpose of our Business Continuity Program is to protect our employees, ensure the continuity of the critical functions of

our business lines, safeguard revenue and sustain both a stable financial market in which we operate and the trust of our clients and strategic partners in providing our services and products.

Our Business Continuity Program is composed of procedures for relocating and/or recovering operations in response to a variety of interruption levels and can be divided into two key elements:

- **Crisis Management:** centralized communication and response processes to manage business interruption events and any other types of threats to our image and reputation with respect to our employees, clients, strategic partners and regulators. Our crisis management infrastructure has a command center that constantly monitors daily transactions, as well as media channels in which we are mentioned. Our crisis management is handled by our Focal Agent Network, which is composed of representatives appointed by our business units and that work in the monitoring of potential problems, resolution of crises, business continuity, improvement of processes and search for preventive actions; and
- **Business Continuity Plans (PCN):** procedures and information developed, consolidated and maintained so they are available for use in possible incidents, allowing the resumption of critical activities in acceptable terms and conditions. For the fast and safe resumption of our operations, our PCNs have established corporate-wide customized actions for our lines of business, including by means of:
 - **Disaster Recovery Plan:** focused on the recovery of our primary data center, ensuring the continuity of the processing of critical systems within minimum pre-established periods;
 - **Workplace Contingency Plan:** employees responsible for carrying out critical business functions have alternative facilities from which to perform their activities in the event the buildings in which they usually work become unavailable. There are approximately 2,000 contingency dedicated seats that are fully equipped to meet the needs of critical business units in emergency situations;
 - **Emergency Plan:** procedures aimed at minimizing the effects of emergency situations that may impact our facilities, with a preventive focus; and
 - **Processes Contingency Plan:** alternatives for carrying out the critical processes identified in each of our business units.

In order to keep continuity solutions aligned with applicable requirements with respect to processes, minimum resources and legal requirements, among others, the Business Continuity Program applies the following tools to analyze our organization:

- **Business Impact Analysis (BIA):** evaluates how critical it is to resume processes that support the delivery of products and services. Through this analysis, we define priorities for resuming activities;
- **Risk Assessment (RA):** evaluates the processes and the effectiveness of the controls in place to mitigate the inherent risks of interruption as well as to implement actions to respond to business interruptions; and
- **Threats and Vulnerabilities Analysis (AVA):** identification of threats to the locations where our buildings are located. The efficiency of our controls is evaluated against potential threats in order to identify vulnerabilities so that controls may be adjusted or implemented to enhance the resilience level of our critical facilities.

Please refer to www.itau.com.br/arquivosstaticos/RI/pdf/en/Corporate_Business_Continuity_Policy.pdf, for further details about our Corporate Business Continuity Policy.

Liquidity Risk

Liquidity risk is defined as the likelihood that an institution will not be able to effectively honor its expected and unexpected current and future obligations, including those from guarantee commitments, without affecting its daily operations and not incurring significant losses.

Our liquidity risk control is carried out by an independent group of our business units and is responsible for determining the composition of our reserves, proposing assumptions for the performance of cash flows in different timeframes, proposing and monitoring liquidity risk limits in accordance with the group risk appetite, communicating any mismatches, considering liquidity risk on an individual basis in the countries where we operate, simulating the behavior of cash flows in stress conditions, assessing and reporting in advance the risks inherent to new products and operations and reporting the information required by the regulatory agencies. All activities are subject to assessment by our independent validation, internal controls and audit units.

The liquidity risk measurement has to comprise all financial trades of our companies, as well as possible contingent and unexpected exposures, such as derived from settlement services, provision of sureties and guarantees, credit lines contracted and not used.

The liquidity policies of management and associated limits are established based on prospective scenarios, reviewed periodically and based on definitions from senior management.

Pursuant to the requirements of CMN Resolutions No. 4,090 and Central Bank Circular No. 3,393, Itaú Unibanco is required to deliver on a monthly basis its Liquidity Risk Statements (DLR) to the Central Bank. In connection with such analysis, the following items are regularly prepared and submitted to the senior management for monitoring and decision support:

- Different scenarios for liquidity projections;
- Contingency plans for crisis situations;
- Reports and charts to enable monitoring risk positions;
- Assessment of funding costs and alternatives;
- Tracking the sort of funding sources through a continuous control of funding sources considering counterparty type, maturity and others aspects.

The basic requirement for the effectiveness of the liquidity risk control is the proper measurement of the risk exposure. The liquidity risk measurement process uses corporate systems and own applications that are internally developed.

The structure of liquidity risk management of our institution is considered adequate and in line with the best practices, allowing for the timely control of the risk. In 2014, we made investments to improve and provide more efficiency to our liquidity risk controls.

Please refer to section Performance, item Financial Performance, Results, for further details about liquidity and capital resources.

We have diversified sources of funding, of which a significant portion comes from the retail segment. Our principal sources of funds are deposits, securities sold under repurchase agreements from own issue and funds from acceptances and issuance of securities.

Please refer to section Performance, item Financial Performance, Liabilities, for further details about funding and results and item Consolidated Financial Statements (IFRS), Note 17 – Deposits, Note 19 – Securities Sold under Repurchase Agreements and Interbank and Institutional Market Debts, and Note 36 – Management of Financial Risks for further details.

Please refer to section Our Risk Management, item Regulatory Environment, for further details about the implementation of Basel III in Brazil.

Social and Environmental Risk GRI 64-14

In managing our business, we continuously take into consideration the risk of potential losses due to exposure to social and environmental events arising from the performance of our activities that impact on the environment or human health.

Our social and environmental risk management is dealt with our Social and Environmental Risk Committee and its main responsibility is to propose institutional policies with respect to our activities and operations' exposure to social and environment risk and formalize them by means of internal regulations and procedures.

Please refer to www.itau.com.br/_arquivosstaticos/RI/pdf/en/SOCIAL_ENVIRONMENTAL_RISK_POLICY.pdf for further details about our Social and Environmental Risk Policy.

In addition to seeking the development of several internal processes aimed at the control and the mitigation of events that may lead to the occurrence of the social and environmental risk, we consistently seek to evolve in the management of the social and environmental risk, taking into account the challenges as to changes in and demands of society. Among other actions, we have assumed and incorporated into our internal processes a number of national and international voluntary commitments and pacts aimed at integrating social, environmental and governance aspects in our business. The main ones are the Principles for Responsible Investment (PRI), the Charter for Human Rights – Ethos, the Equator Principles (EP), the Global Impact, the Carbon Disclosure Project (CDP), the Brazilian GHG Protocol Program, the *Pacto Nacional para Erradicação do Trabalho Escravo* (National Pact for Eradicating Slave Labor), among others.

Reputational Risk

We define reputational risk as the risk arising from internal practices, risk events and external factors that may generate a negative perception of our bank among clients, counterparties, stockholders, investors, supervisors, commercial partners, among others, which could affect the value of our brand and financial losses, in addition to adversely affecting our capability to maintain our existing commercial relations, enter into new businesses and maintain continued access to financing sources.

Since the reputational risk directly or indirectly permeates all of our operations and processes, we have an infrastructure that seeks to ensure that potential reputational risks are identified, analyzed

and managed while in the initial phases of its operations and the analysis of new products.

In general, our reputation is based on our strategy (vision, culture and skills) that is built from the direct or indirect experience of its stakeholders by means of the three following interactions:

- Acting: what we do;
- Communication: what we communicate; and
- Influence of third parties: what others say about us.

In order to maintain our strong reputation and avoid negative impact on the perception of our image by many stakeholders, reputational risks are addressed by many internal processes and initiatives which, in turn, are supported by internal regulations with the main purpose of providing mechanisms for the monitoring, management, control and mitigation of the main reputational risks to which we could become exposed. They include:

- Process for the prevention of the use of Itaú Unibanco in unlawful acts;
- Crisis management process and business continuity;
- Processes and guidelines of the governmental and institutional relations;
- Corporate communication process;
- Brand management process;
- Ombudsman offices initiatives and commitment to customer satisfaction; and
- Ethics guidelines and prevention of corruption.

Regulatory Risk

The regulatory risk is the risk arising from losses due to fines, sanctions and other penalties applied by regulatory agencies resulting from noncompliance with regulatory requirements. The regulatory risk is managed through a structured process aimed at identifying changes in the regulatory environment, analyzing their impact on our various departments and monitoring the implementation of actions directed at compliance with regulatory requirements.

We have a structured and consistent flow of procedures for addressing compliance with new rules and regulations, covering the stages of identification, distribution, monitoring and compliance, and all of these processes and procedures are applied consistently throughout our organization and established in internal rules. Risk control covers the entire life cycle of a new law or regulation from its enactment until compliance. The structure and flow for addressing the regulatory risk are composed of: (i) monitoring of legislative bills, notices and public consultation; (ii) recognition of new rules for determining action plans; (iii) relationship with regulators; (iv) monitoring of action plans; and (v) prioritization of risks.

Model Risk

Our risk management has proprietary models for the management of risks that are continuously monitored and reviewed when necessary in order to ensure the effectiveness of our strategic and business decisions.

We use the best market practices to manage the model risk to which we are exposed during the entire lifecycle of a model and the stages of which may be classified into four main stages:

development, implementation, validation and use. The best practices we apply to our model risk control include: (i) quality certification of our database, (ii) application of a list of essential steps to be taken during the model's development, (iii) application of a conservative approach in our decision making, as applied to our models, (iv) use of external benchmarks, (v) approval of results generated in the model's implementation, (vi) independent validation unit, (vii) validation, (viii) assessment of a model's impact once in use and (ix) monitoring of performance.

Country Risk

Country risk is defined as risks related to our operations outside of Brazil, including losses arising from noncompliance with the financial obligations in the terms agreed-upon by borrowers, issuers, counterparties or guarantors as a result of actions taken by the government of the country where the borrower, issuer, counterparty or guarantor is or as a result of political, economic and social events related to the country.

In order to properly address country risk, we have a specific process structure aimed at ensuring that the risk is managed and controlled. These processes include: (i) country risk governance; (ii) establishment of country ratings; (iii) determination of limits for countries; and (iv) monitoring of limits and treatment of noncompliance.

Business and Strategy Risk

We define the business and strategy risk as the risk of a negative impact on our financial results or capital as a consequence of the lack of strategic planning, the making of adverse strategic decisions, our inability to implement the proper strategic plans and/or changes in its business environment.

Since business and strategic risk can directly affect the creation of value and the feasibility of our bank, we have implemented various mechanisms to ensure that both the business and the strategic decision making processes follow proper governance standards, have the active participation of officers and the Board of Directors, are based on market, macroeconomic and risk information and are aimed at optimizing the risk-return ratio.

Insurance Risk, Pension Plan and Premium Bond Products Risk

The portfolio of our insurance companies is comprised of life and elementary insurance (for example, credit life and housing), as well as pension plans and premium bond. With respect to such products, insurance risk relates to:

- Underwriting risk is the possibility of losses arising from insurance products, pension plans and premium bond products that go against our expectations and that are directly or indirectly associated with technical and actuarial bases used for calculating premiums, contributions and technical provisions.
- Market risk is the possibility of losses resulting from fluctuations in market value of assets and liabilities that comprise technical actuarial reserves.
- Credit risk is the possibility of noncompliance, by a given debtor, with obligations related to the settlement of operations that involve the trading of financial assets of reinsurance.
- Operational risk is the possibility of the occurrence of losses arising from the failure, deficiency or inadequacy of internal processes, people and systems, or from external events that affect

the achievement of the strategic, tactical or operational objectives of the insurance, pension and premium bond operations.

- Liquidity risk is the possibility of the bank not being able to timely comply with its obligations with insurance policyholders and beneficiaries of pension funds arising from the lack of liquidity of the assets that make up the actuarial technical reserves.

Our guidelines for the risk management framework for insurance products, pension plans and premium bond products are established pursuant to our internal policies, approved by our Board of Directors and our risk management process for these risks is based on responsibilities defined and distributed between our control and business units, promoting independence between them.

Capital Management

The Board of Directors is our highest authority with respect to 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. Additionally, the conclusions of and points of attention raised by auditors on capital management processes are submitted to the Board of Directors.

ICAAP is a process that aims to evaluate our capital adequacy level given our risk profile, our strategic guidelines and the economic environment. In order to independently validate the effectiveness of ICAAP's processes and models, our internal controls team is responsible for evaluating our governance framework, processes, policies and activities of monitoring and reporting. Our team responsible for the technical validation of models analyzes the documentation, data, methodology, performance and the use of the models involved. The ICAAP final report and its components are approved by the Board of Directors for their consideration.

The methodologies for risk assessment and capital calculation, as well as the capital-related documents and topics are evaluated by the Senior Management Committee before its submission to the Board of Directors.

In the capital management context, we prepare a capital plan consistent with our strategic planning and designed to maintain an adequate and sustainable capital level, taking into account analyses of the economic, competitive and political environment, in addition to other external factors. Our capital plan is also approved by the Board of Directors and comprises the following:

- Our short and long-term capital goals and projections, under normal and stress scenarios, according to the Board of Directors' guidelines;
- Description of our main sources of capital; and
- Our contingency capital plan, identifying actions to be taken in the event of a potential capital deficiency.

As part of our capital planning, extreme market conditions are simulated, emulating serious events, in order to identify potential capital restrictions. The stress scenarios are approved by the Board of Directors, and their impacts on capital are considered when devising our strategy and positioning of our businesses and capital.

Complementing the calculation of capital to cover the risks of Pillar 1 (credit risk, market risk and operational risk), we have been developing mechanisms to identify and analyze the materiality of other risks assumed by us, in addition to methodologies for assessing and quantifying the need for additional capital to cover such risks.

In order to provide the necessary information for our officers and Board of Directors to make decisions, managerial reports are prepared and presented at committee meetings, where committee members are informed about our capital adequacy, as well as about the projections of future capital levels in normal and stress situations.

Please refer to section Our Risk Management, item Regulatory Environment, for further details about the implementation of Basel III in Brazil.

Minimum requirements

Our minimum capital requirements are expressed in the form of ratios between the available capital, as disclosed in the form of *Patrimônio de Referência* (PR) or Total Capital, and the risk-weighted assets (RWA). These minimum capital requirements are consistent with a set of resolutions and circulars disclosed by the Central Bank since 2013, and which implement in Brazil the global capital requirement standards known as Basel III.

The PR consists of the sum of Tier 1 and Tier 2 Capital, as defined by CMN resolutions. The total RWA is determined as the sum of the risk-weighted asset amounts for credit risk, market risk, and operational risk.

For purposes of calculating these minimum capital requirements, the total RWA is determined as the sum of the risk-weighted asset amounts for credit risk, market risk, and operational risk. Itaú Unibanco uses the standardized approaches to calculate these risk-weighted asset amounts.

The minimum Total Capital requirement corresponds to 11 percent from October 1, 2013 to December 31, 2015, decreasing gradually to 8 percent through January 1, 2019.

Capital Composition

Pursuant to current regulations, our *Patrimônio de Referência* (PR), used to monitor our compliance with the capital requirements imposed by the Central Bank, is the sum of Tier 1 Capital and Tier 2 Capital, according to which:

- Tier 1 Capital: comprises the Common Equity Tier 1 Capital (based on share capital, certain reserves and retained earnings, net from

deductions and regulatory adjustments (*ajustes prudenciais*)), as well the Additional Tier 1 Capital (comprised of equity and debt instruments (hybrid capital instruments));

- Tier 2 Capital: comprises eligible instruments, primarily subordinated debt, subject to regulatory adjustments.

In accordance with applicable Brazilian regulations, we must maintain our Total Capital (PR), Tier 1 Capital and Common Equity Tier 1 Capital ratios above the minimum regulatory requirements established at all times. The RWA used for assessing these minimum regulatory requirements can be determined by adding the following portions:

$$RWA = \boxed{RWA_{CND}} + \boxed{RWA_{CAM} + RWA_{JUR} + RWA_{COM} + RWA_{ACS}} + \boxed{RWA_{OPAD}}$$

- RWA_{CPAD} = portion relating to exposures to credit risk;
- RWA_{CAM} = portion relating to exposures in gold, foreign exchange rate and assets subject to foreign exchange rate variations;
- RWA_{JUR} = portion relating to exposures subject to variations of interest rates, interest coupons and coupon rates and classified in the Trading Portfolio;
- RWA_{COM} = portion relating to exposures subject to variations in commodity prices;
- RWA_{ACS} = portion relating to exposures subject to variations in equities prices and classified in the Trading Portfolio;
- RWA_{OPAD} = portion relating to the calculation of operational risk capital requirements.

Capital Adequacy

Through our Internal Capital Adequacy Assessment Process (ICAAP), we ensure the sufficiency of our capital to cover credit, market and operational risks, which are represented by our Minimum Total Capital Required and to cover other risks we consider material.

In order to ensure our capital strength and availability of capital to support business growth, we maintain PR levels above the minimum regulatory capital required levels, based on the BIS ratio (as defined below) and on the Common Equity Tier 1, Additional Tier 1 Capital and Tier 2 Capital ratios (calculated by dividing Common Equity Tier 1, Additional Tier 1 Capital and Tier 2 Capital by the total risk weighted assets).

On December 31, 2014, our Total Capital (PR) at the financial conglomerate level reached R\$129.790 million, an increase of R\$4.646 million when compared to December 31, 2013, mainly due to the increase of our Tier 1 Capital.

(In millions of R\$)

(%)

CAPITAL COMPOSITION (FINANCIAL CONGLOMERATE)	AS OF DECEMBER 31,			2014-2013	2013-2012
	2014	2013	2012		
Tier 1 Capital ⁽¹⁾	96,232	87,409	79,711	10.1	9.7
Common Equity Tier 1 ⁽²⁾	96,212	87,409	-	10.1	-
Additional Tier 1 Capital ⁽³⁾	20	-	-	-	-
Tier 2 Capital ⁽⁴⁾	33,559	37,734	40,654	(11.1)	(7.2)
Exclusions (funding instruments issued by financial institutions)	-	-	(420)	-	-
Total Capital (PR)	129,790	125,144	119,945	3.7	4.3
Minimum Total Capital Required "(minimum PR)"	84,488	83,099	72,798	1.7	14.2
Excess Capital in relation to Minimum Capital Required	45,302	42,045	47,148	7.7	(10.8)
Risk weighted assets (RWA)	768,075	755,441	661,797	1.7	14.1

(1) Comprised of the Common Equity Tier 1 Capital, as well as the Additional Tier 1 Capital.

(2) Based on share capital, certain reserves and retained earnings, net from deductions and regulatory adjustments (prudential adjustments).

(3) Comprised of equity and debt instruments (hybrid capital instruments).

(4) Comprised of eligible instruments, primarily subordinated debt, subject to regulatory adjustments.

Our BIS ratio (calculated as the ratio between our *Patrimônio de Referência* (PR) or Total Capital and the total amount of RWA) at the financial conglomerate level reached 16.9%, on December 31, 2014, an increase compared to December 31, 2013, mainly explained due to an increase in PR which exceeded the growth in RWA. Our BIS ratio on December 31, 2014 consisted of 12.5% of Common Equity Tier 1 and 4.4% of Tier 2 Capital.

CAPITAL RATIOS (FINANCIAL CONGLOMERATE)	AS OF DECEMBER 31,		
	2014	2013	2012
BIS ratio	16.9	16.6	18.1
Tier 1 Capital	12.5	11.6	12.0
Common Equity Tier 1	12.5	11.6	0.0
Additional Tier 1 Capital	0.0	0.0	
Tier 2 Capital	4.4	5.0	6.1

Our Total Capital, Tier 1 Capital and Common Equity Tier 1 Capital ratios were calculated on a consolidated basis, applied to the financial institutions included in our Financial Conglomerate, up to December 31, 2014. Beginning January 1, 2015, instead of calculating ratios for our Financial Conglomerate we shall be required to calculate them at the consolidated enterprise level, which is comprised of not only financial institutions but also collective financing plans (*consórcios*), payment entities, factoring companies or companies that directly or indirectly assume credit risk, and investment funds in which our Itaú Unibanco Group retains substantially all risks and rewards.

Please refer to section Our Risk Management, item Regulatory Environment, Implementation of Basel III in Brazil, for further details about minimum capital ratios.

CMN and Central Bank standards also provide for the Additional Tier 1 Capital, which corresponds to conservation (fixed) and countercyclical (variable) buffers by increasing capital requirements over time, and define new requirements to qualify instruments eligible for Tier 1 or Tier 2 Capital. Additionally, these standards establish a gradual reduction of eligibility with respect to securities outstanding issued pursuant to CMN Resolution No. 3,444.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 33 – Regulatory Capital for further details about regulatory capital.

Please refer to section Our Risk Management, item Regulatory Environment, Basel III Framework, Implementation of Basel III in Brazil.

Money Laundering Prevention

With the purpose of preventing and combating illegal activities, among which are money laundering, corruption, terrorism financing 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, detecting and reporting illegal activities and, based on this policy, each business unit implements its 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, based on the following pillars:

- Client Identification Process;
- “Know Your Client” (KYC) Process;
- “Know your Partner” (KYP) Process;
- “Know Your Supplier” (KYS) Process;
- “Know Your Employee” (KYE) Process;
- Assessment of New Products and Services from the perspective of prevention against illicit activities;
- Monitoring of Transactions;
- Reporting to Regulators; and
- Training.

This program is applicable to all of Itaú Unibanco Group, including our subsidiaries and affiliated companies in Brazil and abroad. The oversight of prevention and detection of illegal activities is carried out by the Board of Directors, the Audit Committee, the Superior Audit and Operational Risk Management Committee (CSAGRO), the Risk Sectorial Committees (CSR) and the Money Laundering Prevention Committee.

Please refer to section Our Risk Management, item Regulatory Environment for further details about money laundering regulation and to www.itau.com.br/arquivosstaticos/RI/pdf/en/PREVENTION_AGAINST_ILLCIT_ACT_RI2013.pdf, for further details about our Corporate Policy for the Prevention and Fight Against Illegal Activities.

Politically Exposed Persons

Our commitment to the compliance with applicable law and to the adoption of the best practices for prevention and detection of money laundering activity is also reflected in the identification, assessment and monitoring of politically exposed persons, or PEPs, whether as individuals or entities.

Pursuant to our policies with respect to PEPs, only directors of sales have the authority to approve the beginning of a business relationship with a politically exposed person.

Please refer to section Our Risk Management, item Regulatory Environment for further details about politically exposed persons.

“In 2014, we intensified our focus on initiatives with respect to customer satisfaction, such as a dialogue with consumer protection associations. In addition, with our business units, we implemented improvements identified by our Ombudsman and by customer feedback, having engaged in a preventive analysis of new products.”

Claudia Politanski

Itaú Unibanco's Executive Vice President – Legal and Ombudsman Office in 2014 and Legal, Institutional & People starting in 2015

Regulatory Environment

We are subject to regulation by, and supervision of, several entities, in accordance with the countries and segments in which we operate. The supervisory activities of these entities are essential to the structure of our business, and they directly impact our growth strategies. Below we describe the main entities that regulate and supervise our activities in Brazil:

- CMN: the highest authority responsible for establishing monetary and financial policies in Brazil, overall supervision of Brazilian monetary, credit, budgetary, fiscal and public debt policies, for regulating the conditions for organization, operation and inspection of financial institutions, as well as supervising the liquidity and solvency of these institutions. The CMN is also responsible for the general guidelines to be followed in the organization and operation of the securities market and the regulation of foreign investments in Brazil;
- Central Bank: responsible for implementing the policies established by the CMN, authorizing the establishment the financial institutions and supervising financial institutions in Brazil. It establishes minimum capital requirements, limits for permanent assets, credit limits and requirements for compulsory deposits, in accordance with the policies established by the CMN;
- CVM: responsible for regulating, sanctioning and inspecting the Brazilian securities market (which in Brazil includes derivatives) and its participants, as well as overseeing exchange and organized over-the-counter markets;
- CNSP: responsible for establishing the guidelines and directives for insurance and premium bond companies and open private pension entities;
- SUSEP: responsible for regulating and supervising the insurance, open private pension funds and capitalization markets in Brazil and their participants; and
- ANS: responsible for regulating and supervising the health insurance market in Brazil and its participants.

Outside of Brazil, we have main operations subject to oversight by local regulatory authorities in the following jurisdictions: South America, in particular Argentina, Colombia, Chile, Uruguay and Paraguay; Europe, in particular United Kingdom and Switzerland; Central America and the Caribbean, in particular Bahamas and Cayman Islands; and the United States of America.

Financial institutions are subject to a number of regulatory requirements and restrictions, among which the following are noteworthy:

- prohibition of operating in Brazil without the prior approval of the Central Bank;
- prohibition of acquiring real estate that are not for the financial institution's own use, except those received for settlement of loan losses, in which case such real estate must be sold within one year, extendable by the Central Bank;
- prohibition of acquiring interests in companies without the prior approval of the Central Bank, except for ownership interest typical of investment portfolios held by investment banks or universal banks with investment portfolios;
- prohibition of granting loans that represent more than 25% of the financial institution's regulatory capital to only one person or group;
- restrictions on borrowing and lending, as well as granting advances and guarantees, to certain related individuals and legal entities. Please refer to the section Our Risk Management, item Regulatory Environment, item Loans and Advances to Related Persons to more information about these individuals and legal entities;
- obligation of depositing a portion of the deposits received from clients with the Central Bank (compulsory deposit); and
- obligation of maintaining sufficient capital reserves to absorb unexpected losses, pursuant to the rules proposed by the Basel Committee and implemented by the Central Bank.

Basel III Framework

The Basel III framework increases minimum capital requirements and creates new conservation and countercyclical buffers, changes risk-based capital measures, and introduces a new leverage limit and new liquidity standards. The new rules will be phased in gradually and each country is expected to adopt such recommendations in laws or regulations applicable to local financial institutions.

The Basel III framework requires banks to maintain minimum capital levels corresponding to the following percentages of risk-weighted assets: (i) a minimum common equity capital ratio of 4.5%, composed of common shares; (ii) a minimum Tier 1 Capital ratio of 6.0%; and (iii) a minimum total capital ratio of 8.0%. In addition to the minimum capital requirements, Basel III requires a "capital conservation buffer" of 2.5% and each national regulator is given discretion to institute a "countercyclical buffer" if it perceives a greater system-wide risk to the banking system as the result of a build-up of excess credit growth in its jurisdiction. Basel III also introduces a new leverage ratio, defined as Tier 1 Capital divided by the bank's total exposure.

Basel III implemented a liquidity coverage ratio, or LCR, and a net stable funding ratio, or NSFR. The LCR requires affected banks to maintain sufficient high-quality liquid assets to cover the net cash outflows that could occur under a potential liquidity disruption scenario over a thirty-day period. The NSFR establishes a minimum amount of stable sources of funding that banks will be required to maintain based on the liquidity profile of the banks' assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one-year period.

Additional requirements apply to non-common equity Tier 1 Capital or Tier 2 Capital instruments issued by internationally active banks. To be included in Additional Tier 1 Capital or Tier 2 Capital, an instrument must contain a provision that requires that, at the discretion of the relevant authority, such instrument be either written-off or converted into common shares upon a "trigger event." A "trigger event" is the decision of a competent authority pursuant to which, for a bank to remain a feasible financial institution, it is necessary: (i) to write-off an instrument, or (ii) to inject government funds, or equivalent support, into such bank, whichever occurs first. The requirements are applicable to all instruments issued after January 1, 2013. The instruments qualified as capital issued before that date that do not comply with these requirements will be phased out of banks' capital over a ten-year period, beginning on January 1, 2013.

Additional regulatory capital requirements apply to systemically important financial institutions, or G-SIFIs. The Basel Committee's assessment methodology to determine which financial institutions are G-SIFIs is based on indicators that reflect the following aspects of G-SIFIs: (i) size; (ii) interconnectedness; (iii) lack of readily available substitute or financial institution infrastructure for the services provided; (iv) global or cross-jurisdictional activity; and (v) complexity, each of these factors receiving an equal weight of 20.0% in the assessment.

The Basel Committee has also issued a framework for the regulation of domestic systemically important banks, or D-SIBs, which supplements the G-SIFI framework by focusing on the impact that the distress or failure of systemically important banks would have on the domestic economy of each country.

Implementation of Basel III in Brazil

Law No. 12,838 of July 9, 2013 adapted financial bills (*letras financeiras*) to the Basel III framework and granted the Central Bank power to limit the payment of dividends and interest on capital by financial institutions that do not comply with the CMN capital requirements. With the changes enacted by Law No. 12,838, Brazilian financial institutions will likely issue Basel III-compliant hybrid or subordinated debt instruments under the regulatory framework of financial bills. The main characteristics of financial bills changed by Law No. 12,838 are:

- Possibility of issuance of financial bills convertible into equity. The conversion may not be requested by the investor or the issuer financial institution;
- Suspension of payment of interest in case of non-compliance with capital requirement rules in case the financial bills are part of the regulatory capital of the financial institution. Additionally, in order to preserve the regular functioning of the Brazilian financial system, the Central Bank may determine that financial bills be converted into equity or written-off. These determinations will not be considered a default by the financial institution and will not accelerate the maturity of its other debts; and
- Financial bills may include, as early maturity events, default on the payment of the interest of the financial bill or the dissolution of the financial institution.

CMN and the Central Bank have issued several rules which detail the implementation of the Basel III framework in Brazil.

Brazilian banks' minimum total capital ratio is calculated as the sum of the following three components:

- Regulatory capital (*patrimônio de referência*);
- A capital conservation buffer (to increase the loss absorption ability of financial institutions); and
- A countercyclical capital buffer (to address the risk of excessive credit growth).

Brazilian banks' regulatory capital continues to be comprised of Tier 1 Capital and Tier 2 Capital. Tier 1 Capital is further divided into two portions: Common Equity Tier 1 Capital (common equity capital and profit reserves, or *capital principal*) and Additional Tier 1 Capital (hybrid debt and equity instruments authorized by the Central Bank, or *capital complementar*).

In order to qualify as Additional Tier 1 Capital or Tier 2 Capital, all instruments issued after October 1, 2013 by a Brazilian bank must contain loss-absorbency provisions, including a requirement that such instruments to be automatically written off or converted to equity upon a "trigger event". A "trigger event" is the earlier of: (i)

Common Equity Tier 1 Capital being less than 5.125% of the risk-weighted assets for Additional Tier 1 Capital instruments and 4.5% for Tier 2 Capital instruments; (ii) the execution of a firm irrevocable written agreement for the government to inject capital in the financial institution; (iii) the Central Bank declaring the beginning of a special administration regime (*Regime de Administração Especial Temporária*, or RAET) or intervention in the financial institution; or (iv) a decision by the Central Bank, according to criteria established by the CMN, that the write-off or conversion of the instrument is necessary to maintain the bank as a viable financial institution and to mitigate relevant risks to the Brazilian financial system. Specific procedures and criteria for the conversion of shares and the write-off of outstanding debt related to funding instruments eligible to qualify as regulatory capital are established by CMN regulation.

Existing hybrid instruments and subordinated debt previously approved by the Central Bank as eligible capital instruments may continue to qualify as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, provided that they comply with the above requirements and a new authorization from the Central Bank is obtained. Instruments that do not comply with these requirements will be phased out as eligible capital instruments by deducting 10.0% of their book value per year from the amount that qualifies as Additional Tier 1 Capital or Tier 2 Capital. The first deduction occurred on October 1, 2013, and subsequent deductions will take place annually starting January 1, 2014 until January 1, 2022.

The CMN established the capital conservation and countercyclical capital buffers for Brazilian financial institutions through the establishment of Additional Core Capital (*Adicional de Capital Principal*) requirements. The Additional Core Capital required will be determined by the Central Bank within a range predefined by the CMN: the minimum requirement set by the CMN corresponds to the capital conservation buffer and any additional amount required by the Central Bank will correspond to the countercyclical capital buffer. No countercyclical capital buffer will be required in Brazil when the Additional Core Capital requirement is phased-in on January 1, 2016. In the event of non-compliance with this requirement, certain restrictions will apply, including the inability of the financial institution to: (i) pay officers and directors their share of variable compensation; (ii) distribute dividends and interest on equity to shareholders; and (iii) repurchase its own shares and effect reductions in its share capital.

Beginning on October 1, 2015, a minimum LCR in a standardized liquidity stress scenario will be required for banks with total assets in excess of R\$ 100 billion, individually or at the consolidated enterprise level (*conglomerado prudencial*), as the case may be. During periods of increased need for liquidity, banks may report a lower LCR than the minimum required ratio, provided that they also report to the Central Bank the causes for not meeting the minimum requirement, the contingent sources of liquidity it has available, and the measures it plans to adopt to be in compliance with the LCR requirement. Banks will also be required to effect public disclosures of their LCR quarterly after April 1, 2016.

The following table presents the schedule for phased-in implementation by the Central Bank of the capital adequacy and liquidity coverage ratio requirements under Basel III. The figures presented below refer to the percentage of the financial institution's risk-weighted assets.

	FROM OCTOBER 1,			FROM JANUARY 1,			
	2013	2014	2015	2016	2017	2018	2019
Common equity Tier 1	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Tier 1 Capital	5.5	5.5	6.0	6.0	6.0	6.0	6.0
Total regulatory capital	11.0	11.0	11.0	9.875	9.25	8.625	8.0
Capital conservation buffer	-	-	-	0.625	1.25	1.875	2.5
Countercyclical capital buffer	-	-	-	Up to 0.625	Up to 1.25	Up to 1.875	Up to 2.5
Liquidity coverage ratio			60 ⁽¹⁾	70	80	90	100

(1) From October 1, 2015.

The Central Bank has also established the calculation methodology for the leverage ratio. However, it has not yet determined a minimum ratio. Banks will be required to prepare public disclosures of their leverage ratios quarterly after October 1, 2015.

The Central Bank has adopted the same indicators set out by the Basel Committee to determine if Brazilian financial institutions qualify as G-SIFIs, which include: (i) size; (ii) interconnectedness; (iii) lack of readily available substitute or financial institution infrastructure for the services provided; (iv) global or cross-jurisdictional activity; and (v) complexity, with each of these factors receiving an equal weight of 20.0% in the assessment. This assessment should be carried out by banks with Total Exposure – the denominator for the leverage ratio – in excess of R\$ 500 billion, individually or at the consolidated enterprise level (*conglomerado prudencial*), as the case may be. However, no additional loss absorbency requirements for Brazilian G-SIFIs has been established.

CMN regulation also defines the entities that compose the consolidated enterprise level (*conglomerado prudencial*) of a Brazilian financial institution, and establishes the requirement that a financial institution prepare and file with the Central Bank monthly consolidated financial statements at the consolidated enterprise level, as defined therein. Such financial statements should also be audited by external auditors on a semi-annual basis. As of January 1, 2015, minimum capital and ratio requirements apply at the consolidated enterprise level (*conglomerado prudencial*).

In addition to the resolutions and circular letters issued in accordance with the criteria set forth in Basel III, in July, 2013, Law No. 12,838 was issued, allowing the determination of deemed credit based on tax credits arising from temporary differences resulting from allowances for loan losses, which, in practice, exempts financial institutions from deducting this type of credit from its core capital. The law also changes the rules for the issue of financial bills, allowing for the inclusion of clauses for the suspension of the stipulated compensation and the termination of the credit right or its conversion into shares, and conditions stockholders' remuneration to compliance with the prudential requirements established by the CMN.

The CMN requires Brazilian financial institutions to implement a capital management structure compatible with the nature of its transactions, the complexity of the products and services it offers, as well as with the extent of its exposure to risks. Capital management is defined as a process that includes: (i) monitoring and controlling the financial institution's capital; (ii) assessing capital needs in light of

the risks to which the financial institution is subject; and (iii) setting goals and conducting capital planning in order to meet capital needs due to changes in market conditions. Financial institutions should publish a report describing the structure of their capital management at least on an annual basis. Disclosure and reporting of risk management matters, risk-weighted asset calculation, and adequate compliance with regulatory capital requirements are regulated by the Central Bank and reflect the so-called "Pillar 3" of regulatory capital recommended under Basel III, aimed at improving governance and disclosure.

Implementation of Basel III in Brazil — Expected Future Rules

The Central Bank and the CMN are also expected to issue regulations in the near future on the assessment methodology or the additional loss absorbency requirements for D-SIBs in Brazil.

Foreign Currency Transactions and Exposure

Transactions involving the sale and purchase of foreign currency in Brazil may only be conducted by institutions authorized to do so by the Central Bank. There are no limits for long or short positions in foreign currency for banks authorized to carry out transactions on the foreign exchange market. The compulsory deposit requirement rate on the foreign currency short position held by financial institutions is currently 0%.

In accordance with CMN regulation, financial institutions in Brazil may raise funds abroad, either through direct loans or through the issuance of debt securities. Funds raised accordingly may be freely invested in Brazil, including but not limited to on-lending to Brazilian companies and financial institutions. Brazilian banks authorized to operate in foreign currency markets which hold regulatory capital higher than R\$5 billion may also use these funds to grant loans abroad to Brazilian companies, their offshore subsidiaries and to foreign companies controlled by Brazilians or to acquire securities issued or guaranteed by such companies in the primary market. Cross-border loans, in which one party is in Brazil and the other party is abroad, require previous registration with the Central Bank, which may establish limits on the conditions of such foreign currency loan transactions. Please refer to item Taxation for further details about tax on foreign exchange transactions.

Financial institutions may also grant loans in or indexed to a foreign currency to their clients' trade-related activities, such as by granting advances on foreign exchange contracts (*Adiantamento sobre Contrato de Câmbio*), advances on delivered commercial papers (*Adiantamento sobre Cambiais Entregues*) or export or import prepayment agreements

(*Pré-Pagamento de Exportação e Financiamento à Importação*), all in accordance with Brazilian regulations on foreign exchange markets and international capital flows.

The Central Bank and the Brazilian government frequently change rules and regulations applicable to foreign currency borrowing and loans in accordance with the economic scenario and Brazilian monetary policy.

Beside legislation sets forth that the total exposure in gold and other assets and liabilities indexed or linked to the foreign exchange rate variation undertaken by financial institutions (including their offshore branches), and their direct and indirect subsidiaries, on a consolidated basis, may not exceed 30.0% of their regulatory capital.

Liquidity and Fixed Assets Investment Regime

In accordance with CMN regulation, financial institutions may not hold, on a consolidated basis, permanent assets, including investments in unconsolidated subsidiaries, real estate, equipment and intangible assets, exceeding 50.0% of the adjusted regulatory capital.

Lending Limits

Furthermore, we are legally prevented from granting loans or advances, and guarantees, entering into derivative transactions, underwriting or holding in our investment portfolio securities of any clients or group of affiliated clients that, in the aggregate, give rise to exposure to such client or group of affiliated clients that exceeds 25.0% of our regulatory capital.

Credit Exposure Limits

For the purpose of this limit, the following public sector entities are to be considered as separate customers: (i) the Brazilian government, (ii) an entity controlled directly or indirectly by the Brazilian government which is not financially dependent on another entity controlled directly or indirectly by the Brazilian government, (iii) entities controlled directly or indirectly by the Brazilian government which are financially dependent among themselves, (iv) a State or the Federal District, jointly with all entities directly or indirectly controlled by it, and (v) a municipal district, jointly with all entities directly or indirectly controlled by it.

Registration and Centralized Deposit of Financial Assets

On January 8, 2015, the Central Bank issued Circular No. 3,743, which regulates the registration and deposit of financial assets in Brazil, as well as the registration of encumbrances/liens on deposited assets. The regulation aims to facilitate the control and registration of financial assets.

Risk Weighted Asset Calculation

On December 17, 2014, the Central Bank issued Circular No. 3,739, which provided certain modifications for the calculation of risk weighted assets, in relation to the required capital for a standardized approach of Risk-Weighted Assets for Operational Risk (RWAOPAD).

The regulations established rules for calculating the RWAOPAD of institutions that are part of "consolidated enterprise levels" (*conglomerado prudencial*). These calculations, in accordance with the rules, are to use the data from the semesters in which consolidated financial statements from the consolidated enterprise levels are required.

Compulsory deposit requirements

In 2014 the Central Bank amended the regulations applicable to compulsory deposit requirement. The amendments enacted by the Central Bank aim at increasing the liquidity in the Brazilian economy by increasing the deductions that Brazilian financial institutions may use for the purposes of calculating the amount of their compulsory deposits requirements.

The regulations issued in July and August 2014: (i) limit the amount of compulsory deposits which accrue interest, and (ii) modify the list of and increase the percentage of assets eligible for deduction from the compulsory deposit requirement. In October a new regulation allowed financial institutions to deduct from the compulsory deposit requirement an amount equivalent to (a) the outstanding amount of its working capital loans extended on or after October 27, 2014 that exceeds (b)(i) the daily average of working capital loans extended between January 1 and June 30, 2014, excluding refinancings, multiplied by (ii) the amount of business days elapsed since October 27, 2014.

In January 2015, the Central Bank enacted a new regulation pursuant to which financial institutions may reduce their compulsory deposit requirements on demand deposits by the outstanding balance of financings that meet certain criteria.

Socio-Environmental Responsibility Policy

On April, 28, 2014, the CMN enacted a new regulation establishing the guidelines for the implementation of a socio-environmental responsibility policy applicable to financial institutions (the Responsibility Policy). The Responsibility Policy must take into account the level of exposure of the activities of the financial institution to socio-environmental risks and be compatible with the nature of the financial institution and the complexity of its activities, services and products.

The Responsibility Policy must guide the socio-environmental actions of financial institutions in conducting their businesses, their relationship with clients and users of their products and services. The Responsibility Policy must also guide the financial institution's relationship with its personnel and with any others affected by the financial institution's activities. In addition, the Responsibility Policy must provide for the management of socio-environmental risks, which will be one of the several categories of risk that financial institutions are exposed to according to Brazilian regulation.

Financial institutions are required to have a Responsibility Policy and an action plan to guide its implementation in place by 2015. Our Responsibility Policy and action plan were approved by our Board of Directors in October 2014 and published internally in November 2014.

Anti-Corruption Law

In January 2014, a new Brazilian anti-corruption law came into force which establishes that legal entities will have strict liability (regardless of fault or willful misconduct) if they are involved in any form of bribery. Although known as an anti-corruption law, it also encompasses other injurious acts contrary to the Brazilian or foreign public administration including bid rigging and obstruction of justice. The law provides for heavy penalties, both through administrative and judicial proceedings including determination of dissolution of a company, prohibition to undertake financing with public entities and prohibition to participate in

public biddings. The law authorizes however, the public administrative authorities responsible for the investigation to enter into leniency agreements. The self-disclosure of violations and cooperation by legal entities may result in the reduction of fines and other sanctions as determined by the new federal regulation issued in March 2015. The new regulation also provides parameters for the application of the anti-corruption law including with respect to penalties and compliance programs. Please refer to www.itaubank.com.br/arquivosstaticos/RI/pdf/en/POLITICA_CORPORATIVA_DE_PREVENCAO_A_CORRUPCAO_ENGL.pdf for further details about our Bribery Prevention Corporate Policy.

Loans and Advances to Related Parties

Brazilian regulation sets forth that financial institutions are not allowed to grant loans, advances or guarantees to certain individuals and entities related to them, including:

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

Compensation of Directors and Officers of Financial Institutions

Compensation policies applicable to management of financial institutions, particularly the rules on variable compensation, are regulated by the CMN.

If variable compensation is to be paid to management, at least 50% of the total compensation should be paid in shares or share-based instruments and at least 40% of the total compensation should be deferred for future payment for at least three years. If the institution records a significant decrease in the realized recurring profit or a negative result during the deferral period, the deferred and unpaid portions of the compensation should be reversed proportionally to the decrease in result, in order to minimize the loss incurred by the financial institutions and their stockholders (claw back).

Our compensation policy complies with Brazilian regulatory requirements and our principles and practices of seeking to increase alignment between the interests of our stockholders and our management.

For further information, see section Our Governance, item Corporate Governance, Directors' and Senior Management's Compensation.

Antitrust Regulation

The Brazilian Antitrust Law sets forth that transactions resulting in economic concentration should be previously submitted for approval to CADE, the Brazilian antitrust regulator, provided that they meet the following criteria: (i) the economic group of any of the parties to a transaction recorded, in the fiscal year prior to that of the transaction, minimum gross revenues of R\$750 million; and (ii) at least one of the other economic groups involved in the transaction recorded, for the same time period, minimum gross revenues of R\$75 million. The closing of a transaction before CADE's approval subjects the parties to fines ranging from R\$60,000 to R\$60 million, the annulment of the relevant agreement and potential administrative proceedings.

Financial conglomerates shall submit transactions in various industries to CADE's approval. Additionally, Circular No. 3,590/12 of Central Bank requires submission of concentration acts involving two or more financial institutions to the Central Bank's approval in the following cases: (i) acquisition of corporate control, (ii) merger, (iii) acquisition or (iv) transfer of the business to another financial institution, and (v) another transactions that lead institutions to increase market share in the market segments which operates.

With respect to the conflict of jurisdiction to review and approve concentration acts involving financial institutions, the matter remains undefined, and the uncertainty around whether the CADE or the Central Bank should review and approve concentration acts involving financial institutions has resulted in financial institutions submitting for approval all concentration acts in the banking sector not only to the Central Bank but also to CADE.

Treatment of Past Due Debts

Brazilian financial institutions are required to classify their credit transactions (including leasing transactions and other transactions characterized as credit advances) at different levels and recognize provisions according to the level attributed to each such transaction. The classification is based on the financial condition of the clients the terms and conditions of the transaction and the period of time during which the transaction is past due, if any. For purposes of Central Bank requirements, transactions are classified as level AA, A, B, C, D, E, F, G or H, with AA being the highest classification. Credit classifications must be reviewed on a monthly basis and, apart from additional provisions required by the Central Bank which are deemed necessary by the management of financial institutions, each level has a specific allowance percentage that is applied to it and which we use to calculate our allowance for loan losses, as specified in more detail in the table below:

CLASSIFICATION ⁽¹⁾	AA	A	B	C	D	E	F	G	H
Allowance (%)	0	0.5	1	3	10	30	50	70	100
Past due (in days)	-	-	15 to 30	31 to 60	61 to 90	91 to 120	121 to 150	151 to 180	Over 180

(1) Our credit classification also takes into account the client's credit profile, which may negatively impact the past due classification.

Under IFRS, the allowance for loan losses is based on our internally developed incurred loss models, which calculate the allowance for loan losses by multiplying the probability of default by the clients or counterparty (PD) by the potential for recovery on defaulted credits (LGD) for each transaction, as described in Note 2.4(g) VIII to our consolidated financial statements under IFRS. The risk levels are categorized as "lower risk," "satisfactory," "higher risk," and "impaired" based on the probability of default, following an internal scaling, as set out in Note 36 to our consolidated financial statements under IFRS.

Bank Insolvency

The insolvency of financial institutions is handled pursuant to applicable laws and regulations by the Central Bank, which initiates and monitors all applicable administrative proceedings. There are three types of special regimes that may be imposed to financial institutions (private or public, but not federal) or similar institutions: (i) temporary special administration regime (RAET), (ii) intervention, and (iii) extrajudicial liquidation. Financial institutions may also be subject to the bankruptcy regime.

In the course of the special regimes described below, the steering committee, the intervenor, and the liquidator may, when authorized by the Central Bank: (i) dispose of assets and rights of the financial institution to third parties and (ii) proceed with corporate restructuring processes in the financial institution or its subsidiaries, among other possible measures of similar effect.

RAET

The RAET is a less severe special regime which allows financial institutions to continue to operate. Its main effect is that directors lose their offices and are replaced by a steering committee appointed by the Central Bank with broad management powers. Its duration is limited and its main objective is the adoption of measures aimed at the resumption of the financial institution's regular activities. If resumption is not possible, this regime may be turned into an extrajudicial liquidation.

Intervention

Under this regime, the Central Bank appoints an intervenor that takes charge of the financial institution's management, suspending its regular activities and dismissing the financial institution's management. In general, the intervention is aimed at preventing the continuation of certain irregularities and the aggravation of the financial situation of the financial institution, which can put assets at risk and harm the financial institution's creditors. The intervention is also time-limited and may be followed by the resumption of the financial institution's regular activities or the declaration of extrajudicial liquidation or bankruptcy.

The intervention suspends all actions related to payment obligations of the financial institution, prevents the early settlement or maturity of its obligations and freezes pre-existing deposits.

Extrajudicial Liquidation

Extrajudicial liquidation generally corresponds to the process of dissolution of the company in cases of unrecoverable insolvency or severe violations of the rules that regulate a financial institution's activities. The extrajudicial liquidation aims at promoting the liquidation of the existing assets for the payment of creditors, with the return of any amounts left to shareholders. Controlling shareholders may be held responsible for remaining liabilities.

The extrajudicial liquidation (i) suspends actions and executions related to the financial institution, (ii) accelerates the maturity of the financial institution's obligations; and (iii) interrupts the statute of limitations of the financial institution's obligations. In addition, the debt of the estate under liquidation will no longer accrue interest until all obligations to third parties are settled.

Deposit Insurance

In the event of intervention, extrajudicial liquidation or liquidation of a financial institution in a bankruptcy proceeding, the Credit Insurance

Fund, or FGC, a deposit insurance system, guarantees the maximum amount of R\$250,000 for certain deposits and credit instruments held by an individual, a company or another legal entity with a financial institution (or financial institutions of the same economic group). The resources of the FGC come primarily from mandatory contributions from all Brazilian financial institutions that receive deposits from clients, currently at a monthly rate of 0.0125% of the amount of the balances of accounts corresponding to the obligations that are the subject matter of the ordinary guarantee and certain special contributions. Deposits and funds raised abroad are not guaranteed by the FGC.

Payment of Creditors in Liquidation

In the event of extrajudicial liquidation of a financial institution or liquidation of a financial institution in a bankruptcy proceeding, the salaries of employees and the related labor claims up to a certain amount, secured credits and tax charges have priority in any claims against the entity in liquidation. The payment of unsecured credits, including deposits from regular retail clients that are not guaranteed by the FGC, is subject to the prior payment of preferred credits. Additionally, upon the payment of the deposits guaranteed by the FGC, the FGC becomes an unsecured creditor of the estate in liquidation.

Insurance Regulation

With governmental approval, insurance companies in Brazil may offer all types of insurance, except for workers' compensation insurance, directly to clients or through qualified brokers.

Insurance companies must set aside reserves to be invested in specific types of securities. As a result, insurance companies are among the main investors in the Brazilian securities market and subject to CMN regulations regarding the investment of technical reserves.

In the event an insurance company is declared bankrupt, the insurance company will be subject to a special procedure administered by SUSEP or by ANS. If an insurance company is declared bankrupt and (i) its assets are not sufficient to guarantee at least half of the unsecured credits or (ii) procedures relating to acts that may be considered bankruptcy-related crimes are in place, the insurance company will be subject to ordinary bankruptcy procedures.

There is currently no restriction on foreign investments in insurance companies in Brazil.

Brazilian legislation establishes that insurance companies must buy reinsurance to the extent their liabilities exceed their technical limits under the rules of the regulatory body (CNSP and SUSEP), and reinsurance contracts may be entered into through a direct negotiation between the insurance and reinsurance companies or through a reinsurance broker authorized to operate in Brazil.

Insurance companies, when transferring their risks in reinsurance, must transfer 40.0% of each reinsurance cession to local reinsurers (companies domiciled in Brazil). In addition, risk assignment between insurers and reinsurers belonging to the same economic group is currently limited to 20.0% of the premiums pertaining to a given insurance coverage.

Anti-Money Laundering Regulation

The Brazilian anti-money laundering law establishes the basic framework to prevent and punish money laundering as a crime.

It prohibits the concealment or dissimulation of origin, location, availability, handling or ownership of assets, rights or financial resources directly or indirectly originated from crimes, subjecting the agents of these illegal practices to imprisonment for up to ten years in addition to monetary fines.

The Brazilian anti-money laundering law also created the Financial Activities Control Council, or COAF, which is the Brazilian financial intelligence unit that operates under the jurisdiction of the Ministry of Finance. COAF performs a key role in the Brazilian anti-money laundering and counter-terrorism financing system, and its legal responsibility is to coordinate the mechanisms for international cooperation and information exchange.

In compliance with the Brazilian anti-money laundering law and related regulations enacted by the Central Bank, including the rules applicable to procedures that must be adopted by financial institutions to prevent and combat money laundering and terrorism financing, as well as in response to the recommendation of the Financial Action Task Force – FATF, financial institutions in Brazil must establish internal control and procedures aiming at:

- identifying and knowing their clients, which includes determining if they are PEPs, and also identifying the ultimate beneficial owners (UBO) of the transactions, if any. These records should be kept up-to-date;
- checking the compatibility between the movement of funds of a client and such client's economic and financial capacity;
- checking the origin of funds;
- carrying out a prior analysis of new products and services, under the perspective of money laundering prevention;
- keeping records of all transactions carried out or financial services provided on behalf of a certain client or for that client;
- reporting to COAF, within one business day, any transaction deemed to be suspicious by the financial institution, as well as all transactions in cash equivalent to or higher than R\$100,000, without informing the involved person or any third party;
- paying special attention to (i) unusual transactions or proposed transactions with no apparent economic or legal bases; (ii) transactions involving PEPs, (iii) indicators of fraud in the identification of the client or transaction; (iv) client and transactions for which the UBO cannot be identified; (v) transactions originated from or destined to countries that do not fully comply with the recommendations of the Financial Action Task Force (FATF); and (vi) situations in which it is not possible to keep the clients' identification records duly updated;
- determining criteria for hiring personnel and offering anti-money laundering training for employees;
- establishing procedures to be complied with by all branches and subsidiaries of a Brazilian financial institutions located abroad with respect to anti-money laundering;
- establishing that, any institutions authorized to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify whether the foreign financial institution is physically located in the jurisdiction where it was organized and licensed, and that it is subject to effective supervision;
- monitoring transactions and situations which could be considered suspicious for anti-money laundering purposes;
- reporting to COAF the occurrence of suspicious transactions, as required under applicable regulations, and also, at least once a year, whether or not suspicious transactions are verified, in order

to certify the non-occurrence of transactions subject to reporting to COAF (negative report);

- requiring clients to inform the financial institution, at least one business day in advance, of their intention to withdraw amounts equal to or exceeding R\$100,000; and
- ensuring that policies, procedures and internal controls are commensurate with the size and volume of transactions.

Non-compliance with any of the obligations above subjects the financial institution and its officers to penalties ranging from: (i) formal notice, (ii) fines (from 1.0% to 200.0% of the amount of the transaction, 200.0% of the profit generated thereby, or a fine of up to R\$20,000,000), (iii) rendering executive officers ineligible for holding any management position in financial institutions, to (iv) the cancellation of the financial institution's license to operate.

In August 2013, the Brazilian Association of Banks (*Federação Brasileira de Bancos*, or FEBRABAN) enacted an anti-money laundering and terrorism financing self-regulation. The purpose of the document is to improve the contribution of the Brazilian financial system to the prevention of money laundering and make consistent the practices adopted by all banks, encouraging them to reinforce their preventive procedures.

Politically Exposed Persons (PEPs)

PEPs are public agents who hold or have held a relevant public position, as well as their representatives, family members or other close associates, over the past five years, in Brazil or other countries, territories and foreign jurisdictions. It also includes their legal entities. Financial institutions must develop and implement internal procedures to identify PEPs and obtain special approval from a more senior staff member, such as an officer, than otherwise would be required to approve relationships prior to establishing any relationship with those individuals. They should also adopt reinforced and continuous surveillance actions regarding transactions with PEPs and report all suspicious transactions to COAF.

Portability of Credit Transactions

On December 20, 2013, the CMN enacted a new resolution, which became effective on May 2, 2014, providing for the portability of credit transactions, defined as the transfer of a credit transaction from the original creditor to another institution, at the request of the debtor, maintaining the same outstanding balance and payment conditions. The rule establishes standard procedures and deadlines for the exchange of information and the mandatory use of an electronic system authorized by the Central Bank for the transfer of funds between financial institutions, prohibiting the use of any alternative procedure to produce the same effects of the portability.

On April 16, 2014, the Central Bank issued a circular letter explaining that the impossibility of alternative procedures for the transfer of credit transactions encompasses the use of any other means, including so-called "debt purchases".

On April 23, 2014, the Brazilian Association of Banks (*Associação Brasileira de Bancos*, or ABBC); Brazilian Association of International Banks (*Associação Brasileira de Bancos Internacionais*, or ABBI); Brazilian Association of Real Estate Loans and Savings Companies (*Associação Brasileira das Entidades de Crédito Imobiliário e Poupança*, or ABECIP); Brazilian Association of Leasing Companies (*Associação Brasileira das Empresas de Leasing*, or ABEL); National

Association of Credit Institutions Finance and Investment (*Associação Nacional das Instituições de Crédito, Financiamento e Investimento*, or ACREFI); National Association of Financial Companies and Automakers (*Associação Nacional das Empresas Financeiras das Montadoras*, or ANEF); and FEBRABAN; defined, together with the Interbank Chamber Clearing House (*Câmara Interbancária de Pagamentos*, or CIP), the operational procedures for compliance with CMN Resolution No. 4,292/2013.

Rules Governing the Charge of Banking Fees and Credit Card Operations

Banking fees and credit card operations are extensively regulated by the CMN and the Central Bank. According to Brazilian legislation, we must classify the services we provide to individuals under pre-determined categories and are subject to limitations on the collection of fees for such services.

Brazilian financial institutions are generally not authorized to charge fees from individuals for providing services classified as “essential” with respect to checking and saving accounts, such as supplying debit cards, check books, withdrawals, statements and transfers, among others.

Brazilian legislation also authorizes financial institutions to charge fees related to “priority services”, a standard set of services defined by Central Bank regulation. Financial institutions must offer to their individual clients “standard packages” of priority services. Clients may also choose between these or other packages offered by the financial institution, or to use and pay for services individually instead of selecting a package.

Current rules also authorize financial institutions to charge fees for specific services called “additional services” (*serviços diferenciados*), provided that the account holder or user is informed of the use and payment conditions relating to such services, or that fees and collection methods are defined in the contract.

The CMN also establishes rules applicable to credit cards, determining the events that allow for the collection of fees by issuers, as well as the information that must be disclosed in credit card statements and in the credit card agreement. There is also a list of priority services. The rules define two types of credit cards: (i) basic credit cards, with simpler services, without rewards programs and (ii) “special credit cards”, with benefits and reward programs. A minimum of 15% of the total outstanding credit card balance must be paid monthly by credit card holders.

A minimum 30-day prior notice to the public must precede the creation or increase of a fee, whereas fees related to priority services may only be increased 180 days after the date of a previous increase (while the reduction of a fee can take place at any time). With respect to credit cards, a 45-day prior notice to the public is required for any increase or creation of fees, and such fees may only be increased 365 days after a previous increase. The period of 365 days is also subject to changes in the rules applicable to benefit or reward programs.

Leasing regulation

Although leasing transactions are not classified as credit transactions under Brazilian legislation, the Central Bank regulates and oversees leasing transactions. The parties involved in a leasing transaction

are the “lessor” (the bank) and “lessee” (our client). The leased asset, owned by the lessor, is delivered to be used by the lessee until the end of the contract, when the lessee may opt to either acquire or return it to the lessor or renew the contract for a new period.

Brazilian legislation establishes a specific methodology to account for the profits or losses in leasing transactions and all information that should be included in a lease agreement. The guaranteed residual amount paid by a lessee should correspond to a minimum return required for the transaction to be viable for the lessor, whether the purchase option is exercised or not. The laws and regulations applicable to financial institutions, such as those related to reporting requirements, capital adequacy and leverage, assets composition limits and allowance for losses, are also generally applicable to leasing companies.

Correspondent agents

We may engage other entities to provide certain services to our clients, including customer service. These entities are generally called correspondents, and our relationship with correspondents is regulated by the Central Bank. Among other requirements, the Central Bank establishes that by February 24, 2014, employees of all correspondent agents must have applied for the process to hold a technical certification authorizing them to serve customers involved in credit and leasing operations, which must be completed until March 02, 2015.

Banking Secrecy

Brazilian financial institutions must maintain the secrecy of banking transactions and services provided to their clients. The only circumstances in which information about clients, services or transactions by Brazilian financial institutions or credit card companies may be disclosed to third parties are the following:

- the disclosure of information with the express consent of the interested parties;
- the exchange of information between financial institutions for record purposes;
- the disclosure of information to credit reference agencies based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors;
- the disclosure of information to the competent authorities relating to the actual or suspected occurrence of criminal acts or administrative wrongdoings, including the disclosure of information on transactions involving funds related to any unlawful activities; and
- the disclosure of information in compliance with a judicial order.

Except as permitted under the Brazilian legislation or by judicial order, a breach of bank secrecy is a criminal offense.

Regulation of the Brazilian Securities Market

According to the Brazilian Corporate Law, a company is considered publicly or closely-held depending on whether the securities issued by it are accepted for trading in the securities market or not. All publicly-held companies, such as ourselves, are registered with the CVM and are subject to information disclosure and reporting requirements.

Please refer to section Our risk management, item Regulatory environment, for further information about the regulation of the Brazilian Securities Market.

Disclosure Requirements

Under CVM rules, publicly traded companies are subject to disclosure requirements and rules governing the use of material information. Any decision that may reasonably influence the price of the securities issued by a publicly-held company or the decision of investors to buy, sell, or hold these securities, is considered material.

The CVM improved the quality of the information that must be presented in periodic filings by securities issuers by requiring such issuers to file a "Reference Form" with the CVM. This form was modeled after IOSCO's shelf registration system in gathering all of the issuer's information in a single document.

Asset Management Regulation GRI G4-DMA Product portfolio

The Brazilian asset management regulation requires asset managers to obtain previous registration with the CVM to perform the services of portfolio management and fund administration.

Itaú Unibanco Group provides several services in the capital markets and, in particular, performs activities related to fund administration and portfolio management under CVM registration, according to CVM regulation.

By providing these services, our entities engaged in the asset management business can be held civil and administratively liable for losses arising from either intentional acts or negligence in conducting our activities.

The CVM has regulatory powers to oversee these activities, including to impose fines and other sanctions on registered asset managers.

Funds of foreign investors

On September 29, 2014, the CMN issued Resolution No. 4,373/2014, which amended and consolidated all of CMN's rules applicable to (i) foreign investment in the Brazilian financial and capital markets and (ii) depositary receipts. Accordingly, Resolution No. 2,689/2000 (which addressed foreign investments in the Brazilian financial and capital markets) and Resolutions No. 1,289/1987 and 1,927/1992 (which regulated depositary receipts), among others, were revoked.

Pursuant to Resolution No. 4,373/2014, the most significant changes in the rules applicable to foreign investment in the Brazilian financial and capital markets are: (i) a requirement that only financial institutions authorized to operate in Brazil may act as legal representatives of non-resident investors in Brazil for purposes of any investments made within the purview of Resolution No. 4,373/2014; (ii) clarification of requirements regarding simultaneous foreign exchange transactions (without the effective transfer of money) related to foreign investments; and (iii) allowing for funds held in a foreign investor account (*conta de domiciliado no exterior*) maintained at a bank in Brazil to be used for investments denominated in Brazilian currency.

The new regulation also amended the rules applicable to depositary receipts, by allowing the issuance of depositary receipts based on (i) any security issued by Brazilian companies registered with the CVM (*companhias abertas*), in contrast to the previous rules which limited the issuance of depositary receipts to equity securities, and (ii) credit instruments issued by financial institutions and other types of institutions registered with the CVM and authorized by the Central Bank, and eligible to be included in the financial institution's regulatory capital (*Patrimônio de Referência*).

Resolution No. 4,373/2014 is subject to the implementation of regulations to be issued by the CVM and the Central Bank and will become effective on March 30, 2015.

Internet and E-Commerce Regulation

On April, 2014, a new law (Federal Law No. 12,965/2014) establishing the regulatory framework for Internet services was enacted in Brazil. This law sets forth principles and rules to be observed by internet providers and users, including the protection of privacy and personal data and the preservation and safeguard of net neutrality. Also, certain aspects of electronic commerce are regulated, including the validity of electronic documents in Brazil and electronic commerce transactions from the consumer protection standpoint. Current regulation on electronic commerce is intended to: (i) clearly identify the supplier and the product sold on the Internet; (ii) provide an electronic service channel to clients; and (iii) guarantee cancellation and return of Internet orders. With respect to financial products, existing regulation only addresses the product supplier's obligation to report to the financial institution or credit card administrator that a transaction should not be charged to the consumer or that a charge should be reversed. In addition, computer hacking offenses were criminalized in Brazil in 2012.

In light of the increased use of electronic channels in the Brazilian banking industry, the CMN has enacted a number of resolutions over the past few years in order to provide or establish:

- that Brazilian residents may open deposit bank accounts by electronic means, which includes the Internet, ATMs, telephone and other communication channels, provided that transfers of amounts from such accounts are allowed only between accounts of the same account holder or in the event of liquidation of investment products and funds of an account, of the same account holders who own the investment products or funds;
- the requirements related to the verification of a client's identity;
- that all financial institutions that offer products and services through electronic means must guarantee the security, secrecy and reliability of all electronic transactions and disclose, in clear and precise terms, the risks and responsibilities involving the product or service acquired through these channels; and
- the opening of deposit bank and savings accounts that can be used exclusively through electronic means.

On April 10, 2014 FEBRABAN, Brazilian Federation of Banks issued a regulation on hiring credit through remote channels (such as ATM's, call center and Internet Banking), setting forth minimum guidelines and procedures to ensure reliability, quality, transparency and efficiency.

Regulation on Payment Agents and Payment Arrangements

A Brazilian law enacted in October 2013 established the legal framework for "payment arrangements" (i.e. the set of rules governing a payment scheme, such as a credit or debit card transaction), and "payment agents" (i.e., any agent that issues a payment instrument or acquires a merchant for payment acceptance), which became part of the Brazilian Payments System and subject to oversight by the Central Bank. Payment agents, in spite of being regulated by the Central Bank, are not deemed to be financial institutions and are prohibited from engaging in activities that are exclusive of financial institutions.

In November 2013, the CMN and the Central Bank published a set of rules referring to payment arrangements and payment agents, which became effective in May 2014. This regulation establishes: (i) consumer protection and anti-money laundering compliance and loss prevention rules that should be followed by all entities supervised by the Central Bank when acting as payment agents and payment arrangers; (ii) the procedures for the incorporation, organization, authorization and operation of payment agents, as well for the transfer of control, subject to the Central Bank's prior approval; (iii) capital requirements; (iv) definition of arrangements excluded from the Brazilian Payments System; (v) payment accounts, which are divided into prepaid and post-paid accounts; and (vi) a liquidity requirement for prepaid accounts that demands the allocation of their balance to a special account at the Central Bank or to be invested in government bonds, starting at 20% in 2014 and raising gradually up to the totality of the total account balance in 2019; among other matters.

Credit Performance Information

Brazilian law establishes rules for the organization and consultation of databases compiling positive credit history information of individuals and legal entities. On December 20, 2012, the Central Bank published Resolution No. 4,172, which regulates the provision of positive credit history information by financial institutions to such databases and the sharing of such information, such provision and sharing being subject to the express request or authorization of the client.

Consumer Protection Code

The Brazilian Consumer Protection Code, or CDC, sets forth consumer defense and protection rules applicable to clients' relationships with suppliers of products or services. Brazilian higher courts understand that the CDC is also applicable to financial institutions.

The basic consumer rights dealing with financial institutions are as follows:

- reverse burden of proof in court;
- financial institutions must ensure that proper and clear information is provided with respect to the different products and services offered, with accurate specifications for quantity, characteristics, composition, quality, and price, as well as on any risks such products pose;
- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services, as well as promoting overbearing or disloyal commercial practices;
- financial institutions are liable for any damages caused to their clients by misrepresentations in their publicity or information provided;
- interest charged in connection with personal credit and consumer directed credit transactions must be proportionally reduced in case of early payment of debts;
- collection of credits cannot expose the client to embarrassment or be performed in a threatening manner; and
- amounts charged improperly may in limited circumstances have to be returned in an amount equal to twice what was paid in excess of due amounts. Such rule does not apply to cases of justifiable mistake, such as systemic failure or operational error.

Regulation of Independent Auditors

In accordance with CMN regulation establishing the rules that govern external audit services provided to financial institutions,

the financial statements and financial information of financial institutions must be audited by independent auditors who are (i) duly registered with the CVM; (ii) qualified as specialists in audit of banks by the CFC and the IBRACON; and (iii) meet the requirements that ensure auditor independence.

After issuing audit reports for five consecutive fiscal years, the responsible audit partner and all audit team members with management responsibilities must rotate-off and cannot be part of the audit team of such institution before three fiscal years of being rotated-off.

CMN regulation also prohibits the engagement and maintenance of independent auditors by financial institutions in the event that: (i) any of the circumstances of impediment or incompatibility for the provision of audit services provided for in the rules and regulations of the CVM, CFC or IBRACON arise; (ii) ownership of shares of or entering into financial transactions (either asset or liability) with the audited financial institution by the audit firm or members of the audit team involved in the audit work of the financial institution; and (iii) fees payable by the institution represents 25% or more of the total annual fees of the audit firm. Additionally, the audited financial institution is prohibited from hiring partners and members of the audit team with managerial responsibilities who were involved in the audit work at the financial institution during the prior 12 months.

In addition to the audit report, the independent auditor must prepare the following reports, as required by CMN regulation:

- An assessment of the internal controls and risk management procedures of the financial institution, including its electronic data processing system;
- A description of any non-compliance with legal and regulatory provisions that have, or may have, a significant impact on the audited financial statements or operations of the audited financial institution; and
- Others reports required by Central Bank.

These reports, as well as working papers, correspondence, service agreements and other documents related to the audit work must be retained and made available to the Central Bank for at least five years.

Under Brazilian law, our financial statements must be prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank. We also prepare financial statements in accordance with the International Financial Reporting Standards (IFRS). Please refer to Context, item Context of this Report, About our financial information for further details. Financial institutions must have their financial statements audited every six months. Quarterly financial statements filed with the CVM must be reviewed by independent auditors of the financial institutions. CVM rules require publicly-held companies, including financial institutions, to disclose information related to any services provided by independent auditors other than audit services that represent more than 5% of the fees for audit services. Such information should include the type of service, the amount paid and the percentage that they represent of the fees for audit of financial statements. Please refer to Our Governance, item Audit Committee, for further details about Fees and Services of the Main Auditors.

Taxation

We summarize below the main taxes levied on the transactions entered into by entities in the Itaú Unibanco Group in Brazil. This description does not represent a comprehensive analysis of all tax considerations applicable to the Itaú Unibanco Group. For a more in-depth analysis, we recommend that potential investors consult their own tax advisors. The main taxes we are subject to, with respective rates, are as follows:

TAX	RATE	TAX CALCULATION BASIS
IRPJ (Corporate Income Tax)	15.0% plus a 10.0% surtax	Net income with adjustments (exclusions, additions, and deductions)
CSLL (Social Contribution on Net Income)	15.0% (financial institutions, insurance companies and capitalization entities) or 9.0% (other Itaú Unibanco Group companies)	Net income with adjustments (exclusions, additions, and deductions)
COFINS (Social Security Financing Contribution)	4.0% (financial institutions, insurance companies and capitalization entities) or 7.6% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
PIS (Contribution on Social Integration Program)	0.65% (financial institutions, insurance companies and capitalization entities) or 1.65% (other Itaú Unibanco Group companies)	Gross revenue minus specific deductions
ISS (Service Tax)	2.0% to 5.0%	Price of service rendered
IOf (Tax on Financial Transactions)	Depends on the type of the transaction, as described below.	Transaction nominal value

Corporate Income Tax and Social Contribution on Net Income

In accordance with applicable legislation, corporate income tax (*Imposto de Renda da Pessoa Jurídica*, or IRPJ), and social contribution on profits (*Contribuição Social Sobre o Lucro Líquido*, or CSLL) are determined by the taxable income regime. Under this regime, our taxable income, on which IRPJ and CSLL will be levied, must be adjusted by additions, deductions, and exclusions, such as nondeductible expenses, operating costs and equity accounting, respectively.

The IRPJ is levied at a basic 15.0% rate, and a 10.0% surtax is applicable when the total amount of profit for the fiscal period exceeds R\$20,000 per month or R\$240,000 per year. In other words, any portion of our profit exceeding this limit is taxed at an effective 25.0% rate.

CSLL is levied on our taxable income at a 15.0% rate, which is specific for financial institutions, insurance and similar companies. Some Brazilian financial institutions, including us, are disputing the constitutionality of this higher CSLL tax rate, since the standard rate is 9.0%. The amounts in dispute are accounted for as a tax liability provision in our balance sheet.

As other Brazilian legal entities, our companies may offset the historical nominal amount of tax losses determined in prior years against results of subsequent years at any time (i.e., with no limitations with respect to time periods), provided that such offsetting does not exceed 30.0% of the annual taxable income of such future year. For purposes of IRPJ and CSLL taxation, companies should consider their income abroad as well rather than income solely from Brazilian operations. Therefore, profits, capital gains and other income earned abroad by Itaú Unibanco Group entities in Brazil, their branches, representations, affiliates or subsidiaries, will also be computed for determination of the entities net income. However, Brazilian legislation provides for our deducting the amounts paid as corporate income tax abroad against the IRPJ due in Brazil and CSLL, provided certain limits are observed.

Contribution on Social Integration Program and Social Security Financing Contribution

In addition to IRPJ and CSLL, Brazilian legal entities are subject to the following taxes on revenue: contribution on social integration program (*Contribuição para o Programa da Integração Social*, or PIS) and social security financing contribution (*Contribuição Social para o Financiamento da Seguridade Social*, or COFINS).

In accordance with applicable legislation, financial institutions are subject to the cumulative regime for calculation of these taxes. Under the cumulative regime, financial institutions are required to pay PIS at a 0.65% rate and COFINS at a 4.0% rate. The cumulative regime provides for rates lower than those levied under the non-cumulative regime, which is explained below, but it prevents the use of tax credits.

Some additional deductions are legally permitted to financial institutions, and therefore the calculation basis is similar to the profit margin. Some of our subsidiaries claim that the PIS and COFINS should be levied only on their revenue from the sale of products and services, rather than on the revenues from financial and other activities. The amounts in dispute are accounted for as tax contingencies in the balance sheets of these companies.

Most non-financial companies, on the other hand, are authorized to pay PIS and COFINS contributions according to the non-cumulative regime. Under the non-cumulative regime, PIS is levied at a 1.65% rate and COFINS is levied at a 7.6% rate. The calculation basis of these taxes is the gross revenue earned by the entity; however, the taxpayer may offset credits calculated through the application of the same rates on the value paid on the purchase of certain inputs used in the entity's production process. Currently, under such non-cumulative regime, the financial income (except for income from interest on capital) of non-financial companies is not subject to PIS and COFINS.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 37 – Supplementary Information and Note 32 – Provisions, contingencies and other commitments, IV – Program for Cash or Installment Payment of Federal Taxes, for information regarding Law No. 12,973/2014.

Service Tax

The tax on services (*Imposto sobre Serviços de qualquer Natureza*, or ISS) is generally levied on the price of services rendered (e.g., banking services) and is charged by the municipality where our branch or office rendering the service is located. The tax rates vary from 2.0% up to the maximum rate of 5.0%, depending on the municipality in which the service is provided and its respective nature.

Tax on Financial Transactions

The tax on financial transactions is levied at specific rates according to the transaction in question, and may be changed by a decree from the

Executive Branch (which may become effective as of its publication date), rather than by a law enacted by the Brazilian Congress.

The table below summarizes the main IOF rates levied on our transactions. Notwithstanding, we note that IOF is a very comprehensive tax. Therefore, for a more in-depth analysis, we recommend that tax advisors be consulted accordingly.

TYPE OF TRANSACTION	APPLICABLE RATES (RATES MAY BE CHANGED BY A DECREE ENACTED BY THE BRAZILIAN GOVERNMENT UP TO A MAXIMUM RATE, AS DESCRIBED BELOW, WHICH MAY BECOME EFFECTIVE AS OF ITS PUBLICATION DATE)
Foreign exchange transactions	IOF/FX: zero to 6.38% (depending on the transaction) Maximum rate: 25%
Insurance transactions	IOF/Insurance: zero to 7.38% Maximum rate: 25%
Loans and credit transactions	IOF/Credit: 0.0041% (individuals and legal entities) per day, until it reaches the 1.5% limit, in 365 days, plus 0.38% Maximum rate: 1.5% per day (plus 0.38%)
Securities	IOF/Securities: zero to 1.5% as a general rule (possible to be higher) Maximum rate: 1.5% per day
Securities – Derivatives	IOF/Securities – Derivatives: zero Maximum rate: 25%

Taxation of onshore credit transactions

On January 20, 2015 the Executive Branch enacted Decree No. 8,392, which amended the Tax on Financial Transactions (*Imposto Sobre Operações de Crédito, Câmbio e Seguro, e Sobre Operações Relativas a Títulos e Valores Mobiliários*, or IOF) regulations in force, so as to establish new tax rates applicable to onshore credit transactions entered into with individuals. According to such new regulation, the IOF tax rate is increased to 0.0082% per day plus a flat surtax of 0.38%. The former IOF tax rate was 0.0041% per day plus the 0.38% surtax.

Taxation of cross-border loans

On October 7, 2014, as of the enactment of, the Executive Branch enacted Decree No. 8,325 reducing to 181 days the minimum average maturity term that cross-border external loans registered before the Central Bank would have to comply with in order to benefit of a 0% rate of the IOF tax levied on the settlement of foreign exchange transactions for the inflow of funds into Brazil. Cross-border loans whose maturity terms are lower than 181 days are subject to the IOF at a 6% rate.

U.S. Foreign Account Tax Compliance Act (FATCA)

FATCA attempts to minimize tax avoidance by U.S. persons investing in foreign assets both through their own accounts and through their investments in foreign entities. FATCA requires U.S. withholding agents such as Itaú to provide information to the U.S. Internal Revenue Service (IRS) regarding their U.S. account holders including substantial U.S. owners of certain non-financial foreign entities (NFFEs) and specified U.S. persons having an interest in certain professionally managed investment vehicles and trusts known as owner-documented foreign financial institutions (FFIs).

To the extent a U.S. withholding agent is not able to properly document an account, it will be required to deduct 30% FATCA withholding on certain payments of U.S. source income paid on or after July 1, 2014. Gross proceeds from the sale of property that would yield U.S. source dividends or interest are subject to withholding beginning July 1, 2017.

U.S. tax law has detailed rules for determining the source of income. Different rules apply for each type of income. Interest and dividends, two of the most important types of income for investors, are generally sourced by reference to the residence of the obligor. Specifically, dividends are generally treated as U.S. source income when paid by a U.S. corporation with respect to its stock, and interest is generally treated as U.S. source income when paid by a U.S. borrower of money.

The United States collaborated with other governments to develop Intergovernmental Agreements (IGAs) to implement FATCA. IGAs with partner jurisdictions facilitate the effective and efficient implementation of FATCA. The purpose of these agreements is essentially to remove domestic legal impediments to compliance with FATCA and sharing of information and to reduce burdens on FFIs located in partner jurisdictions.

More than 40 jurisdictions have signed an IGA, including Brazil, the Cayman Islands, Switzerland and the United Kingdom. In addition, more than 50 other jurisdictions are deemed as having an IGA in effect. Some countries signed a reciprocal agreement, meaning that the country (such as Brazil) and the U.S. will automatically exchange annually, on a reciprocal basis, specific account holder information.

There are two types of IGAs – Model 1 IGA, where local FFIs are required to implement account opening and due diligence procedures to identify U.S. accounts and report them to the local tax authority for exchange with the IRS (examples of Model 1 IGA countries are Brazil, Cayman Islands, The Bahamas, Peru and Colombia), and Model 2 IGA, where local FFIs are enabled to implement account opening and due diligence procedures to identify U.S. accounts but report them directly to the IRS (examples of Model 2 IGA countries are Switzerland, Chile, Paraguay and Japan).

Pursuant to FATCA, the issuer or any other financial institution to or through which any payment with respect to the preferred shares or ADSs is made may be required, pursuant to an agreement entered into by such financial institution with the U.S., an agreement entered into by a relevant jurisdiction with the U.S. (IGA) or under applicable law, to (i) request certain information from holders or beneficial owners of our preferred shares or ADSs, which information may be provided to the U.S. Internal Revenue Service; and (ii) withhold U.S. federal tax at a 30.0% rate on some portion or all of the payments considered “pass-thru payments” made after December 31, 2016, with respect to the preferred shares or ADSs if either (x) such information is not duly provided by such a holder or beneficial owner (referred to under FATCA as a “recalcitrant account holder”) or (y) such payments are made to an FFI (as defined under FATCA) that has not entered into a similar agreement with the U.S. (and is not otherwise required to comply with FATCA under applicable law or an IGA). If the issuer or any other person is required to withhold amounts under or in connection with FATCA from any payments made in respect of the preferred shares or ADSs, holders and beneficial owners of the preferred shares or ADSs will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

The above description is based on guidance issued to date by the U.S. Treasury Department, including final regulations. Future guidance may affect the application of FATCA to the preferred shares or ADSs.

Exchange Controls

Individuals or legal entities domiciled outside Brazil may own our stock through ADSs negotiated in a U.S. Exchange or through direct investments in the Brazilian Market.

However, the right to convert dividend payments and proceeds from the sale of our shares, in the Brazilian Market, into foreign currency and to remit such amounts abroad is subject to restrictions under foreign investment and foreign currency legislation which generally requires, among other things, the documentary evidence that provides the validity and proves the economic legitimacy of the exchange operation and that the relevant investment be registered with the Central Bank and the CVM, as applicable.

In case the investment in our stock is made through ADS, the ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian of preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into foreign currency and remit the proceeds abroad.

In case the investment in our stock is made directly in the Brazilian Market, such investment needs to be registered with the Central Bank either as (i) a foreign direct investment, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) a portfolio investment, the Electronic Declaratory Registration of Portfolio (RDE – Portfolio).

The foreign direct investment (RDE-IED) enables non-resident investors to hold stock of companies in Brazil. On the other hand, the portfolio investment (RDE – Portfolio) entitles certain foreign investors to invest not only in stocks, but also in almost all financial assets and securities, and to engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements of the regulation are fulfilled.

Registration under RDE – Portfolio affords favorable tax treatment to non-resident investors who are not residents or domiciled in tax haven jurisdictions, as defined by Brazilian tax laws.



5 Performance



Message from the Chief Financial Officer

Caio Ibrahim David
CFO in 2014



Dear Reader,

The year 2014 provided us with excellent results and outstanding profitability, which is the result of a strategy established in 2011 based on the reassessment of the institution's risk appetite, with a focus on the loan portfolio quality improvement, on ongoing investment in efficiency and productivity gains and on the sustainable development of revenues from insurance and services.

The two important pillars that support this strategy are technology and client satisfaction. Over the past few years, we invested more than R\$11 billion in various fronts, such as the construction of a new data center, which will increase our processing capacity considerably in an extremely modern and efficient environment, the development of new applications and the modernization of our operational platforms, preparing such platforms for a digital world. All these investments are intended, primarily, to improve client service through a focus on more convenience, mobility and availability.

The quality of our balance sheet has also improved as we presented a high level of liquidity and a solid capital base, with very comfortable gearing ratios considering the current economic climate in Brazil, our major market of operation. In this context, if we were to fully implement our anticipated measures to address the new capital requirements established by Basel and adopted by the Central Bank of Brazil, our core capital would already be sufficient to meet them, reaching 11.9% after the application of a few optimization measures that are already in progress.

In an environment of rapid technological changes and growing regulatory demands, including with respect to consumers, Itaú Unibanco has been reinforcing its policies and developing an even stronger risk culture. In this context, our corporate governance prioritizes effective controls and compliance with the rules established in the many countries where we operate by means of a clear segregation of functions and a formal definition of roles and responsibilities between the control and business units. Additionally, other joint forums ensure an even more robust corporate governance environment, such as the Audit Committee, composed of six independent members, and the Fiscal Council, composed of another three members who are also independent.

Regarding our financial statements, we continue to invest to prepare them in accordance with the highest levels of transparency, consistency and quality, extending their use and value added for our many stakeholders. As recognition for these investments, it is worth noting that in 2014 we were, for the second consecutive year, at the top of the rankings prepared by *Company Reporting* in its *IFRS Annual Report Benchmarking*, a report that assesses, on an independent basis, the financial statements disclosed by many companies from all over the world. Additionally, also for the second consecutive year, we received the *Best Annual Report* award from *IR Awards Brazil*. Finally, it is worth remembering that Itaú Unibanco was the first financial institution in Brazil to publish the Integrated Report in accordance with the guidance of the International Integrated Reporting Council, showing its commitment to the community of analysts, investors and society in general.

Enjoy your reading!

Performance

Financial Performance

Significant Accounting Policies

General Aspects

The preparation of the consolidated financial statements included in this annual report involves some assumptions that are based on our historical experience and other factors that we deem reasonable and material. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operations often requires our management to make judgments regarding the effects on our financial condition and results of operations of matters that are uncertain by nature. The comments below describe those aspects that require significant judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. Actual results may differ from those estimated under different variables, assumptions or conditions.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses and gains and losses during the reporting period because the actual results may differ from those determined based on such estimates and assumptions.

All estimates and assumptions made by management are in accordance with IFRS and represent our best estimates made in conformity with applicable standards. Estimates and judgments are evaluated on an ongoing basis, based on past experience and other factors.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents our estimate of the probable losses inherent to our loan portfolio at the end of each reporting period. In order to determine the amount of the allowance for loan and lease losses, a portfolio is classified into two categories with respect to which specific methodologies are used to estimate losses. Loans and leases are analyzed on an individual or portfolio basis.

- Loans and leases analyzed on an individual basis (corresponding to our corporate portfolio) are individually analyzed for impairment. For those considered to be impaired, we determine the amount of the allowance based on the expected cash flows of the company that will receive the loan. The loans that are not impaired are rated based on risk factors, and the inherent losses for each rating are estimated based on our historical experience, which involves judgments related to identifying risk factors and assigning a rating.
- Loans analyzed on a portfolio basis (corresponding to the following portfolios: (i) Individuals, (ii) Very Small, Small and Medium Business and (iii) Foreign Units – Latin America) are further segregated into classes, when appropriate, based on their underlying risks and characteristics. The allowance for loan and lease losses is determined by portfolio based on historical experience, which also involves judgments and assumptions.

Many factors affect the estimate of losses in each of the categories for which we estimate the allowance on a portfolio basis, such as the methodology used to measure historical delinquency and the historical period to be used. Additionally, factors affecting the specific amount of the allowances to be recorded are subjective and include economic and political conditions, credit quality trends and volume and growth observed in each portfolio. We present information on our allowance for loan and lease losses in the table below:

(In millions of R\$)

ALLOWANCE FOR LOAN AND LEASES LOSSES	2014	2013	2012
Amount Recognized in the Balance Sheet	22,392	22,235	25,713
Expense Recognized in the Income Statement	18,832	17,856	23,982

Fair Value of Financial Instruments

Financial instruments recorded at fair value on our balance sheet include mainly securities classified as held-for-trading and available-for-sale as well as other trading assets, including derivatives. Securities classified as held-to-maturity are recorded at amortized historical cost on our balance sheet, and their corresponding fair values are shown in the notes to our consolidated financial statements. We present information on the fair value of our financial instruments in the table below as of December 31, 2014, 2013 and 2012.

(In millions of R\$, except percentages)

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE	AS OF DECEMBER 31,		
	2014	2013	2012
Assets			
Held-for-trading	132,944	148,860	145,516
Designated at fair value through profit or loss	733	371	220
Derivatives	14,156	11,366	11,597
Available-for-sale	78,360	96,626	90,869
Total	226,193	257,223	248,202
Share (derivatives/total – %)	6.3	4.4	4.7
Liabilities			
Held-for-trading	520	371	642
Derivatives	17,350	11,405	11,069
Total	17,870	11,776	11,711
Share (derivatives/total – %)	97.1	96.8	94.5

We determine the fair value of our financial instruments based on International Financial Reporting Standard 13 (IFRS 13), which defines fair value as the amount for which an asset could be exchanged or a liability transferred in an orderly transaction between market participants.

According to IFRS 13, there are different levels of inputs that may be used to measure the fair value of financial instruments classified as levels 1, 2 and 3.

- Level 1: observable inputs reflect the quoted prices (unadjusted) of identical assets or liabilities in active markets;
- Level 2: observable inputs reflect the information on assets and liabilities that are either directly (such as prices) or indirectly (derived from prices) observable, except for the quoted prices included in Level 1; and
- Level 3: information on assets and liabilities that are not based on observable market data due to little market activity on the

measurement date. We present information on our level 3 financial instruments in the table below as of December 31, 2014, 2013 and 2012.

(In millions of R\$, except percentages)			
LEVEL 3	AS OF DECEMBER 31,		
	2014	2013	2012
Held-for-trading	790	27	20
Available-for-sale securities	5,404	6,489	2,489
Net position of derivatives	77	119	144
Total	6,271	6,635	2,653
(Held-for-trading + Available-for-sale securities)/Total Level 3 (%)	98.8	98.2	94.6

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 31 – Fair Value of Financial Instruments for further details.

Judgments are also required to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is any evidence of impairment for available-for-sale or held-to-maturity financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, is recognized in the statement of income. The primary factors that are used by management to determine whether there is objective evidence that a financial asset is impaired include the observed period of the loss, the level of the loss, whether we were required to sell the securities before the recovery and the expectation, on the date of analysis, of the possibility of realization of the security. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 2 – Significant Accounting Policies for further details about other significant accounting policies.

Contingent Liabilities

Contingent liabilities arise mainly from judicial and administrative proceedings inherent to the ordinary course of our business and that are filed by third parties, including former employees and public bodies related to civil, labor, tax and social security claims.

These contingencies are assessed based on the best estimates of our management, taking into consideration the opinion of legal advisors when there is a probability that financial resources will be required to settle obligations and the amount of such obligations can be reliably measured.

Contingencies are classified as follows, based on likelihood of loss:

- Probable: liabilities are recognized under “provisions” on our consolidated balance sheet.
- Possible: liabilities are disclosed on our financial statements but no provisions are recorded.
- Remote: liabilities do not require provision or disclosure.

Contingent liabilities for which provisions are recorded and those classified as having a “possible” likelihood of loss are evaluated based on our best estimates, using models and criteria that allow for their proper evaluation despite the uncertainty that is inherent to terms and amounts.

Significant Changes in Accounting Standards

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 2.2 – New Pronouncements; Changes to

and Interpretations of Existing Pronouncements for further details about information on significant changes in accounting standards.

Accounting Practices Adopted in Brazil

Our books and records are maintained in Brazilian *reais*, the official currency in Brazil, and our consolidated financial statements, for statutory and regulatory purposes, are prepared in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are applicable to institutions authorized to operate by the Central Bank. The accounting principles and standards generally applicable under Brazilian GAAP include those established under Brazilian Corporate Law, by the Accounting Pronouncements Committee, or CPC, which started issuing standards in 2007, and by the Federal Accounting Council. In the case of companies subject to regulation by the Central Bank, such as Itaú Unibanco Holding, the effectiveness of the accounting pronouncements issued by entities such as the CPC depends on approval of the pronouncement by the CMN, which also establishes the date of effectiveness of any pronouncements with respect to financial institutions. Additionally, the CVM and other regulatory bodies, such as the SUSEP and the Central Bank, provide additional industry-specific guidelines.

Regulation Applicable to the Presentation of the Financial Statements

Brazilian regulations establish specific rules for the consolidation of financial statements by financial institutions. Under current Central Bank regulations, financial institutions, except for credit cooperatives, are required to prepare consolidated financial statements including investments directly or indirectly held in other companies, individually or jointly controlled, and with respect to which such financial institutions have (i) the right to appoint or designate the majority of the company's board of directors; (ii) the right to appoint or remove the majority of the company's executives and directors; and/or (iii) operational or shareholding control. These regulations apply to the entire group to which a financial institution belongs.

Assets

Portfolio of Securities and Derivative Financial Instruments

General information

We present below our portfolio of held-for-trading financial assets, available-for-sale financial assets, held-to-maturity financial assets and derivative financial instruments as of December 31, 2014, 2013 and 2012.

The amounts exclude our investments in securities of unconsolidated companies. For further information on our investments in unconsolidated companies, see section Performance, item consolidated financial statement (IFRS), Note 13 – Investments in associates and joint ventures. Held-for-trading and available-for-sale financial assets are stated at fair value and held-to-maturity financial assets are stated at amortized cost. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 2 – Significant Accounting Policies for further details.

As of December 31, 2014, we held securities issued by the Brazilian federal government classified as “Government Securities – Domestic” with an aggregate book value and an aggregate market value of R\$134,791 million and R\$135,587 million, respectively, which represented 134.0% of our consolidated stockholders' equity

as of that date. As of December 31, 2014, we did not hold securities of any other issuer the book value of which in the aggregate represented more than 10.0% of our consolidated stockholders' equity. This is due to our conservative assets and liabilities management and our liquidity in local currency maintained in securities issued by the Brazilian federal government. Additionally, securities issued by the Brazilian federal government are accepted as deposits in our operations in the market on BM&FBovespa.

Held-for-trading

Listed below are the assets acquired and accrued mainly for the purpose of selling in the short term or when they are part of a portfolio of financial instruments that are managed as a whole and for which there is a recent history of sales in the short term. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 7 – Financial Assets Held for Trading and Designated at Fair Value Through Profit or Loss, for further details.

(In millions of R\$, except percentages)

	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Held-for-trading financial assets	132,944	100.0	148,860	100.0	145,516	100.0
Investment funds	870	0.7	1,062	0.7	1,468	1.0
Government securities – domestic	88,307	66.4	113,039	75.9	112,492	77.3
Brazilian government securities	86,393	65.0	111,135	74.7	111,206	76.4
Brazilian external debt bonds	1,914	1.4	1,904	1.3	1,286	0.9
Government securities – abroad	1,540	1.2	679	0.5	872	0.6
Argentina	628	0.5	99	0.1	106	0.1
United States	448	0.3	18	0.0	345	0.2
Mexico	3	0.0	182	0.1	225	0.2
Chile	132	0.1	6	0.0	108	0.1
Paraguay	128	0.1	-	-	-	-
Uruguay	41	0.0	41	0.0	33	0.0
Colombia	88	0.1	226	0.2	34	0.0
Belgium	-	-	107	0.1	-	-
Peru	-	-	-	-	21	0.0
Other	72	0.1	-	-	-	-
Corporate securities	42,227	31.8	34,080	22.9	30,684	21.1
Shares	2,351	1.8	2,896	1.9	2,815	1.9
Securitized real estate loans	3,281	2.5	3,006	2.0	21	0.0
Bank deposit certificates	1	0.0	12	0.0	2,933	2.0
Debentures	4,243	3.2	5,097	3.4	4,636	3.2
Eurobonds and other	1,061	0.8	1,278	0.9	1,612	1.1
Financial credit bills	30,711	23.1	21,566	14.5	18,441	12.7
Promissory Notes	577	0.4	27	0.0	20	0.0
Other	2	0.0	198	0.1	206	0.1
Held-for-trading financial assets as a percentage of total assets (%)	11.8		14.5		15.2	

We note that Brazilian government bonds represented over 65.0% of our portfolio of held-for-trading securities in 2014. Brazilian government bonds represented 7.7% of total assets in the same period.

Available-for-sale

Listed below are financial assets that, according to management's

understanding, may be sold in response to, or before changes in, market conditions and are not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 10 – Available for Sale Financial Assets, for further details.

(In millions of R\$, except percentages)

	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Available-for-sale financial assets	78,360	100.0	96,626	100.0	90,869	100.0
Investment funds	141	0.2	211	0.2	255	0.3
Government securities – domestic	25,625	32.7	39,648	41.0	43,527	47.9
Brazilian government securities	14,391	18.4	27,939	28.9	25,462	28.0
Brazilian external debt bonds	11,234	14.3	11,709	12.1	18,065	19.9
Government securities – abroad	8,619	11.0	8,658	9.0	7,137	7.9
United States	726	0.9	1,101	1.1	375	0.4
Italy	70	0.1	94	0.1	-	-
Denmark	2,699	3.4	2,631	2.7	2,554	2.8
Spain	783	1.0	-	-	-	-
Korea	1,782	2.3	2,455	2.5	1,662	1.8
Chile	1,119	1.4	1,047	1.1	1,534	1.7
Paraguay	849	1.1	638	0.7	491	0.5

(In millions of R\$, except percentages)

	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Uruguay	243	0.3	420	0.4	294	0.3
Belgium	57	0.1	51	0.1	71	0.1
France	133	0.2	88	0.1	57	0.1
United Kingdom	-	-	-	-	83	0.1
Netherlands	151	0.2	126	0.1	-	-
Other	7	0.0	7	0.0	16	0.0
Corporate securities	43,975	56.1	48,109	49.8	39,950	44.0
Shares	1,999	2.6	2,025	2.1	3,812	4.2
Securitized real estate loans	2,522	3.2	12,275	12.7	8,568	9.4
Bank deposit certificates	1,281	1.6	2,181	2.3	391	0.4
Debentures	20,245	25.8	15,507	16.0	13,964	15.4
Eurobonds and others	6,707	8.6	4,896	5.1	5,596	6.2
Promissory notes	1,397	1.8	1,227	1.3	777	0.9
Rural Product Note	1,408	1.8	625	0.6	778	0.9
Financial credit bills	8,005	10.2	8,804	9.1	5,720	6.3
Other	411	0.5	569	0.6	344	0.4
Available-for-sale financial assets as a percentage of total assets (%)	7.0		9.4		9.5	

Brazilian government bonds and debt securities of companies represented 18.4% and 56.1%, respectively, of our portfolio of available-for-sale securities in 2014. Brazilian government bonds and debt securities of companies classified as available-for-sale securities, which are used a hedge for our subordinated debt portfolio, represented 1.3% and 3.9%, respectively, of total assets in the same period.

Held-to-maturity

Listed below are non-derivative financial assets that with respect to which we have the intention and financial ability to held to maturity. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 11 – Held to Maturity Financial Assets, for further details.

(In millions of R\$, except percentages)

	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Held-to-maturity financial assets	34,434	100.0	10,116	100.0	3,202	100.0
Government securities – domestic	20,859	60.6	10,092	99.8	3,131	97.8
Brazilian government securities	10,555	30.7	3,778	37.4	3,013	94.1
Brazilian external debt bonds	10,304	29.9	6,314	62.4	118	3.7
Government securities – abroad – Uruguay	26	0.1	23	0.2	20	0.6
Corporate securities	13,549	39.3	1	0.0	51	1.6
Debentures	-	-	-	-	-	-
Eurobonds and others	2	0.0	1	0.0	51	1.6
Securitized real estate loans	13,547	39.3	-	-	-	-
Held-to-maturity financial assets as a percentage of total assets (%)	3.1		1.0		0.3	

Derivatives

Derivatives are classified on the date of their acquisition in accordance with management's intention to use them as a hedging instrument, as determined by Brazilian regulations. Our

derivatives portfolio (assets and liabilities) is composed of futures, forward, swaps, options and credit derivatives, as stated in the table below (Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 8 – Derivatives for further details):

(In millions of R\$, except percentages)

DERIVATIVE FINANCIAL INSTRUMENTS	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Assets						
Futures	-	-	-	-	-	-
Options premiums	2,872	20.3	1,717	15.1	1,906	16.4
Forwards (Brazil)	2,394	16.9	3,315	29.2	3,530	30.4
Swaps – difference receivable	4,816	34.0	4,442	39.1	3,686	31.8
Credit derivative	122	0.9	686	6.0	728	6.3
Forwards (offshore)	2,106	14.9	555	4.9	379	3.3
Check of swap – companies	93	0.7	88	0.8	35	0.3
Others	1,753	12.4	563	5.0	1,333	11.5
Total derivative financial instruments assets	14,156	100.0	11,366	100.0	11,597	100.0
Derivative financial instruments as percentage of total assets (%)	1.3		1.1		1.2	

(In millions of R\$, except percentages)

DERIVATIVE FINANCIAL INSTRUMENTS	AS OF DECEMBER 31,					
	2014	% OF TOTAL	2013	% OF TOTAL	2012	% OF TOTAL
Liabilities						
Futures	(354)	2.0	(33)	0.3	(23)	0.2
Options premiums	(3,057)	17.6	(1,921)	16.8	(2,281)	20.6
Forwards (Brazil)	(682)	3.9	(1,862)	16.3	(2,293)	20.7
Swaps – difference payable	(9,534)	55.0	(6,111)	53.6	(5,068)	45.8
Credit derivative	(179)	1.0	(391)	3.4	(90)	0.8
Forwards (offshore)	(1,693)	9.8	(560)	4.9	(346)	3.1
Swaps with USD check – companies	(229)	1.3	(145)	1.3	(42)	0.4
Others	(1,622)	9.3	(382)	3.3	(926)	8.4
Total derivative financial instruments liabilities	(17,350)	100.0	(11,405)	100.0	(11,069)	100.0
Derivative financial instruments as percentage of total liabilities and stockholder's equity (%)	1.5		1.1		1.2	

(In millions of R\$, except percentages)

DISTRIBUTION OF OUR FINANCIAL ASSETS BY MATURITY	AS OF DECEMBER 31, 2014											
	NO STATED MATURITY		DUE IN 1 YEAR OR LESS		DUE AFTER 1 YEAR TO 5 YEARS		DUE AFTER 5 YEARS TO 10 YEARS		DUE AFTER 10 YEARS		TOTAL	
	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)
Held-for-trading financial assets, at fair value	3,220	-	50,231	-	57,074	-	16,279	-	6,140	-	132,944	-
Investment funds ⁽¹⁾	870	0.0	-	-	-	-	-	-	-	-	870	0.0
Government securities – domestic	-		35,863		31,002		15,410		6,032		88,307	
Brazilian government securities	-	0.0	35,167	0.2	29,985	3.9	15,393	5.9	5,848	3.3	86,393	2.7
Brazilian external debt bonds	-	0.0	696	7.8	1,017	5.9	17	0.6	184	4.3	1,914	6.4
Government securities – abroad	-		1,279		245		13		4		1,540	
Argentina	-	0.0	553	23.5	71	21.0	4	25.2	0	1.6	628	23.2
United States	-	0.0	390	2.4	58	0.1	-	0.0	-	0.0	448	2.1
Mexico	-	0.0	-	-	2	6.0	1	4.8	0	5.9	3	6.6
Chile	-	0.0	132	3.9	-	0.0	-	0.0	-	0.0	132	3.9
Paraguay	-	0.0	128	5.9	0	0.0	-	0.0	-	0.0	128	5.9
Uruguay	-	0.0	34	12.3	4	12.8	1	6.5	2	7.2	41	12.0
Colombia	-	0.0	27	0.0	55	0.2	7	0.6	0	6.1	88	0.2
Other	-	0.0	16	0.2	54	1.0	-	0.0	2	7.4	72	1.0
Corporate securities	2,351		13,088		25,829		855		104		42,227	
Shares	2,351	0.0	-	-	-	-	-	-	-	-	2,351	0.0
Securitized real estate loans	-	0.0	-	0.0	-	-	1	0.0	-	0.0	1	0.0
Bank deposit certificates	-	0.0	1,198	0.0	2,083	0.0	-	-	-	0.0	3,281	0.0
Debentures	-	0.0	794	0.0	2,521	0.1	832	0.2	96	0.5	4,243	0.1
Eurobonds and other	-	0.0	390	6.9	641	7.7	21	6.4	8	5.6	1,061	7.3
Financial credit bills	-	0.0	10,128	0.0	20,583	0.0	-	0.0	-	0.0	30,711	0.0
Promissory notes	-	0.0	577	0.0	-	0.0	-	-	-	0.0	577	0.0
Other	-	0.0	-	0.0	-	0.0	2	-	-	0.0	2	0.0
Financial assets designated at fair value through profit or loss – Government securities – domestic – Brazilian external debt bonds	733		-		-		-		-		733	
Derivatives	2,408		6,311		3,682		1,755				14,156	
Available-for-sale financial assets, at fair value	2,141	-	20,079	-	29,743	-	12,650	-	13,747	-	78,360	
Investment funds ⁽¹⁾	142	0.0	(1)	0.0	-	-	-	-	-	-	141	
Government securities – domestic	-		300		8,693		5,007		11,625		25,625	
Brazilian government securities	-	-	260	0.1	6,358	1.7	2,415	5.0	5,358	4.2	14,391	3.2
Brazilian external debt bonds	-	-	40	0.1	2,335	2.1	2,592	5.9	6,266	8.3	11,234	6.3
Government securities – abroad	-		6,679		1,891		50		0		8,619	
United States	-	0.0	181	0.0	545	0.6	-	0.0	-	0.0	726	0.5
Italy	-	0.0	-	-	70	0.0	-	0.0	-	0.0	70	0.0
Denmark	-	0.0	2,459	8.4	241	9.5	-	0.0	-	0.0	2,699	8.5
Spain	-	0.0	783	0.0	-	0.0	-	0.0	-	0.0	783	0.0
Korea	-	0.0	1,328	0.0	454	0.0	-	0.0	-	0.0	1,782	0.0

(In millions of R\$, except percentages)

DISTRIBUTION OF OUR FINANCIAL ASSETS BY MATURITY	AS OF DECEMBER 31, 2014											
	NO STATED MATURITY		DUE IN 1 YEAR OR LESS		DUE AFTER 1 YEAR TO 5 YEARS		DUE AFTER 5 YEARS TO 10 YEARS		DUE AFTER 10 YEARS		TOTAL	
	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)	R\$	AVERAGE YIELD (%)
Chile	-	0.0	1,103	2.9	16	1.4	-	0.0	-	0.0	1,119	2.9
Paraguay	-	0.0	566	7.1	283	8.4	-	0.0	-	0.0	849	7.5
Uruguay	-	0.0	152	0.1	41	0.1	50	0.1	0	0.1	243	0.1
Belgium	-	0.0	57	2.8	-	0.0	-	0.0	-	0.0	57	2.7
France	-	0.0	49	2.7	84	1.0	-	0.0	-	0.0	133	1.6
Netherlands	-	0.0	-	0.0	151	0.0	-	0.0	-	0.0	151	0.0
Other	-	0.0	0	1.2	7	1.1	-	0.0	0	1.2	7	1.0
Corporate securities	1,999		13,101		19,160		7,594		2,122		43,975	
Shares	1,999	0.0	-	0.0	-	-	-	-	-	0.0	1,999	0.0
Securitized real estate loans	-	0.0	30	0.0	500	0.0	668	0.0	1,324	0.0	2,522	0.0
Bank deposit certificates	-	0.0	1,262	0.3	20	3.6	-	-	-	0.0	1,281	0.4
Debentures	-	0.0	3,478	3.2	9,761	2.1	6,238	2.6	767	5.1	20,245	2.6
Eurobonds and others	-	0.0	2,560	0.1	3,558	0.1	589	0.1	-	0.0	6,707	0.1
Promissory notes	-	0.0	1,397	0.0	-	0.0	-	0.0	-	0.0	1,397	0.0
Rural product note	-	0.0	779	9.9	531	9.8	99	11.7	-	0.0	1,408	9.9
Financial credit bills	-	0.0	3,500	1.7	4,505	0.8	-	-	-	0.0	8,005	1.2
Other	-	0.0	95	0.0	286	0.0	0	0.0	30	0.0	411	0.0
Held-to-maturity financial assets, at amortized cost	-	-	980	-	13,609	-	11,582	-	8,263	-	34,434	-
Government securities – domestic	-		50		10,089		6,789		3,931		20,859	
Brazilian government securities	-	-	50	-	6,700	0.0	1,307	0.0	2,498	0.0	10,555	0.0
Brazilian external debt bonds	-	-	-	0.0	3,389	4.4	5,481	5.4	1,434	8.8	10,304	5.5
Government securities – abroad	-		16		-		-		10		26	
Uruguay	-	-	16	0.1	-	-	-	-	10	0.1	26	0.1
Corporate securities	-		913		3,520		4,794		4,322		13,549	
Debentures	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Eurobonds and others	-	0.0	-	0.0	-	0.0	-	0.1	-	0.0	-	0.0
Securitized real estate loans	-	-	913	0.0	3,520	0.0	4,794	0.0	4,322	0.0	13,549	0.0

(1) Average yields are not shown for these securities, as such yields are not meaningful because future yields are not quantifiable. These securities have been excluded from the calculation of the total yield.

(In millions of R\$)

DISTRIBUTION OF OUR FINANCIAL ASSETS BY CURRENCY	FAIR VALUE			AMORTIZED COST		TOTAL
	HELD-FOR-TRADING FINANCIAL ASSETS	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE	DERIVATIVES	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY FINANCIAL ASSETS	
As of December 31, 2014	132,944	733	14,156	78,361	34,434	260,628
Denominated in Brazilian currency	117,625	-	14,149	59,668	28,332	219,774
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	15,079	-		4,590	6,102	25,771
Denominated in foreign currency ⁽¹⁾	240	733	7	14,103	-	15,083
As of December 31, 2013	148,860	371	11,366	96,626	10,116	267,339
Denominated in Brazilian currency	127,934	-	11,351	73,717	5,020	218,022
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	20,397	-		11,927	5,096	37,420
Denominated in foreign currency ⁽¹⁾	529	371	15	10,982	-	11,897
As of December 31, 2012	145,516	220	11,597	90,869	3,202	251,404
Denominated in Brazilian currency	122,970		11,563	66,484	3,043	204,060
Denominated in Brazilian currency and indexed by foreign currency ⁽¹⁾	21,959			14,610	159	36,728
Denominated in foreign currency ⁽¹⁾	587	220	34	9,775	-	10,616

(1) Predominantly U.S. dollars.

For the purpose of analyzing the exposure of variations in foreign exchange rates, the table below presents the composition of our derivative financial instruments on December 31, 2014 in *reais* and in foreign currency, including the instruments denominated in foreign currencies. For the fair value of derivative financial instruments, please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 7 – Financial Assets Held for Trading and Designated at Fair Value Through Profit or Loss and Note 36 – Management of Financial Risks.

(In millions of R\$)

DERIVATIVE FINANCIAL INSTRUMENTS (NOTIONAL AMOUNTS)	BRAZILIAN CURRENCY	DENOMINATED IN OR LINKED TO FOREIGN CURRENCY	TOTAL
Swap contracts			
Buy (Sale) commitments, net	7,607	(12,739)	(5,132)
Forward contracts			
Buy (Sale) commitments, net	(7,547)	6,922	(625)
Future contracts			
Buy (Sale) commitments, net	(29,889)	(105,271)	(135,160)
Option contracts			
Buy (Sale) commitments, net	(44,853)	2,417	(42,436)
Others			
Buy (Sale) commitments, net	4,536	968	5,504

Exposure to GIIPS

Our gross exposure to the sovereign bonds of the GIIPS (Greece, Ireland, Italy, Portugal and Spain) countries as well as to financial institutions and other corporations and small businesses and individuals domiciled in those countries as of December 31, 2014, is set forth in the table below:

(In millions of R\$)

SEGMENT	AS OF DECEMBER 31, 2014					
	CREDIT	CO-OBLIGATION	SOVEREIGN	BOND	DERIVATIVE	TOTAL EXPOSURE
Italy	57	-	70	-	-	127
Corporate	57	-	70	-	-	127
Financial	-	-	-	-	-	-
Portugal	97	1	-	8	-	106
Corporate	97	-	-	-	-	97
Financial	-	1	-	8	-	9
Spain	1,207	1,152	-	783	8	3,150
Corporate	1,207	1,075	-	-	1	2,283
Financial	-	77	-	783	7	867
Total	1,361	1,153	70	791	8	3,383

The gross exposure presented above, primarily related to our exposure to corporate credits, amounted R\$3,383 million as of December 31, 2014, with co-obligations in the amount of R\$1,153 million. The exposure presented above has been calculated based on our estimated realizable value, which is updated depending on its nature (such as pledged amounts in current accounts used to collect customer receivables, financial investments, real estate, machinery and equipment or others), except for guarantees provided by third parties, in which case the amount corresponds to the outstanding debt. Our derivatives related to GIIPS countries amounted to R\$8.0 million as of December 31, 2014.

Compulsory Deposits with the Central Bank

The Central Bank requires compulsory deposits from Brazilian financial institutions. The compulsory deposits are mechanisms to control the liquidity of the Brazilian financial system as well as a monetary policy resource of the Brazilian government. These requirements are applied to banking transactions, such as demand deposits, savings account deposits and time deposits. See below the compulsory deposit rates required for each type of investment:

COMPULSORY DEPOSITS	REGULATION ⁽¹⁾	YIELD	2014 (%)	2013 (%)	2012 (%)
Demand Deposits					
Compulsory	Circular No. 3,632	Zero	45	44	45
Additional Compulsory	Circular No. 3,655	SELIC	0	0	5
Rural ⁽²⁾	Resolution No. 4,096	Zero	34	34	30
Microcredit ⁽²⁾	Resolution No. 4,000	Zero	2	2	2
Savings Accounts⁽³⁾					
Compulsory	Circular No. 3,093	TR + 6.17 p.a.	20	20	20
Additional Compulsory	Circular No. 3,655	SELIC	10	10	10
Real estate financing ⁽²⁾	Resolution No. 3,932	Zero	65	65	65
Time and Interbank Deposits Received from Leasing Companies					
Compulsory	Circular No. 3,569	SELIC	20	20	14
Additional Compulsory	Circular No. 3,655	SELIC	11	11	4

(1) Most recent regulation on the matter.

(2) This is a compulsory investment of resources that is made in eligible transactions, that is, the funds are granted to other economic entities.

(3) Remuneration on funds in savings deposits:

For deposits made until March 5, 2012, inclusive: TR + 6.17 per annum.

For deposits made after March 5, 2012: (a) If the target of the Selic rate is higher than 8.5 per annum: TR + 6.17 per annum; (b) If the target of the Selic rate is lower than 8.5 per annum: TR + 70 of the target of the Selic rate per annum.

The most recent changes to the compulsory deposit rates were:

- The additional requirement on demand deposits was reduced from 6% to 0% in November 2012;

- The additional requirement on time deposits was reduced from 12% to 11% in November 2012;
- The compulsory on demand deposits were increased from 44% to 45% in July 2014; and

- Adjustment of the non-interest-bearing portion of time deposits in August 2014.

The regulations that govern the compulsory deposit rates are frequently changed by the Central Bank in accordance with the economic scenario and in response to its views on Brazilian

monetary policy. On December 31, 2014, we recorded the amount of R\$63,106 million in compulsory deposits in cash compared with R\$77,010 million on December 31, 2013, R\$59,714 million and R\$71,877 million, respectively, of which are interest-bearing. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 5 – Central Bank Compulsory Deposits for further details.

(In millions of R\$, except percentages)

	2014		2013		2012	
	R\$	% OF TOTAL COMPULSORY DEPOSITS	R\$	% OF TOTAL COMPULSORY DEPOSITS	R\$	% OF TOTAL COMPULSORY DEPOSITS
Non-interest bearing deposits ⁽¹⁾	3,392	5.4	5,133	6.7	6,448	10.1
Interest-bearing deposits ⁽²⁾	59,714	94.6	71,877	93.3	57,253	89.9
Total	63,106	100.0	77,010	100.0	63,701	100.0

(1) Mainly related to demand deposits.

(2) Mainly related to time and savings deposits.

Loan and lease operations

Substantially all of our loans are granted to clients domiciled in Brazil and are denominated in Brazilian *reais*. Additionally, 59.0% of our credit portfolio consists of transactions with fixed interest rates and 41.0% of transactions with variable interest rates.

Indexation

Most of our portfolio is denominated in Brazilian *reais*. However, a portion of our portfolio is indexed to foreign currencies, primarily the U.S. dollar. The foreign currency portion of our portfolio consists of loans and financing for foreign trade and onlending operations. Our loans indexed to foreign currencies or denominated in U.S. dollars represented 24.7%, 28.7% and 23.9% of our loan portfolio as of December 31, 2014, 2013 and 2012, respectively.

Loan and lease operations by type

The following table sets out the distribution of our credit portfolio according to the type of loan and lease operations, as follows:

- The Individuals portfolio consists primarily of credit cards, personal loans (primarily including consumer finance and overdrafts), vehicle financing and residential mortgage loans;
- The Corporate portfolio consists primarily of loans made to large corporate clients;
- The Small and Medium Businesses portfolio consists primarily of loans to small and medium-sized companies; and
- The Foreign Loans – Latin America portfolio consists primarily of loans granted primarily to individuals by our operations in Argentina, Chile, Paraguay and Uruguay.

(In millions of R\$)

LOAN AND LEASE OPERATIONS, BY TYPE ⁽¹⁾	2014		2013		2012		2011		2010	
	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE
Individuals	185,953	13,385	167,431	13,853	150,921	14,844	149,391	13,684	126,805	11,146
Credit card	59,321	3,740	53,149	2,952	40,531	2,863	38,961	3,825	33,041	3,306
Personal loans	27,953	7,024	26,635	6,488	26,749	6,841	25,876	4,842	17,144	3,590
Payroll Loans	40,525	1,107	22,571	1,133	13,550	867	10,107	556	8,402	429
Vehicles	29,047	1,469	40,584	3,245	51,646	4,227	60,463	4,415	60,151	3,709
Mortgage loans	29,107	45	24,492	35	18,445	46	13,984	46	8,067	112
Corporate	144,910	2,926	126,413	1,783	103,729	1,362	91,965	703	74,565	544
Small and Medium Businesses	79,912	5,373	81,601	6,085	85,185	9,091	85,649	9,197	79,950	8,041
Foreign Loans Latin America	41,656	708	36,257	514	27,149	416	19,259	289	13,517	263
Total loans and advances to clients	452,431	22,392	411,702	22,235	366,984	25,713	346,264	23,873	294,837	19,994

(1) We classify all loans and leases more than 60 days overdue as non-accrual loans and we discontinue accruing financial income related to them. The contractual amount of non-accrual loans were R\$16,514 million, R\$18,065 million, R\$20,791 million, R\$20,439 million and R\$14,736 million as of December 31, 2014, 2013, 2012, 2011 and 2010, respectively. The total of renegotiated loans in the balance of non-accrual loans reflected herein was R\$3,346 million, R\$4,627 million, R\$5,734 million, R\$4,365 million and R\$3,147 million as of December 31, 2014, 2013, 2012, 2011 and 2010, respectively. Non-accrual loans are presented herein in the appropriate category of loan and lease operations. The interest income foregone on our non-accrual loans net of allowance for loan losses for 2014, 2013, 2012, 2011 and 2010 was R\$1,623 million, R\$1,681 million, R\$1,852 million, R\$1,914 million and R\$1,548 million, respectively.

Loan and lease operations by maturity

The following table sets out the distribution of our credit portfolio by maturity, including non-overdue and overdue, according to the type of loan and lease:

(In millions of R\$)

TYPE OF LOAN AND LEASE	12/31/2014							TOTAL NON-OVERDUE INSTALLMENTS
	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS		
Individuals	29,985	25,941	20,510	23,392	54,906	22,651		177,385
Credit card	21,658	17,658	9,841	4,740	217	-		54,114
Personal loans	5,137	3,074	3,488	5,346	8,749	18		25,812
Payroll loans	1,259	2,328	3,290	6,082	25,614	1,744		40,317
Vehicles	1,482	2,516	3,496	6,348	14,267	1		28,110

(In millions of R\$)

NON-OVERDUE INSTALLMENTS				12/31/2014			
TYPE OF LOAN AND LEASE	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL NON-OVERDUE INSTALLMENTS
Mortgage loans	449	365	395	876	6,059	20,888	29,032
Corporate	13,551	18,756	14,560	19,907	61,163	15,676	143,613
Small and Medium Businesses	11,018	16,891	9,835	13,802	25,564	440	77,550
Foreign Loans Latin America	7,340	5,344	4,438	4,648	10,337	8,701	40,808
Total ⁽¹⁾	61,894	66,932	49,343	61,749	151,970	47,468	439,356

(1) Includes R\$7,533 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

NON-OVERDUE INSTALLMENTS				12/31/2013			
TYPE OF LOAN AND LEASE	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL NON-OVERDUE INSTALLMENTS
Individuals	27,605	22,520	17,913	21,482	52,209	17,294	159,023
Credit card	20,182	15,184	8,625	4,357	159	-	48,507
Personal loans	4,553	2,760	2,757	4,565	10,032	12	24,679
Payroll loans	730	1,203	1,725	3,266	15,486	24	22,434
Vehicles	1,942	3,098	4,389	8,333	21,266	2	39,030
Mortgage loans	198	275	417	961	5,266	17,256	24,373
Corporate	11,572	16,420	12,525	20,453	50,146	14,346	125,462
Small and Medium Businesses	12,705	15,235	9,470	14,091	26,808	431	78,740
Foreign Loans Latin America	5,139	4,325	3,722	3,613	7,687	11,000	35,486
Total ⁽¹⁾	57,021	58,500	43,630	59,639	136,850	43,071	398,711

(1) Includes R\$9,045 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

NON-OVERDUE INSTALLMENTS				12/31/2012			
TYPE OF LOAN AND LEASE	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL NON-OVERDUE INSTALLMENTS
Individuals	23,323	18,434	15,188	19,356	54,228	12,568	143,097
Credit card	15,791	11,861	6,340	3,032	95	-	37,119
Personal loans	4,117	2,124	2,484	4,162	11,144	261	24,292
Payroll loans	465	692	983	1,931	9,340	9	13,420
Vehicles	2,350	3,524	4,962	9,509	29,531	5	49,881
Mortgage loans	600	233	419	722	4,118	12,293	18,385
Corporate	10,212	13,194	14,524	16,103	39,169	9,663	102,865
Small and Medium Businesses	14,305	14,383	10,163	14,100	27,987	323	81,261
Foreign Loans Latin America	4,570	3,153	2,832	2,084	5,508	8,380	26,527
Total ⁽¹⁾	52,410	49,164	42,707	51,643	126,892	30,934	353,750

(1) Includes R\$11,611 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾				12/31/2014						
TYPE OF LOAN AND LEASE	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS	TOTAL GROSS LOANS	ALLOWANCE FOR LOAN LOSSES	TOTAL NET
Individuals	1,843	910	791	1,980	2,973	71	8,568	185,953	(13,385)	172,568
Credit card	990	467	422	1,166	2,114	48	5,207	59,321	(3,740)	55,581
Personal loans	433	240	243	574	645	6	2,141	27,953	(7,024)	20,929
Payroll loans	56	30	24	50	42	6	208	40,525	(1,107)	39,418
Vehicles	333	161	95	179	161	8	937	29,047	(1,469)	27,578
Mortgage loans	31	12	7	11	11	3	75	29,107	(45)	29,062
Corporate	673	48	78	245	253	-	1,297	144,910	(2,926)	141,984
Small and Medium Businesses	522	256	264	575	702	43	2,362	79,912	(5,373)	74,539
Foreign Loans Latin America	440	82	56	126	103	41	848	41,656	(708)	40,948
Total ⁽²⁾	3,478	1,296	1,189	2,926	4,031	155	13,075	452,431	(22,392)	430,039

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$8,981 million related to overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾							12/31/2013			
TYPE OF LOAN AND LEASE	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS	TOTAL GROSS LOANS	ALLOWANCE FOR LOAN LOSSES	TOTAL NET
Individuals	1,875	849	781	1,993	2,820	91	8,409	167,431	(13,853)	153,578
Credit card	932	344	375	1,114	1,840	36	4,641	53,149	(2,952)	50,197
Personal loans	353	223	226	534	616	3	1,955	26,635	(6,488)	20,147
Payroll loans	34	17	14	32	40	2	139	22,571	(1,133)	21,438
Vehicles	481	252	159	302	314	47	1,555	40,584	(3,245)	37,339
Mortgage loans	75	13	7	11	10	3	119	24,492	(35)	24,457
Corporate	341	204	135	173	97	2	952	126,413	(1,783)	124,630
Small and Medium Businesses	610	292	285	658	981	35	2,861	81,601	(6,085)	75,516
Foreign Loans Latin America	537	76	40	51	59	6	769	36,257	(514)	35,743
Total ⁽²⁾	3,363	1,421	1,241	2,875	3,957	134	12,991	411,702	(22,235)	389,467

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$9,020 million related to overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾							12/31/2012			
TYPE OF LOAN AND LEASE	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS	TOTAL GROSS LOANS	ALLOWANCE FOR LOAN LOSSES	TOTAL NET
Individuals	1,791	818	711	1,827	2,605	72	7,824	150,921	(14,844)	136,077
Credit card	634	231	261	848	1,430	8	3,412	40,531	(2,863)	37,668
Personal loans	500	277	259	615	802	4	2,457	26,749	(6,841)	19,908
Payroll loans	34	17	15	37	26	1	130	13,550	(867)	12,683
Vehicles	597	280	171	319	340	58	1,765	51,646	(4,227)	47,419
Mortgage loans	26	13	5	8	7	1	60	18,445	(46)	18,399
Corporate	476	203	7	84	94	-	864	103,729	(1,362)	102,367
Small and Medium Businesses	801	447	406	1,027	1,222	21	3,924	85,185	(9,091)	76,094
Foreign Loans Latin America	457	64	21	31	46	3	622	27,149	(416)	26,733
Total ⁽²⁾	3,525	1,532	1,145	2,969	3,967	96	13,234	366,984	(25,713)	341,271

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$9,180 million related to overdue installments of the non-accrual loans.

Loan and Lease Operations by interest rate

The following table sets out the classification of our credit portfolio into fixed and variables rates, including non-overdue and overdue installments:

(In millions of R\$)

(in millions of \$)

NON-OVERDUE INSTALLMENTS	12/31/2014						TOTAL NON-OVERDUE INSTALLMENTS
	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	
Interest rate of loans to customers by maturity							
Variable rates	13,506	23,137	15,346	21,499	66,894	42,765	183,147
Fixed rates	48,388	43,795	33,997	40,250	85,076	4,703	256,209
Total ⁽¹⁾	61,894	66,932	49,343	61,749	151,970	47,468	439,356

(1) Includes R\$7,533 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

12/31/2013							
NON-OVERDUE INSTALLMENTS	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL NON-OVERDUE INSTALLMENTS
Interest rate of loans to customers by maturity							
Variable rates	11,263	19,553	12,867	22,402	55,621	40,443	162,149
Fixed rates	45,758	38,947	30,763	37,237	81,229	2,628	236,562
Total ⁽¹⁾	57,021	58,500	43,630	59,639	136,850	43,071	398,711

(1) Includes R\$9,045 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

NON-OVERDUE INSTALLMENTS	12/31/2012						
	DUE IN 30 DAYS OR LESS	DUE IN 31-90 DAYS	DUE IN 91-180 DAYS	DUE IN 181-360 DAYS	DUE IN ONE YEAR TO FIVE YEARS	DUE AFTER FIVE YEARS	TOTAL NON-OVERDUE INSTALLMENTS
Interest rate of loans to customers by maturity							
Variable rates	10,007	16,207	12,713	16,379	48,581	29,569	133,456
Fixed rates	42,403	32,957	29,994	35,264	78,311	1,365	220,294
Total⁽¹⁾	52,410	49,164	42,707	51,643	126,892	30,934	353,750

(1) Includes R\$11,611 million related to non-overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾	12/31/2014						
	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS
Interest rate of loans to customers by maturity							
Variable rates	972	146	164	375	324	44	2,025
Fixed rates	2,506	1,150	1,025	2,551	3,707	111	11,050
Total⁽²⁾	3,478	1,296	1,189	2,926	4,031	155	13,075

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$8,981 million related to overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾	12/31/2013						
	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS
Interest rate of loans to customers by maturity							
Variable rates	755	195	165	258	185	12	1,570
Fixed rates	2,608	1,226	1,076	2,617	3,772	122	11,421
Total⁽²⁾	3,363	1,421	1,241	2,875	3,957	134	12,991

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$9,020 million related to overdue installments of the non-accrual loans.

(In millions of R\$)

OVERDUE INSTALLMENTS ⁽¹⁾	12/31/2012						
	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-360 DAYS	ONE YEAR OR MORE	TOTAL OVERDUE INSTALLMENTS
Interest rate of loans to customers by maturity							
Variable rates	714	263	39	119	153	7	1,295
Fixed rates	2,811	1,269	1,106	2,850	3,814	89	11,939
Total⁽²⁾	3,525	1,532	1,145	2,969	3,967	96	13,234

(1) Defined as loans and leases contractually past due as to payment of interest or principal.

(2) Includes R\$9,180 million related to overdue installments of the non-accrual loans.

Loan and Lease Operations by economic activity

The following table sets out the composition of our credit portfolio, including non-accrual loan operations, by economic activity of the borrower:

(In millions of R\$, except percentages)

ECONOMIC ACTIVITIES	12/31/2014		12/31/2013		12/31/2012	
	LOAN PORTFOLIO	% OF LOAN PORTFOLIO	LOAN PORTFOLIO	% OF LOAN PORTFOLIO	LOAN PORTFOLIO	% OF LOAN PORTFOLIO
Public sector	4,389	1.0	3,981	1.0	877	0.2
Industry and commerce	116,506	25.7	115,025	27.8	107,405	29.3
Services	99,855	22.1	87,103	21.2	77,922	21.2
Primary sector	23,345	5.2	20,492	5.0	16,649	4.5
Individuals	206,094	45.5	183,548	44.6	161,937	44.2
Other sectors	2,242	0.5	1,553	0.4	2,194	0.6
Total	452,431	100.0	411,702	100.0	366,984	100.0

On December 31, 2014, there was no concentration of loan and lease operations exceeding 10% of the total portfolio that had not been disclosed in a category of loan and losses.

Rating of the Loan and Lease Portfolio

The following table presents the rating of our loan and lease portfolio based on the probability of default for the periods indicated below.

(In millions of R\$, except percentages)

INTERNAL RATING	12/31/2014			
	LOANS NEITHER OVERDUE NOR IMPAIRED	LOANS OVERDUE NOT IMPAIRED ⁽¹⁾	LOANS IMPAIRED	TOTAL LOANS
Lower Risk	324,908	4,042	-	328,950
Satisfactory	81,994	6,989	-	88,983
Higher Risk	11,439	5,853	-	17,292
Impaired ⁽²⁾	-	-	17,206	17,206
Total	418,341	16,884	17,206	452,431
%	92.5	3.7	3.8	100.0

(In millions of R\$, except percentages)

INTERNAL RATING	12/31/2013			
	LOANS NEITHER OVERDUE NOR IMPAIRED	LOANS OVERDUE NOT IMPAIRED ⁽¹⁾	LOANS IMPAIRED	TOTAL LOANS
Lower Risk	300,816	4,354	-	305,170
Satisfactory	64,722	7,676	-	72,398
Higher Risk	11,273	6,556	-	17,829
Impaired ⁽²⁾	-	-	16,305	16,305
Total	376,811	18,586	16,305	411,702
%	91.5	4.5	4.0	100.0

(In millions of R\$, except percentages)

INTERNAL RATING	12/31/2012			
	LOANS NEITHER OVERDUE NOR IMPAIRED	LOANS OVERDUE NOT IMPAIRED ⁽¹⁾	LOANS IMPAIRED	TOTAL LOANS
Lower Risk	249,282	5,438	-	254,720
Satisfactory	61,075	9,436	-	70,511
Higher Risk	14,190	8,052	-	22,242
Impaired ⁽²⁾	-	-	19,511	19,511
Total	324,547	22,926	19,511	366,984
%	88.5	6.2	5.3	100.0

(1) The operations classified as Loans Overdue Not Impaired are past due between 1 day and 90 days and the balance is the total of outstanding principal amount (Overdue and Non-Overdue).

(2) We consider loans as impaired when (i) corporate transactions have a probability of default higher than 31.84%; (ii) transactions are overdue for more than 90 days; or (iii) renegotiated transactions are overdue for more than 60 days.

The credit rating in corporate transactions is based on information such as the economic and financial condition of the counterparty, its cash-generating capabilities, the economic group to which it belongs, the current and prospective situation of the economic sector in which it operates, the collateral offered and the use of proceeds. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism reporting to the Superior Credit Committee.

Regarding retail transactions (individuals, small and middle-market companies) the rating is assigned based on application and behavior score statistical models. Decisions are made based on scoring models that are continuously updated by an independent unit. In limited instances, there may also be an individualized analysis of specific cases where approval is subject to competent credit approval levels. The risk ratings are grouped in four categories: (i) lower risk, (ii) satisfactory, (iii) higher risk and (iv) impaired. Please refer to section Performance, item Financial Performance – Allowance for Loan and Lease Losses, for further details on the individual and collective analyses.

Non-accrual Loans

We consider all loans overdue for 60 days or more as non-accrual loans and, accordingly, cease the accrual of financial charges on such loans. In 2014, we did not have any material non-accrual loans.

Write-offs

Loans and leases are written off against the allowance for loan and lease losses when the loan is not collected or is considered permanently impaired. We typically write off loans when they are overdue for 360 days, except for loans having an original maturity in excess of 36 months, which are written off when they are overdue for 540 days. However, write-offs may be recognized earlier than 360 days if we conclude that the loan is not recoverable.

Please refer to section Performance, item Assets – Loan and Lease Operations – Renegotiated Loans for further details.

Information on the Quality of Loans and Leases

The table below shows our non-accrual loans together with certain asset quality ratios.

(In millions of R\$, except percentages)

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Non-accrual loans	16,514	18,065	20,791	20,439	14,736
Allowance for loan losses	22,392	22,235	25,713	23,873	19,994
Total loans and leases operations portfolio	452,431	411,702	366,984	346,264	294,837
Non-accrual loans as a percentage of total loans (%)	3.7	4.4	5.7	5.9	5.0
Allowance for loan losses as a percentage of total loans (%)	4.9	5.4	7.0	6.9	6.8
Allowance for loan losses as a percentage of non-accrual loans (%)	135.6	123.1	123.7	116.8	135.7

Allowance for Loan and Lease Losses

(In millions of R\$, except percentages)

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
Balance at the beginning of period	22,235	25,713	23,873	19,994	20,245
Write-offs	(18,675)	(21,769)	(22,142)	(16,159)	(15,798)
Individuals	(12,668)	(13,541)	(12,317)	(8,655)	(9,407)
Credit card	(3,784)	(3,513)	(4,073)	(3,038)	(2,731)
Personal loans	(5,150)	(6,247)	(4,895)	(3,222)	(3,908)
Payroll loans	(429)	(480)	(472)	(308)	(316)
Vehicles	(3,254)	(3,263)	(2,840)	(2,013)	(2,377)
Mortgage loans	(51)	(38)	(37)	(74)	(75)
Corporate	(672)	(478)	(556)	(122)	(150)
Small and Medium Businesses	(4,992)	(7,573)	(9,209)	(7,118)	(5,793)
Foreign Loans Latin America	(343)	(177)	(60)	(264)	(448)
Increase Allowance for loan and lease losses	18,832	17,856	23,982	20,038	15,547
Balance at the end of period	22,392	22,235	25,713	23,873	19,994
Recoveries from Loans Writen Off	5,054	5,061	4,664	5,477	4,195
Individuals	2,077	2,058	1,918	2,362	1,804
Credit card	663	653	515	616	470
Personal loans	577	525	427	446	184
Payroll loans	453	278	173	160	120
Vehicles	324	499	656	956	856
Mortgage loans	60	103	147	184	174
Corporate	1,619	1,554	1,318	1,455	1,061
Small and Medium Businesses	893	1,003	1,083	1,355	1,138
Foreign Loans Latin America	465	446	345	305	192
Net Write-offs	(13,621)	(16,708)	(17,478)	(10,682)	(11,603)
Ratio of Write-offs during the period to average loans outstanding during the period (%)	4.4	5.7	6.2	5.1	5.9
Ratio of net write-offs during the period to average loans outstanding during the period (%)	3.2	4.4	4.9	3.3	4.3
Ratio of allowance for loan losses to total loans and leases (%)	4.9	5.4	7.0	6.9	6.8

During the year ended December 31, 2014, we wrote off a total amount of R\$18,675 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 4.9%. The decrease in loans written off is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

During the year ended December 31, 2013, we wrote off a total amount of R\$21,769 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 5.4%. The decrease in loans written off is a result of the adoption of a policy of stricter selectivity in origination, which gave rise to lower default levels compared to the previous year.

During the year ended December 31, 2012, we wrote off a total amount of R\$22,142 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 7.0%. The increase in loans written off is due to the increase in defaults in 2011 and beginning of 2012, associated with the increase in the volume of our portfolio of credit card, personal loans, small and medium businesses.

During the year ended December 31, 2011, we wrote off a total amount of R\$16,159 million from our loan portfolio and our ratio of the allowance for loan and lease losses to total loans and leases was 6.9%. Our ratio of allowance for loan and lease losses to total loans increased by 10 basis points when compared to the previous year, since the volume of loans and leases written off was maintained at the same level in 2011. This level was maintained as a result of the increase in default rates in 2009 and 2010, together with a strong growth of the loan and lease portfolio in 2011.

During the year ended December 31, 2010, we wrote off a total amount of R\$15,798 million from our loan portfolio and, on December 31, 2010, our ratio of the allowance for loan and lease losses to total loans and leases was 6.8%.

Assessment

We first assess whether there is objective evidence of loss individually allocated to individually significant loans or collectively allocated to loans that are not individually significant.

To determine the amount of the allowance for individually significant loans with objective evidence of impairment, we use methodologies that consider both the client quality and the nature of the financing, including its collateral, to estimate the cash flow expected from these loans.

If there is no objective evidence of loss for an individually assessed loan, whether significant or not, the loan is included in a group of loans with similar credit risk characteristics which are then collectively tested for impairment. Individually assessed loans for which an impairment loss is recognized are not included in the collective assessment. The amount of loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future loan losses that have not been incurred), discounted at the financial asset's effective interest rate.

For collectively assessed loans, the calculation of the present value of the estimated future cash flows, for which collateral is received, reflects the historical performance and recovery of the fair value,

considering the cash flows that may arise from the performances less costs for obtaining and selling that collateral.

For the purpose of collectively assessing impairment, loans are aggregated based on similar credit risk characteristics. These characteristics are relevant to estimate the future cash flows of these loans since they may be an indicator of the difficulty of the debtor in paying the amounts due, in accordance with the contractual conditions of the loan that is being assessed. The future cash flows of a group of loans that are collectively assessed in order to identify the need for recognizing an impairment are estimated based on the contractual cash flows of the group of loans and the historical experience of loss for loans with similar credit risk characteristics. The historical loss experience is adjusted, based on current observable data, to reflect the effects of current conditions that have not impacted the period on which the historical loss experience is based and to exclude the effects of conditions in the historical period that are not currently in place.

For individually significant loans with no objective evidence of impairment, such loans are classified into certain credit ratings based on several qualitative and quantitative factors applied to internally developed models. Considering the size and the

different risk characteristics of each credit agreement, the ratings determined under internal models may be reviewed and modified by our Credit Committee, the members of which are executives and experts in corporate credit risk. We estimate the losses inherent in every rating, using the approach internally developed to low-default portfolios, which uses our historical experience to design internal models that are used to estimate the probability of default and the potential for recovery of non-performing loans.

To determine the amount of the allowance for items that are not individually significant, loans are segregated into classes based on the underlying risks and the characteristics of each group. The allowance for loan and lease losses is determined for each of these classes through a process that considers the historical delinquency and the loan loss experience in the last years.

Allocation of the Allowance for Loan and Lease Losses

The table below presents the details, by segment and class, as defined in the segmentation of our portfolio, of the allowance for loan and lease losses, of this allowance as a percentage of the total loan and lease losses for the corresponding segment or class, and the percentage of the total loan and leases in each segment and class in relation to the total loans and leases.

(In millions of R\$, except percentages)

	12/31/2014			12/31/2013			12/31/2012			12/31/2011			12/31/2010		
	ALLOCATED ALLOWANCE	ALLOCATED ALLOWANCE AS A % OF TOTAL LOANS AND LEASES	LOANS CATEGORY AS A % OF TOTAL LOANS	ALLOCATED ALLOWANCE	ALLOCATED ALLOWANCE AS A % OF TOTAL LOANS AND LEASES	LOANS CATEGORY AS A % OF TOTAL LOANS	ALLOCATED ALLOWANCE	ALLOCATED ALLOWANCE AS A % OF TOTAL LOANS AND LEASES	LOANS CATEGORY AS A % OF TOTAL LOANS	ALLOCATED ALLOWANCE	ALLOCATED ALLOWANCE AS A % OF TOTAL LOANS AND LEASES	LOANS CATEGORY AS A % OF TOTAL LOANS	ALLOCATED ALLOWANCE	ALLOCATED ALLOWANCE AS A % OF TOTAL LOANS AND LEASES	LOANS CATEGORY AS A % OF TOTAL LOANS
Individuals	13,385	3.0	41.1	13,853	3.4	40.7	14,844	4.0	41.1	13,684	4.0	43.1	11,146	3.8	43.0
Credit card	3,740	0.8	13.1	2,952	0.7	12.9	2,863	0.8	11.0	3,825	1.1	11.3	3,306	1.1	11.2
Personal loans	7,024	1.6	6.2	6,488	1.6	6.5	6,841	1.9	7.3	4,842	1.4	7.5	3,590	1.2	5.8
Payroll loans	1,107	0.2	9.0	1,133	0.3	5.5	867	0.2	3.7	556	0.2	2.9	429	0.1	2.8
Vehicles	1,469	0.3	6.4	3,245	0.8	9.9	4,227	1.2	14.1	4,415	1.3	17.5	3,709	1.3	20.4
Mortgage loans	45	-	6.4	35	-	5.9	46	-	5.0	46	-	4.0	112	-	2.7
Corporate	2,926	0.6	32.0	1,783	0.4	30.7	1,362	0.4	28.3	703	0.2	26.6	544	0.2	25.3
Small and Medium Businesses	5,373	1.2	17.7	6,085	1.5	19.8	9,091	2.5	23.2	9,197	2.7	24.7	8,041	2.7	27.1
Foreign Loans Latin America	708	0.2	9.2	514	0.1	8.8	416	0.1	7.4	289	0.1	5.6	263	0.1	4.6
Total	22,392	4.9	100.0	22,235	5.4	100.0	25,713	7.0	100.0	23,873	6.9	100.0	19,994	6.8	100.0

Renegotiated Loans

(In millions of R\$, except percentages)

	YEAR ENDED DECEMBER 31,			
	2014	2013	2012	2011
Renegotiated loans ⁽¹⁾	11,572	12,880	14,519	11,844
Allowance for loan and lease losses	5,459	6,284	6,767	5,355
Allowance for loan and lease losses/ renegotiated loans (%)	47.2	48.8	46.6	45.2

(1) Includes debt consolidation, deferment or any other arrangement that modifies the periods or conditions, of operations originally overdue.

Renegotiated loans include both loans for which the credit agreement's original terms were amended (agreements) and new loans originated in order to settle contracts or transactions with the same client (restructured loans), which were originally past due.

Amendments and restructured loans usually reflect changes in contract terms, rates or payment conditions.

In almost all cases for loan products, renegotiated loans require that at least one payment be made under the renegotiated terms in order for it to be removed from non-performing and non-accrual status. Renegotiated loans return to non-performing and non-accrual status when they reach 60 days past due under the renegotiated terms, which typically corresponds to the borrower missing two or more payments.

The fact that a loan or lease has been renegotiated is also taken into consideration when determining the allowance for loan and lease losses after the renegotiation. The past performance and the payment history of the client and the transaction, including the probability

of another default for renegotiated transactions, are considered in our risk models in order to determine the probability of default. This probability of default is generally higher than the probability assigned to similar transactions that have never been renegotiated. Another factor considered in determining the appropriate level of the allowance for loan and lease losses is the additional collateral to be offered by the debtor. The resulting allowance levels are compatible with the risk profile of each transaction.

Our renegotiated loan portfolio decreased to 2.56% of our total loan portfolio as of December 31, 2014, compared to 3.13% as of December 31, 2013. At the end of 2014, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 47.2% compared to 48.8% as of December 31, 2013. Throughout 2014, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Our renegotiated loan portfolio decreased to 3.13% of our total loan portfolio as of December 31, 2013, compared to 3.96% as of December 31, 2012. At the end of 2013, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 48.8% compared to 46.6% as of December 31, 2012. Throughout the year 2013, the allowance for loan and lease losses followed the evolution of the "mix" of portfolio credit risk in the renegotiated loan portfolio.

Our renegotiated loan portfolio increased to 3.96% of our total loan portfolio as of December 31, 2012, compared to 3.42% as of December 31, 2011. At the end of 2012, the ratio of the renegotiated portfolio to the allowance for loan and lease losses was 46.6% compared to 45.2% as of December 31, 2011. This ratio increased in 2012 mainly because of an increase in the redefaulted renegotiated

loans to total renegotiated loans ratio, from 29.8% as of December 31, 2011 compared to 35.4% as of December 31, 2012.

During 2014, we maintained our policy for the recovery of overdue loans, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. However, we still require that at least one installment is paid to consider the renegotiation to be valid and to treat it as a renegotiated agreement. We also adopted a policy of stricter selectivity in origination of loans, which led to lower levels of delinquency and a decreased volume of renegotiated loans.

During 2013, our policy for recovery of overdue loans was maintained, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. However, we still require that at least one installment is paid to consider the renegotiation to be valid and to treat it as a renegotiated agreement. We also adopted a policy of stricter selectivity in origination of loans, which led to lower levels of delinquency and decreased volume of renegotiated loans.

During 2012, the Brazilian economy experienced an increase in the default levels for individuals, mainly with respect to vehicle financing and personal loan portfolios. As one of the largest banks in Brazil, our loan portfolio was impacted by this increase in defaults. In order to increase the recovery of overdue loans, including loans already written off as losses, and to reduce losses, we enhanced our collection and recovery initiatives. However, we require that at least one installment is paid to consider the renegotiation to be valid and to treat it as a renegotiated agreement.

The total amount of each type of renegotiated loan as of December 31, 2014, 2013 and 2012 is shown in the tables below.

(In millions of R\$, except percentages)

TYPE OF LOAN	AS OF DECEMBER 31, 2014				
	TOTAL RENEGOTIATED LOANS	TOTAL ALLOWANCE FOR LOAN LOSSES	ALLOWANCE FOR LOAN LOSSES/ RENEGOTIATED LOANS (%)	TOTAL REDEFAULTED RENEGOTIATED LOANS ⁽¹⁾	REDEFAULTED RENEGOTIATED LOANS (%)
Restructured Loans	10,284	5,051	49.1	2,744	26.7
Agreements	1,288	408	31.7	602	46.7
Total	11,572	5,459	47.2	3,346	28.9

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

(In millions of R\$, except percentages)

TYPE OF LOAN	AS OF DECEMBER 31, 2013				
	TOTAL RENEGOTIATED LOANS	TOTAL ALLOWANCE FOR LOAN LOSSES	ALLOWANCE FOR LOAN LOSSES/ RENEGOTIATED LOANS (%)	TOTAL REDEFAULTED RENEGOTIATED LOANS ⁽¹⁾	REDEFAULTED RENEGOTIATED LOANS (%)
Restructured Loans	10,325	5,064	49.0	3,072	29.8
Agreements	2,555	1,220	47.7	1,555	60.9
Total	12,880	6,284	48.8	4,627	35.9

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

(In millions of R\$, except percentages)

TYPE OF LOAN	AS OF DECEMBER 31, 2012				
	TOTAL RENEGOTIATED LOANS	TOTAL ALLOWANCE FOR LOAN LOSSES	ALLOWANCE FOR LOAN LOSSES/ RENEGOTIATED LOANS (%)	TOTAL REDEFAULTED RENEGOTIATED LOANS ⁽¹⁾	REDEFAULTED RENEGOTIATED LOANS (%)
Restructured Loans	11,343	5,287	46.6	4,012	35.4
Agreements	3,176	1,480	46.6	1,722	54.2
Total	14,519	6,767	46.6	5,734	39.5

(1) Our redefaulted renegotiated loans are renegotiated transactions 60 days or more overdue.

The tables below present an additional breakdown of renegotiated loans by portfolio, in segments and types, based on the type of modification, as of December 31, 2014, 2013 and 2012:

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2014			
	PAYMENT EXTENSION ⁽¹⁾	MULTIPLE CONCESSIONS ⁽²⁾	MULTIPLE MODIFICATIONS ⁽³⁾	TOTAL
Individuals	649	2,352	4,330	7,331
Credit card	-	403	-	403
Personal loans	-	1,906	4,330	6,236
Payroll loans	-	43	-	43
Vehicles	578	-	-	578
Mortgage loans	71	-	-	71
Corporate	-	-	870	870
Small and medium businesses	55	2,610	620	3,285
Foreign loans – Latin America	-	86	-	86
Total renegotiated loan and lease operations	704	5,048	5,820	11,572

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2013			
	PAYMENT EXTENSION ⁽¹⁾	MULTIPLE CONCESSIONS ⁽²⁾	MULTIPLE MODIFICATIONS ⁽³⁾	TOTAL
Individuals	1,979	2,046	4,513	8,538
Credit card	-	335	-	335
Personal loans	1	1,710	4,513	6,224
Payroll loans	-	1	-	1
Vehicles	1,907	-	-	1,907
Mortgage loans	71	-	-	71
Corporate	-	-	476	476
Small and medium businesses	102	3,247	481	3,830
Foreign loans – Latin America	-	36	-	36
Total renegotiated loan and lease operations	2,081	5,329	5,470	12,880

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2012			
	PAYMENT EXTENSION ⁽¹⁾	MULTIPLE CONCESSIONS ⁽²⁾	MULTIPLE MODIFICATIONS ⁽³⁾	TOTAL
Individuals	2,095	1,743	4,625	8,463
Credit card	-	460	-	460
Personal loans	14	1,283	4,625	5,922
Payroll loans	-	-	-	-
Vehicles	2,025	-	-	2,025
Mortgage loans	56	-	-	56
Corporate	-	-	495	495
Small and medium businesses	136	5,137	259	5,532
Foreign loans – Latin America	-	29	-	29
Total renegotiated loan and lease operations	2,231	6,909	5,379	14,519

(1) Represents loan and lease transactions subject to an amendment of contractual terms relating exclusively to payment due dates.

(2) Represents multiple loan and lease transactions which have been restructured, i.e., all such outstanding transactions are terminated and a single new transaction consolidating the terminated loan and lease transactions is entered into.

(3) Represents individual loan and lease transactions entered into with a customer that are renegotiated for an amendment of the original contractual terms, which may include amendment of interest rates, discounts of outstanding amounts due and payment extensions.

The following tables present an additional breakdown of renegotiated loans and leases by segment and class, as of December 31, 2014, 2013 and 2012:

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2014				
	IMPAIRED PERFORMING	NON-IMPAIRED PERFORMING	IMPAIRED NON-PERFORMING	NON-IMPAIRED NON-PERFORMING	TOTAL
Individuals	-	3,921	2,019	1,390	7,330
Credit card	-	403	-	-	403
Personal loans	-	3,445	1,486	1,306	6,237
Payroll loans	-	22	17	3	42
Vehicles	-	37	478	62	577
Mortgage loans	-	14	38	19	71
Corporate	236	408	227	-	871
Small and medium businesses	-	1,406	1,116	763	3,285
Foreign loans – Latin America	-	55	12	19	86
Total renegotiated loan and lease operations	236	5,790	3,374	2,172	11,572

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2013				
	IMPAIRED PERFORMING	NON-IMPAIRED PERFORMING	IMPAIRED NON-PERFORMING	NON-IMPAIRED NON-PERFORMING	TOTAL
Individuals	-	3,832	3,097	1,609	8,538
Credit card	-	335	-	-	335
Personal loans	-	3,324	1,642	1,258	6,224
Payroll loans	-	1	-	-	1
Vehicles	-	162	1,417	328	1,907
Mortgage loans	-	10	38	23	71
Corporate	111	261	51	54	477
Small and medium businesses	-	1,515	1,486	828	3,829
Foreign loans – Latin America	-	20	6	10	36
Total renegotiated loan and lease operations	111	5,628	4,640	2,501	12,880

(In millions of R\$)

RENEGOTIATED LOAN AND LEASE OPERATIONS	AS OF DECEMBER 31, 2012				
	IMPAIRED PERFORMING	NON-IMPAIRED PERFORMING	IMPAIRED NON-PERFORMING	NON-IMPAIRED NON-PERFORMING	TOTAL
Individuals	-	3,995	2,966	1,502	8,463
Credit card	-	460	-	-	460
Personal loans	-	3,142	1,654	1,126	5,922
Payroll loans	-	-	-	-	-
Vehicles	-	379	1,284	362	2,025
Mortgage loans	-	14	28	14	56
Corporate	87	247	161	-	495
Small and medium businesses	-	1,792	2,659	1,081	5,532
Foreign loans – Latin America	-	15	4	10	29
Total renegotiated loan and lease operations	87	6,049	5,790	2,593	14,519

The table below presents the changes in our loan and lease portfolio with loss event, including the changes of the renegotiated loans and leases with loss event related to each year as of December 31, 2014, 2013 and 2012:

(In millions of R\$)

IMPAIRED LOANS	2014	2013	2012
Balance at the beginning of the period	16,305	19,511	18,385
(+) Loan operations added	12,521	9,882	11,441
(+) Loan operations added due to redefault	3,915	5,029	6,873
(-) Loans removed due to write-off	(10,006)	(12,460)	(12,867)
(-) Loans removed due to renegotiation (including amendments)	(4,506)	(4,595)	(622)
(-) Loans removed due to total or partial pay-off	(1,024)	(1,062)	(3,699)
Balance at the end of the period	17,205	16,305	19,511

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 12 – Loan operations and lease operations portfolio for further details.

Cross border outstanding

Cross border outstanding are monetary assets which are

denominated in non-local currency and exceeded 1% of our total assets in the case of transactions with foreign clients entered into by our subsidiaries in the United Kingdom (our former subsidiary in Portugal), Cayman and Bahamas. The aggregate cross border outstanding breakdown of these subsidiaries for the period indicated below is as follows:

(In millions of R\$, except percentages)

	12/31/2014	%	12/31/2013 ⁽¹⁾	%	12/31/2012	%
Cash and deposits on demand	4,187	0.3	4,897	0.4	3,349	0.3
Interbank deposits	64,491	5.3	33,630	3.0	23,684	2.3
Securities purchased under agreements to resell	24,606	2.0	2,877	0.3	4,302	0.4
Central Bank compulsory deposits	3	0.0	3	0.0	-	0.0
Financial assets held for trading	5,978	0.5	5,854	0.5	5,689	0.6
Derivatives	9,321	0.8	8,008	0.7	9,450	0.9
Available for sale financial assets	39,850	3.3	38,290	3.5	40,512	4.0
Financial assets held to maturity	10,767	0.9	6,723	0.6	527	0.1
Loan and lease operations	97,740	8.1	57,834	5.2	34,933	3.4
Total outstanding	256,943	21.3	158,116	14.3	122,446	12.1

(1) On February 1, 2013, Banco Itaú BBA International S.A., headquartered in Portugal, was merged into Itaú BBA International Limited, headquartered in the United Kingdom. On May 17, 2013, the entity was registered as a public limited company under the trade name Itaú BBA International plc. The purpose of this restructuring process is to allow Itaú BBA International to improve its performance and sources of funding, expand its client base, strengthen its position as an international platform for Itaú Unibanco Group, achieve greater diversification of risk and increase profitability indicators. 2011 and 2012 data reflects cross-border outstandings (non-euro) for former Portuguese subsidiary and 2013 data reflects non-British pound sterling cross-border outstandings.

Short-term borrowings

Short-term borrowings are included in our balance sheet under the "Securities sold under repurchase agreement" line item. The main category for short-term borrowings is "Deposits Received under Securities Repurchase Agreements with Own and Third-Party Financial Assets." The table below shows our short-term borrowings as of December 31, 2014, 2013 and 2012:

(In millions of R\$, except percentages)

SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	2014	2013	2012
Amount outstanding (as of December 31)	288,683	266,682	267,405
Maximum amount outstanding during the period	288,683	271,621	267,405
Weighted average interest rate at period-end (%)	9.9	9.4	9.0
Average amount outstanding during period	266,527	256,025	204,358
Weighted average interest rate (%)	9.5	9.2	9.4

Liabilities

Funding

Main sources

Our current funding strategy is to continue to use all of our sources of funds in accordance with their costs and availability and our general asset and liability management strategy. In order to fund our operations, we intensified the use of the liquidity generated by savings deposits, interbank deposits, debt in the interbank market and debt in the institutional market during 2014, 2013 and 2012.

We also used Brazilian debentures subject to repurchase as a source of funding, reported as deposits received under securities

repurchase agreements and offered to institutional clients as well as private banking, corporate banking and retail clients. This funding is designed to provide increased profitability through higher spreads in our savings deposits and higher fees earned on market funds.

Our ability to obtain funding depends on several factors, including credit ratings, general economic conditions and investors' perception of emerging markets in general and of Brazil (particularly, current political and economic conditions in Brazil and government regulations for foreign currency funding).

Part of our long-term debt provides for the advance payment of the outstanding principal balance upon the occurrence of certain facts, as is customary for long-term financing agreements. As of December 31, 2014, none of these events, including default events and non-compliance with any financial covenant, had occurred, and we have no reason to believe that any of these events are likely to occur in 2015.

Our main sources of funding are our deposits, which are split into demand deposits, savings deposits, time deposits and interbank deposits. As of December 31, 2014, total deposits were R\$294,773 million, which represented 37.8% of total funding. As of December 31, 2013, total deposits amounted to R\$274,383 million, representing 37.9% of total funding. As of December 31, 2012, total deposits amounted to R\$243,200 million, representing 35.8% of our total funding. Our time deposits represent one of our major sources of funding which, as of December 31, 2014, 2013 and 2012 accounted for 13.9%, 16.2% and 17.2% of total funding, respectively.

The table below shows the breakdown of our main sources of funds as of December 31, 2014, 2013 and 2012:

(In millions of R\$, except percentages)

BREAKDOWN OF THE MAIN SOURCES OF FUNDS	2014	% OF TOTAL FUNDING	2013	% OF TOTAL FUNDING	2012	% OF TOTAL FUNDING
Deposits	294,773	37.8	274,383	37.9	243,200	35.8
Demand deposits	48,733	6.3	42,892	5.9	34,916	5.1
Savings deposits	118,449	15.1	106,166	14.7	83,451	12.3
Time deposits	108,466	13.9	117,131	16.2	117,232	17.2
Interbank deposits	19,125	2.5	8,194	1.1	7,601	1.1
Securities sold under repurchase agreements	288,683	37.0	266,682	36.8	267,405	39.3
Interbank market debt	122,586	15.8	111,376	15.4	97,073	14.3
Mortgage notes	143	-	181	0.0	227	0.0
Real estate credit bills	10,832	1.4	8,919	1.2	13,296	2.0
Agribusiness credit bills	7,811	1.0	7,273	1.0	5,321	0.8
Financial credit bills	10,645	1.4	13,823	1.9	18,695	2.8
Import and export Financing	43,381	5.6	33,614	4.6	23,053	3.4
Onlending-domestic	45,230	5.8	43,015	5.9	36,048	5.3

(In millions of R\$, except percentages)

BREAKDOWN OF THE MAIN SOURCES OF FUNDS	2014	% OF TOTAL FUNDING	2013	% OF TOTAL FUNDING	2012	% OF TOTAL FUNDING
Liabilities from transactions related to credit assignments	4,544	0.6	4,514	0.6	394	0.1
Other	-	-	37	0.0	39	0.0
Institutional market debt	73,242	9.4	72,055	9.9	72,028	10.6
Debentures	-	-	-	-	1,569	0.2
Subordinated debt	55,617	7.1	56,564	7.8	55,179	8.1
Foreign borrowings through securities	15,392	2.0	15,491	2.1	15,280	2.2
Structured Operations Certificates	2,233	0.3	-	-	-	-
Total	779,284	100.0	724,496	100.0	679,706	100.0

Deposits by maturity

The table below shows the maturity profile of our deposits as of December 31, 2014:

(In millions of R\$)

	2014				TOTAL
	0-30 DAYS	31-180 DAYS	181-365 DAYS	OVER 365 DAYS	
Non-interest bearing deposits	48,733	-	-	-	48,733
Demand deposits	48,733	-	-	-	48,733
Interest bearing deposits	134,841	36,829	8,537	65,833	246,040
Savings deposits	118,449	-	-	-	118,449
Time deposits	11,705	23,656	7,775	65,330	108,466
Interbanks Deposits	4,687	13,173	762	503	19,125
Total	183,574	36,829	8,537	65,833	294,773

(In millions of R\$)

	2013				TOTAL
	0-30 DAYS	31-180 DAYS	181-365 DAYS	OVER 365 DAYS	
Non-interest bearing deposits	42,892	-	-	-	42,892
Demand deposits	42,892	-	-	-	42,892
Interest bearing deposits	120,194	33,345	12,107	65,845	231,491
Savings deposits	106,166	-	-	-	106,166
Time deposits	12,260	29,436	9,961	65,474	117,131
Interbanks Deposits	1,768	3,909	2,146	371	8,194
Total	163,086	33,345	12,107	65,845	274,383

(In millions of R\$)

	2012				TOTAL
	0-30 DAYS	31-180 DAYS	181-365 DAYS	OVER 365 DAYS	
Non-interest bearing deposits	34,916	-	-	-	34,916
Demand deposits	34,916	-	-	-	34,916
Interest bearing deposits	98,462	24,412	17,868	67,542	208,284
Savings deposits	83,451	-	-	-	83,451
Time deposits	12,369	20,861	16,667	67,335	117,232
Interbanks Deposits	2,642	3,551	1,201	207	7,601
Total	133,378	24,412	17,868	67,542	243,200

The table below sets forth the maturity of outstanding time deposits with balances in excess of US\$100,000 (or its equivalent) issued by us as of December 31, 2014, 2013 and 2012:

(In millions of R\$)

	2014	2013	2012
Maturity within three months	32,549	21,737	18,752
Maturity after three months to six months	13,782	6,066	4,977
Maturity after six months to twelve months	6,097	5,273	11,833
Maturity after twelve months	34,251	47,116	38,388
Total time deposits in excess of US\$100,000	86,679	80,192	73,950

The following table sets forth the mix of the individual and corporate time deposits divided among our retail, Itaú Personalité, middle market and corporate markets (each expressed as a percentage of total time deposits) as of December 31, 2014, 2013 and 2012:

(%)

	2014	2013	2012
Retail	3.4	6.2	7.6
Itaú Personalité	19.4	17.1	22.7
Middle market	26.2	28.0	28.0
Corporate	35.6	48.7	41.7
Institutional	15.5	-	-
Total	100.0	100.0	100.0

Average Deposit Balances and Interest Rates

The following table shows the average deposit balances together with the average interest rates paid for each period presented:

(In millions of R\$, except percentages)

AVERAGE DEPOSIT BALANCES AND INTEREST RATES	2014		2013		2012	
	AVERAGE BALANCE	AVERAGE RATE (%)	AVERAGE BALANCE	AVERAGE RATE (%)	AVERAGE BALANCE	AVERAGE RATE (%)
Non-interest bearing deposits	43,840		36,726		30,324	
Demand deposits	43,840		36,726		30,324	
Interest-bearing deposits	234,000	5.2	209,347	4.7	206,652	5.1
Interbank deposits and time deposits	122,527	4.2	116,383	4.1	133,248	4.9
Savings deposits	111,473	6.2	92,964	5.4	73,404	5.5
Total	277,840		246,073		236,976	

Other sources

We also act as a financial agent in borrowing funds from BNDES and FINAME, and lending such funds at a spread determined by the Brazilian government to targeted sectors of the economy. We obtain U.S. dollar-denominated lines of credit from our affiliates, including Itaú Unibanco Holding S.A. – Grand Cayman branch,

Banco Itaú Chile and Itaú BBA S.A. – Nassau branch to provide trade finance funding for Brazilian companies. For further details on on Lending domestic and import and export financing, please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 19 – Securities Sold under Repurchase Agreements and Interbank and Institutional Market Debts.

Litigation

Overview

We are not defendants in any significant administrative proceeding before the CVM, SUSEP, the Central Bank or any municipalities. As part of the ordinary course of our business, we are subject to, and we are party to various legal and administrative proceedings (including consumer complaints) filed against us with SUSEP or the Central Bank.

Our financial statements only include reserves for probable losses that can be reasonably estimated and expenses that we may incur in connection with pending litigation or administrative proceedings, or as otherwise required by Brazilian law. As of December 31, 2014, our provisions for such contingencies were R\$17,027 million, of which R\$6,627 million were related to tax contingencies, R\$5,598 million were related to labor contingencies, R\$4,643 million were related to civil contingencies and R\$159 million were related to other contingencies. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further information. Our management believes that our provisions, including interest, for legal proceedings in which we are defendants are sufficient to cover probable losses that can be reasonably estimated in the event of unfavorable court decisions. It is currently not possible to estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have reserves. We believe that any potential liabilities related to these lawsuits and administrative proceedings will not have a material adverse effect on our business, financial condition or results. There are no material proceedings in which any of our directors, any member of our senior management or any of our affiliates is either a party adverse to us or to our subsidiaries or has a material interest adverse to us or our subsidiaries.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes.

Tax Litigation

We have certain tax disputes that arise from our ordinary business activities, mainly relating to the constitutionality or legality of certain taxes imposed on us. Contingent liabilities arising from tax disputes are recorded according to the principal amount of taxes in dispute, subject to tax assessment notices, plus interest and, if applicable, penalties and other administrative charges.

A provision for such contingent liability is established if it involves a legal tax obligation, regardless of the probability of winning or losing the dispute. A legal tax obligation exists if the gain or loss of the related litigation depends directly on the determination of whether a currently enforceable law is constitutional or unconstitutional. In any other situation, a provision is recognized if a loss is probable (prevailing in the litigation is less likely than a loss).

As of December 31, 2014, our total amount of provisions related to taxes was R\$6,627 million. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 32 – Provisions,

Contingencies and Other Commitments, for further details about the changes in the provisions and respective escrow deposits for tax and social security lawsuits and main types of tax disputes.

In addition, we participated in the program for cash or installment payment of federal taxes established by Law No. 12,995 of June 18, 2014 and Law No. 12,996 of June 18, 2014 which discharged taxpayers who agreed to cease litigation from part of the interests and in full from the penalties applicable. Under this program, we paid part of the disputed amounts in our litigation regarding federal taxes and some tax contingencies that, in accordance with our legal advisors, prevailing in litigation were less likely than losing.

On June 25, 2013, we received a notice of deficiency from the Brazilian tax authorities alleging that Itaú Unibanco Holding failed to pay approximately R\$11,844.7 million of IRPJ, plus accrued penalties and interest, and approximately R\$6,867.0 million of CSLL, plus accrued penalties and interest, in fiscal year 2008, as a result of the corporate transaction that led to the association of Itaú Holding and Unibanco Holdings S.A. The Brazilian tax authorities allege that corporate transactions of a different kind should have been used. However, the transaction suggested by the Brazilian tax authorities is not supported in the applicable rules to financial institutions. On January 30, 2014, we were advised that the Brazilian tax authorities confirmed the notifications in a non-unanimous ruling. On February 28, 2014 we appealed the decision at the Administrative Tax Appeals Tribunal. We continue to defend that the transactions conducted were appropriate and legitimate, having been approved by the involved companies' management bodies and their respective shareholders, and subsequently sanctioned as well by the relevant regulatory authorities, including the CVM, the Central Bank and the CADE. We and our external counsel assess the risk of loss in this tax proceeding as remote. Currently, we are awaiting Administrative Tax Appeals Tribunal's decision on the appeal.

Civil Litigation

Litigation Arising from Government Monetary Stabilization Plans

From 1986 to 1994, the Brazilian federal government implemented several consecutive monetary stabilization plans, or MSP, to combat hyper-inflation. In order to implement these plans, the Brazilian federal government enacted several laws based on its power to regulate the monetary and financial systems as granted by the Brazilian federal constitution.

Holders of savings accounts during the periods when the MSPs were implemented have challenged the constitutionality of the laws that implemented those plans, claiming from the banks where they held their savings accounts additional amounts of interest based on the inflation rates applied to savings accounts under the MSPs.

We are defendants in numerous standardized lawsuits filed by individuals in respect of the MSPs. We record provisions for such claims upon service of process for a claim.

In addition, we are defendants in class actions, similar to the lawsuits by individuals, filed by either (i) consumer protection associations or (ii) public attorneys' offices (*Ministério Público*) on

behalf of holders of savings accounts. Holders of savings accounts may collect any amount owing on account of a final decision. We record provisions when individual plaintiffs apply to enforce any such decisions, using the same criteria used to determine provisions for individual lawsuits.

The Federal Supreme Court (*Supremo Tribunal Federal*) has issued some decisions in favor of the holders of savings accounts, but has not issued a final ruling with respect to the constitutionality of the MSPs as applicable to savings accounts. In relation to a similar dispute with respect to the constitutionality of the MSPs as applicable to time deposits and other private agreements, the Federal Supreme Court has decided that the laws were in accordance with the Brazilian federal constitution. In response to this discrepancy, the *Confederação Nacional do Sistema Financeiro*, or CONSIF, an association of Brazilian financial institutions, filed a special proceeding with the Federal Supreme Court (*Arguição de Descumprimento de Preceito Fundamental nº 165*), in which the Central Bank has filed an amicus brief, arguing that holders of savings accounts did not incur actual damages and that the MSPs as applicable to savings accounts were in accordance with the federal constitution. Accordingly, the STF suspended the ruling of all appeals involving this matter until it hands down a final decision. In addition, the STJ, which is the highest court responsible for deciding on federal laws, is about to rule on several aspects that will directly determine the amount due, in case the STF rules against the constitutionality of the MSPs. The most relevant of such decisions will be: (i) the accrual of compensatory interests on the amount due to the plaintiff, in filings that carry no specific claim to such interests; (ii) the initial date of default interests, in regard to class actions; and (iii) the possibility of compensating the negative difference arising in the month of the MSP implementation, between interest actually paid on saving accounts and the inflation rate of the same period, with the positive difference arising in the months subsequent to the MSP implementation, between interest actually paid on saving accounts and the inflation rate of the same period. Further, the STJ ruled that the term for filing class actions expired five years of the date of the MSP implementation. As a consequence, numerous class actions have been extinct by the Judiciary since such ruling.

Other Civil Litigation GRI G4-LA16

In addition to litigation arising from government monetary stabilization plans, we are defendants in numerous civil lawsuits arising from the normal course of our business. We are not able to currently predict the total amounts involved in these claims, due to the nature of the matters disputed. However, we believe that any potential liabilities related to these lawsuits will not have a material adverse effect on our financial condition or results.

As of December 31, 2014, our total amount of provisions related to civil litigation, including the monetary stabilization plans, was R\$4,643 million.

Contingencies and Labor Litigation

In 2014, we and our subsidiaries were not exposed to any labor liabilities or labor contingencies which significantly impacted our results. The pool of labor claims for our subsidiaries in such period comprises labor claims filed by employees, former employees and outsourced service providers.

Labor unions and former employees have filed labor claims against us, seeking compensation for alleged breaches of employment agreements or rights under the applicable labor laws. As of December 31, 2014, there were 62,641 labor claims filed against us.

The main requests in the labor claims filed by our current and former employees include:

- Salary differences arising from the application of the 30 working hours per week limit, provided for in art. 224 of the Brazilian Labor Laws Consolidation (CLT), which is applicable to bank employees whose function does not require special trust from the employer;
- Salary differences arising from overtime not duly registered in the internal systems;
- Claims with respect to the method to establish the overtime work pay; and
- Salary parity.

Labor class actions filed against us mainly relate to the continuation of health care plans, safety rules and strikes. We are also defendants in connection with labor claims filed by the labor prosecution office regarding union classification, outsourcing, occupational diseases, health and safety and compliance with the minimum quotas for disabled personnel. In the fiscal year ended December 31, 2014, we paid approximately R\$1,255 million in settlements with former employees and in accordance to rulings imposed by labor courts.

Regarding labor claims filed by outsourced service providers, they generally involve allegations of subsidiary liability of the companies within our group.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 32 – Provisions, Contingencies and Other Commitments, for further information about labor claims.

Derivative Instruments that Qualify for Hedge Accounting

Hedging transactions may be classified into three categories: hedge of fair value, cash flows and net investment of foreign operations.

- Fair value hedge: is aimed at protecting us against changes in market risk due to changes in the fair value of interest subject to variable rates.
- Cash flow hedge: is aimed at protecting us against future cash flows of payments of interest.
- Hedge of net investment of foreign operations: it is aimed at protecting us against changes in future cash flows of foreign exchange variations in net investments of foreign operations.

Please refer to section Our Risk Management item Risk and capital management, Market risk for further details about hedge.

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 9 – Hedge Accounting, for further details. With respect to the hedge accounting policy, please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 2.4 g III – Summary of Main Accounting Practices.

Tabular Disclosure of Contractual Obligations

The table below summarizes the maturity profile of our consolidated long-term debt, operating leases and other contractual commitments as of December 31, 2014:

(In millions of R\$)

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Interbank market debt ⁽¹⁾⁽³⁾	129,935	64,957	41,842	10,034	13,102
Institutional market debt ⁽²⁾⁽³⁾	97,093	11,820	34,628	18,447	32,198
Operating and capital (finance) lease obligations ⁽³⁾	6,217	1,593	1,899	1,678	1,047
Endorsements and sureties	73,759	16,724	7,435	3,110	46,490
Letters of credit to be released	11,091	11,091	-	-	-
Pension Obligations	346	31	55	44	216
Health Benefits	171	9	21	24	117
Total	318,612	106,225	85,880	33,337	93,170

(1) Includes mortgage notes, real estate credit bills, agribusiness credit bills, financial credit bills, import and export financing and on-lending – domestic.

(2) Includes subordinated debt, debentures and foreign borrowings through securities.

(3) Includes total estimated interest payments (including for derivatives). These estimated interest payments were calculated substantially based on the interbank forward rates at the specific periods.

Our strategy to manage interest rate risk on our long-term debt does not include fixed interest rate swaps or similar derivatives. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 19 – Deposits Received Under Securities Repurchase Agreements and Funds from Interbank and Institutional Markets for further details.

Purchases of Shares by the Issuer and Affiliated Purchasers

In conformity with best corporate governance practices, on November 18, 2004, we started to voluntarily disclose our “Operating Rules for the Trading of Own Shares for Treasury”. Please refer to www.itaubank.com.br/arquivosstaticos/RI/pdf/

[TreasuryStock.pdf](#) for Trading Itaú Unibanco S.A. Securities. We disclose to the market the transactions carried out with our own shares by our Treasury through an “Announcement to the Market” on a monthly basis.

We note that these acquisitions refer to our program for the repurchase of our shares approved by our Board of Directors, which authorized the acquisition of up to 13.7 million common shares and 86.3 million preferred shares through December 15, 2014.

The repurchase program effective through December 16, 2015 was approved on November 27, 2014 with limits of 50.0 million preferred shares and 10.0 million common shares.

PERIOD ⁽¹⁾	(A) TOTAL NUMBER OF PREFERRED SHARES PURCHASED	(B) AVERAGE PRICE PAID PER PREFERRED SHARE ⁽²⁾	(C) TOTAL NUMBER OF PREFERRED SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) MAXIMUM NUMBER OF PREFERRED SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
01/02 to 01/31/2014	-	-	-	86,300,000
02/03 to 02/28/2014	-	-	-	86,300,000
03/03 to 03/31/2014	-	-	-	86,300,000
04/01 to 04/30/2014	-	-	-	86,300,000
05/01 to 05/30/2014	-	-	-	86,300,000
06/02 to 06/30/2014	-	-	-	86,300,000
07/01 to 07/31/2014	-	-	-	86,300,000
08/01 to 08/29/2014	-	-	-	86,300,000
09/01 to 09/30/2014	-	-	-	86,300,000
10/01 to 10/31/2014	-	-	-	86,300,000
11/03 to 11/28/2014	-	-	-	86,300,000
12/01 to 12/15/2014	-	-	-	86,300,000
12/16 to 12/31/2014	1,000,000	34.75	1,000,000	50,000,000

(1) On December 13, 2013 our board of directors approved the purchase of up to 13,700,000 common shares and 86,300,000 preferred shares, ending on December 15, 2014 and on November 27, 2014 our board of directors approved the purchase of up to 10,000,000 common shares and 50,000,000 preferred shares, ending on December 15, 2015.

(2) Includes brokerage costs.

(In millions of R\$)

Capital Expenditures

In accordance with our practice in the last few years, our capital expenditures in the twelve-month period ended December 31, 2014 were funded with internal resources. We cannot provide assurance that we will make capital expenditures in the future and, if made, that the amounts will correspond to the current estimates. The table below shows our capital expenditures as of December 31, 2014, 2013 and 2012:

CAPITAL EXPENDITURES	FOR THE YEAR ENDED		
	2014	2013	2012
Fixed Assets	3,966	2,534	1,914
Land and buildings	566	554	278
Leasehold improvements	230	207	226
Furniture and data processing equipment	3,108	1,655	1,349
Other	62	118	61
Intangible Assets	1,199	2,035	1,738
Acquisition of rights to credit payroll	109	195	320
Association for the promotion and offer of financial products and services	36	340	12
Software developed or obtained for internal use	1,044	1,202	1,295
Other intangibles	10	298	111
Total	5,165	4,569	3,652

Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 15 – Fixed Assets and Note 16 – Intangible Assets for further details.

Fixed assets

Property, Plant and Equipment

As of December 31, 2014, we own our principal administrative offices, which included 8 office buildings, having a total area of 427,036 square meters, located primarily in São Paulo, Brazil. These offices include our head office, and a number of other administrative buildings, where administrative functions are performed, such as commercial department, back offices, wholesale and investment bank activities, and also our data processing center.

We also lease a portion of our administrative offices and the majority of our branches at competitive market prices from third parties and under renewable leases with terms ending from the first half of 2015 (which are in the process of being renewed under similar terms) to the fourth quarter of 2035.

As of December 31, 2014, we owned approximately 13% of our administrative offices and branches (including electronic service points, banking sites and parking lots) and leased approximately 87%.

Intangible assets

Investments

As of December 31, 2014, our IT investments comprised more than 78% of our total investments planned for the period from 2012 to 2015, funded with internal resources. The total amount is expected to be used for: data processing systems, the acquisition of software, system development and for our data center constructed in the state of São Paulo.

Our newly constructed data center, which will include the latest technology features to improve flexibility, performance and security, was delivered according to schedule and the implementation of IT infrastructure facilities was performed successfully. We started the setup and migration of our technology systems and services from the current to the new data center in the fourth quarter of 2014, with an expected completion during the second semester of 2016. This new data center has already received a Tier III Plus certifications, demonstrating our commitment to business availability of IT services and sustainability. Built with the latest technology specially designed for us, this complex will provide business expansion, more availability, agility and customer satisfaction.

Capitalization

The table below presents our capitalization as of December 31, 2014. The information described is derived from our consolidated financial statements as of and for the year ended December 31, 2014. As of the date of this Annual Report, there has been no material change in our capitalization since December 31, 2014.

You should read the table below in conjunction with the information included in section Our profile, item In Numbers, Selected Financial Data – IFRS, section Performance and section Attachments, item Selected Statistical Information for further details.

(In millions of R\$, except percentages)

	AS OF DECEMBER 31,	
	2014	
	R\$	US\$ ⁽¹⁾
CAPITALIZATION		
Current liabilities		
Deposits	228,940	86,191
Securities sold under repurchase agreements	152,093	57,260
Financial liabilities held for trading	220	83
Derivatives	7,813	2,941
Interbank market debt	68,818	25,908
Institutional market debt	7,054	2,656
Other financial liabilities	69,610	26,207
Reserves for insurance and private pension	3,782	1,424
Liabilities for capitalization plans	3,010	1,133
Provisions	3,268	1,230
Tax liabilities	2,835	1,067
Other liabilities	23,128	8,707
Total	570,571	214,807
Long-term liabilities		
Deposits	65,833	24,785
Securities sold under repurchase agreements	136,590	51,423
Financial liabilities held for trading	300	113
Derivatives	9,537	3,590
Interbank market debt	53,768	20,242
Institutional market debt	66,188	24,918
Other financial liabilities	1,882	709
Reserves for insurance and private pension	105,996	39,905
Provisions	13,759	5,180
Tax liabilities	1,429	538
Other liabilities	532	200
Total	455,814	171,604
Income tax and social contribution - deferred	201	76
Non-controlling interests	1,357	511
Stockholders' equity⁽²⁾	99,260	37,369
Total capitalization⁽³⁾	1,127,203	424,367
Risk-based capital ratio⁽⁴⁾	16.9%	

(1) Convenience translation at 2.6562 reais per U.S. dollar, the exchange rate in effect on December 31, 2014.

(2) Itaú Unibanco Holding's authorized and outstanding share capital consists of 2,770,034,033 common shares and 2,724,080,698 preferred shares, all of which are fully paid. For more information regarding our share capital see Note 21 to our consolidated financial statements as of and for the period ended December 31, 2014.

(3) Total capitalization corresponds to the sum of total current liabilities, long-term liabilities, deferred income, minority interest in subsidiaries and stockholders' equity.

(4) Calculated by dividing total regulatory capital by risk weight assets.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, other than the guarantees we granted that are described in Note 36 – Management of Financial Risks, item 3 – Collateral and policies for mitigating credit risk and item 5 – Credit risk exposure of our consolidated financial statements and derivative financial instruments discussed above. Please refer to section Our Risk Management, item Risk and Capital Management, Exchange Rate Sensitivity for further details.

Results

Highlights

The highlights for the years ended December 31, 2014, December 31, 2013 and December 31, 2012 are presented below:

Net income (attributable to the owners of the parent company): ▲ increased 31.2% in 2014 compared to 2013 and increased 30.0% in 2013 compared to 2012.

For 2014, our net income attributable to the owners of the parent company was R\$21,555 million and increased 31.2% compared to 2013, when our net income reached R\$16,424 million. For the year ended December 31, 2013, our net income attributable to the owners of the parent company was R\$16,424 million an increase of

30.0%, compared to 2012, when our net income attributed to the owners of the parent company was R\$12,634 million.

Our performance ratio, ROAE (return on average equity), calculated by dividing net income attributable to owners of the parent company by the quarterly average stockholders' equity attributed to the owners of the parent company excluding quarterly average proposed dividends recorded, reached 24.3% in 2014, an increase of 320 basis points compared to 2013, when our performance ratio reached 21.1%. In 2012, our ROAE reached 16.9%.

Stockholders' equity (attributable to the owners of the parent company): ▲ increased 19.3% in 2014 compared to 2013 and increased 9.6% in 2013 compared to 2012.

As of December 31, 2014 our total stockholders' equity increased 19.3% compared to December 31, 2013, and reached R\$99,260 million. As of December 31, 2013, our total stockholders' equity amounted to R\$83,223 million. As of December 31, 2013 our stockholders' equity grew 9.6% compared to that as of December 31, 2012, which was R\$75,902 million.

Loan and lease portfolio: ▲ increased 9.9% as of December 31, 2014 compared to December 31, 2013 and increased 12.2% as of December 31, 2013 compared to December 31, 2012.

• Loans and lease to individuals:

As of December 31, 2014 loans to individuals totaled R\$185,953 million, an increase of 11.1% compared to December 31, 2013. The increase is primarily a result of the increases of (i) 11.6% in credit card loans to R\$59,321 million, (ii) 18.8% in mortgage loans to R\$29,107 million, mainly due to our focus on portfolios with lower delinquency rates, and (iii) 79.5% in payroll loans to R\$40,525 million, due to a continued growth in our retail branch payroll loan operations and to the association agreement with BMG, aimed at the offering, distribution and sale of payroll loans through the incorporation of a new financial institution, Itaú BMG Consignado. This association supplemented our payroll loan distribution strategy and improved the risk profile of our loan portfolio. Vehicle financing decreased 28.4% as of December 31, 2014 compared to December 31, 2013, totaling R\$29,047 million, as a result of our continued application of stricter requirements for granting such loans, which has led to higher down payment requirements and shorter financing terms.

As of December 31, 2013, loans to individuals totaled R\$167,431 million, an increase of R\$16,510 million, or 10.9%, compared to December 31, 2012, primarily as a result of an increase of (i) a 66.6% in payroll loans, (ii) an increase of 31.1% in credit card loans mainly due to the impact of the acquisition of Credicard, and (iii) an increase of 32.8% in mortgage loans due to the focus we have been giving to portfolios with lower delinquency rates. Vehicle financing decreased 21.4% as of December 31, 2013 compared to December 31, 2012, to R\$40,584 million, as a result of the continued application of stricter requirements for granting loans in this period.

• Loans and lease to companies:

As of December 31, 2014 loans and leases to companies totaled R\$224,822 million, representing an increase of R\$16,808 million, or 8.1%, compared to December 31, 2013. Loans and leases to small and medium

businesses decreased 2.1% as of December 31, 2014 compared to 2013, totaling R\$79,912 million. Loans and leases to corporate clients increased 14.6% as of December 31, 2014 when compared to 2013, totaling R\$144,910 million as of December 31, 2014.

As of December 31, 2013, loans and leases to companies totaled R\$208,014 million, representing an increase of R\$19,100 million, or 10.1% compared to 2012 when loans and lease to companies totaled R\$188,914 million. As a result of our focus on portfolios with lower delinquency rates, loans and leases to large companies increased 21.9% while loans and leases to small and middle-sized companies decreased 4.2% between 2012 and 2013.

In addition, the depreciation of the *real* against other currencies, especially the U.S. dollar, also contributed to the growth of our medium to large companies' portfolio since a portion of our loans are denominated or originated in such currencies.

• Foreign loans and leases – Latin America:

The balance of our foreign loans and leases from our operations in Latin America outside Brazil (Argentina, Chile, Colombia, Paraguay and Uruguay) totaled R\$41,656 million as of December 31, 2014, an increase of 14.9% compared to December 31, 2013, mostly as a result of the growth of operations in the countries where we operate.

As of December 31, 2013 the balance of loans and leases from our operations in Latin America outside Brazil (Argentina, Chile, Colombia, Paraguay and Uruguay) increased 33.5% compared to December 31, 2012, when such balance was R\$27,149 million.

Credit quality (90-day NPL ratio): ▼ improved 60 basis points as of December 31, 2014 compared to December 31, 2013 improved 110 basis points as of December 31, 2013 compared to December 31, 2012.

The 90-day's non-performing loans ratio (90-day NPL ratio), is calculated by dividing 90-day's non-performing loans by our loan portfolio.

As of December 31, 2014, our 90-day NPL ratio reached 3.1%, an improvement due to decreases in the 90-day NPL ratios for both individuals and companies. The ratio for individuals decreased by 110 basis points compared to December 31, 2013. This is the lowest level since the Itaú and Unibanco association in November 2008. As of December 31, 2013, our 90-day NPL ratio reached 3.7%, an improvement due to decreases in the 90-day NPL ratios for individuals and companies.

The coverage ratio, calculated by dividing the provisions for allowance for loan and lease losses by 90-day's non-performing loans, reflects the mechanics of our provisioning model and reached 160% as of December 31, 2014 compared to a ratio of 147% as of December 31, 2013. As of December 31, 2013 the coverage ratio increased 10 basis points compared to 2012. When the non-performing loan ratio decreases, an increase in the coverage ratio is expected.

Interest Income:

• Interest on loan and lease operations: ▲ increased 16.3% for the year ended December 31, 2014 compared to the same period in 2013, due to the increase in our loan portfolio combined with the growth in short-term duration products such as overdrafts and

credit cards and decreased 2.6% for the year ended December 31, 2013 compared to the same period in 2012.

- Interest and similar expenses: ▲ increased 57.4% for the year ended December 31, 2014 compared to the same period in 2013, due to the increase in the SELIC rate to 10.9% in 2014 from 8.3% in 2013 and decreased 3.6% for the year ended December 31, 2013 compared to the same period in 2012.

Banking service fees: ▲ increased 16.0% for the year ended December 31, 2014 compared to the same period in 2013 and increased 19.9% for the year ended December 31, 2013 compared to the same period 2012.

Income from insurance, private pension plan and capitalization operations (premium bonds) before claim and selling expenses: ▲ increased 3.8% for the year ended December 31, 2014 compared to the same period in 2013 and increased 8.7% for the year ended December 31, 2013 compared to the same period in 2012.

General and administrative expenses: ▲ increased 6.6% for the year ended December 31, 2014 compared to the same period in 2013 and increased 4.8% for the year ended December 31, 2013 compared to the same period in 2012.

Expenses for allowance for loan and lease losses: ▲ increased 5.5% for the year ended December 31, 2014 compared to the same period in 2013 despite an increase of 9.9% in our loan portfolio and decreased 25.5% for the year ended December 31, 2013 compared to the same period in 2012, as a result of the improved credit quality of our portfolio due to the continued application of stricter requirements for granting loans during these periods.

Impaired loans: ▲ increased from R\$16,305 million as of December 31, 2013 to R\$17,206 million as of December 31, 2014 and decreased from R\$19,511 million as of December 31, 2012 to R\$16,305 million as of December 31, 2013. (For further details, refer to section Performance, item Consolidated Financial Statements (IFRS), Note 36.6 – Credit Quality of Financial Assets).

Loans under renegotiation: ▼ credit transactions under renegotiation, including extended, modified and deferred repayments, decreased 10.2% as of December 31, 2014, compared to December 31, 2013 mainly due to an improvement in the quality of our loan and lease portfolio, as a result of our continued application of stricter requirements for granting loans. As of December 31, 2014, loans under renegotiation represented 2.6% of the total portfolio. As of December 31, 2013, credit transactions under renegotiation, including extended, modified and deferred repayments decreased to 4.3% mainly due to a decrease in renegotiations from 5.3% as of December 31, 2012.

(In millions of R\$, except where indicated)

HIGHLIGHTS	FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012
Statement of Income			
Net Income (attributable to the owners of the parent company)	21,555	16,424	12,634
Banking Product	91,657	79,387	81,172
Shares (R\$)			
Earnings per share – Basic (Common and Preferred)	3.94	3.01	2.31
Weight Average Number of Outstanding Shares – Basic (in thousands)			
Common	2,770,034	2,770,034	2,770,034
Preferred	2,699,460	2,692,214	2,696,697
Average price of preferred share on the last trading day of the period	34.01	28.69	28.77
Market Capitalization ⁽¹⁾	186,234	156,437	150,598
Market Capitalization (In millions of US\$) ⁽²⁾	75,983	70,151	73,696
Performance Ratios (%)			
Net income as a percentage of average stockholder's equity – Annualized ⁽³⁾	24.3	21.1	16.9
Net income as a percentage of total assets – Annualized ⁽⁴⁾	2.0	1.7	1.5
Solvency Ratio (BIS Ratio) – Financial-Conglomerate	16.9	16.6	18.0
Non-performing Loans Index (NPL over 90 days)	3.1	3.7	4.8
Non-performing Loans Index (NPL 15-90 days)	2.5	3.0	3.6
Efficiency Ratio (ER) ⁽⁵⁾	46.6	48.5	45.2
Risk Adjusted Efficiency Ratio (RAER) ⁽⁵⁾	64.3	69.5	74.2
AS OF DECEMBER 31,			
	2014	2013	2012
Balance Sheet			
Total Assets	1,127,203	1,027,297	957,154
Total Loan Portfolio	452,431	411,702	366,984
Total Stockholders' Equity	100,617	84,192	75,998
Total Stockholders' equity attributed to the owners of the parent company	99,260	83,223	75,902

(1) Total number of outstanding shares (common and preferred shares) multiplied by the average price of the preferred share on the last trading day in the period.

(2) The US\$/R\$ exchange rate was R\$2.6562 as of December 31, 2014, R\$2.3426 as of December 31, 2013 and R\$2.0435 as of December 31, 2012.

(3) Annualized Return was calculated by dividing net income attributable to owners of the parent company by the quarterly average stockholders' equity attributed to the owners of the parent company excluding quarterly average proposed dividends recorded.

(4) Annualized Return was computed by dividing Net Income by Average Assets.

(5) The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information (for more details on the calculation methodology of both Efficiency and Risk Adjusted Efficiency ratios, please see Basis of Presentation of Segment Information).

Certain Effects of Foreign Exchange Rates on Our Income

The variation of the *real* can affect our net interest margin (which includes net interest and similar income and expenses, dividend income, net gain (loss) from investment in securities and derivatives and foreign exchange results and exchange variation on transactions). A certain amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily the U.S. dollar. When the *real* depreciates, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and short-term borrowings, because the cost in *reais* of the related interest expense increases. At the same time, we realize gains on monetary assets denominated in or indexed to foreign currencies, such as our dollar-indexed trading securities and loans, due to increased interest income from such assets when translated to *reais*. When the *real* appreciates, the effects are the opposite of those described

above. Consequently, the management of the gap in foreign currencies can have material effects on our net income. Our foreign currency gap management also takes into account the tax effects of such positions. We seek to maintain sufficient hedges (a liability position in foreign exchange derivatives) to reduce the potential effects from our total foreign-exchange exposure.

Unless otherwise indicated, the discussion in this section Performance, item Financial Performance, Results, relates to our average interest rates and yields. Interest rates cited are measured in *reais* and include the effect of the variation of the *real* against foreign currencies.

Net income

The following table shows the main components of our net income for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

(In millions of R\$, except percentages)

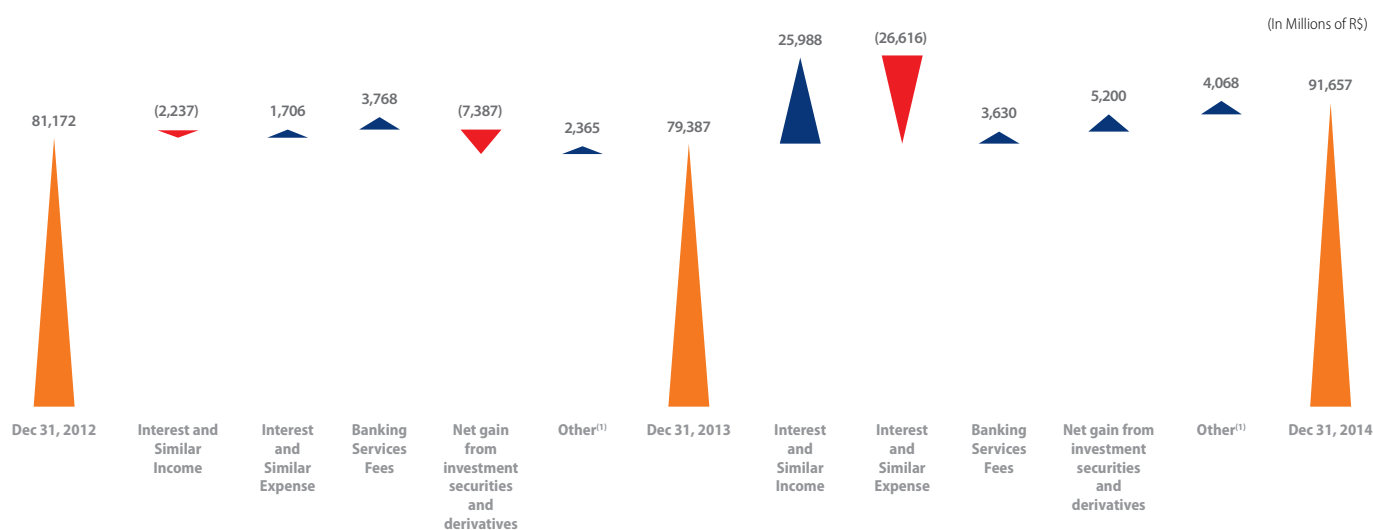
	FOR THE YEAR ENDED DECEMBER 31,				VARIATION (%)		
	2014	2013	2012		2014 – 2013	2013 – 2012	
Banking product	91,657	79,387	81,172	12,270	15.5	(1,785)	(2.2)
Interest and similar income	120,115	94,127	96,364	25,988	27.6	(2,237)	(2.3)
Interest and similar expense	(72,977)	(46,361)	(48,067)	(26,616)	57.4	1,706	(3.5)
Dividend income	215	205	323	10	4.9	(118)	(36.5)
Net gain (loss) from investment securities and derivatives	(724)	(5,924)	1,463	5,200	(87.8)	(7,387)	(504.9)
Foreign exchange results and exchange variation on transactions	9,644	6,594	3,755	3,050	46.3	2,839	75.6
Banking service fees	26,342	22,712	18,944	3,630	16.0	3,768	19.9
Income from insurance, private pension and capitalization operations before claim and selling expenses	6,888	6,639	6,108	249	3.8	531	8.7
Other income	2,154	1,395	2,282	759	54.4	(887)	(38.9)
Losses on loans and claims	(15,801)	(14,870)	(21,354)	(931)	6.3	6,484	(30.4)
Expenses for allowance for loan and lease losses	(18,832)	(17,856)	(23,982)	(976)	5.5	6,126	(25.5)
Recovery of loans written off as loss	5,054	5,061	4,663	(7)	(0.1)	398	8.5
Expenses for claims	(2,430)	(3,155)	(3,320)	725	(23.0)	165	(5.0)
Recovery of claims under reinsurance	407	1,080	1,285	(673)	(62.3)	(205)	(16.0)
Banking Product net of losses on loans and claims	75,856	64,517	59,818	11,339	17.6	4,699	7.9
Other operating income (expenses)	(47,048)	(43,652)	(42,402)	(3,396)	7.8	(1,250)	2.9
General and administrative expenses	(42,550)	(39,914)	(38,080)	(2,636)	6.6	(1,834)	4.8
Tax expenses	(5,063)	(4,341)	(4,497)	(722)	16.6	156	(3.5)
Share of profit or (loss) of unconsolidated companies	565	603	175	(38)	(6.3)	428	244.6
Income before income tax and social contribution	28,808	20,865	17,416	7,943	38.1	3,449	19.8
Current income tax and social contribution	(7,209)	(7,503)	(7,716)	294	(3.9)	213	(2.8)
Deferred income tax and social contribution	262	3,160	3,491	(2,898)	(91.7)	(331)	(9.5)
Net income	21,861	16,522	13,191	5,339	32.3	3,331	25.3
Net income attributable to non-controlling interests	306	98	557	208	212.2	(459)	(82.4)
Net income attributable to owners of the parent company	21,555	16,424	12,634	5,131	31.2	3,790	30.0

Our results of operations are affected by changes in SELIC rates and in exchange rates (U.S. dollar compared to Brazilian *real*). In 2014, we observed an increase in the average SELIC rate to 10.9% from 8.3% in 2013 and compared 8.6% in 2012. The Brazilian *real* depreciated 13.4% in 2014, 14.6% in 2013 and 8.9% in 2012.

Banking Product (Operating Revenues)

Banking product (operating revenues) is the sum of our operating revenues, net of funding costs, as detailed in the table above. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 23 – Interest and Similar Income and Expense and Net Gain (Loss) from Investment Securities and Derivatives, Note 24 – Banking Service Fees and Note 25 – Other Income for further details.

The following chart shows the changes in the components of our banking product which account for the variation between banking product (operating revenues) for the years ended December 31, 2014, December 31, 2013 and December 31, 2012. Values indicated in red represents negative numbers.



(1) Includes insurance, private pension and capitalization (premium bonds) operations before claim and selling expenses, foreign exchange results and exchange variation on transactions, dividend income and other income.

The following table shows the main components of our interest and similar income for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

(In millions of R\$, except percentages)

INTEREST AND SIMILAR INCOME	FOR THE YEAR ENDED DECEMBER 31,			VARIATION (%)			
	2014	2013	2012	2014 – 2013		2013 – 2012	
Interest on Central Bank compulsory deposits	5,904	4,314	5,334	1,590	36.9	(1,020)	(19.1)
Interest on interbank deposits	1,286	583	1,042	703	120.6	(459)	(44.0)
Interest on securities purchased under agreements to resell	17,929	12,630	10,096	5,299	42.0	2,534	25.1
Interest on financial assets held for trading	15,128	10,860	13,324	4,268	39.3	(2,464)	(18.5)
Interest on available-for-sale financial assets	7,272	5,067	3,771	2,205	43.5	1,296	34.4
Interest on held-to-maturity financial assets	2,347	486	471	1,861	382.9	15	3.2
Interest on loans and leases operations	69,248	59,546	61,139	9,702	16.3	(1,593)	(2.6)
Other financial assets	1,001	641	1,187	360	56.2	(546)	(46.0)
Total Interest and similar income	120,115	94,127	96,364	25,988	27.6	(2,237)	(2.3)

In 2014, the 27.6% increase in interest and similar income compared to 2013 was mainly due to increases in interest on loans and leases, in interest on held for trading, available-for-sale and held-to-maturity financial assets, and in interest on compulsory Central Bank deposits. The increases in interest for trading, available-for-sale and held-to-maturity financial assets and on Central Bank compulsory deposits are related to increases in the cumulative SELIC rate to 10.9% in 2014 from 8.3% in 2013. The increase of 16.3% in interest on loans and leases is mainly due to the 9.9% growth in our loan portfolio combined with the growth short-term duration products such as overdrafts and credit cards.

In 2013, the 2.3% decrease in interest and similar income compared to 2012 was mainly due to decreases in interest on trading assets, in interest on loan and leases and in interest on Central Bank deposits, partially offset by increases in interest on securities purchased under resale agreements and dividends on available-for-sale securities. The decreases in interest for trading assets and on Central Bank compulsory deposits are both related to the reduction in the SELIC rate to 8.3% in 2013 from 8.6% in 2012.

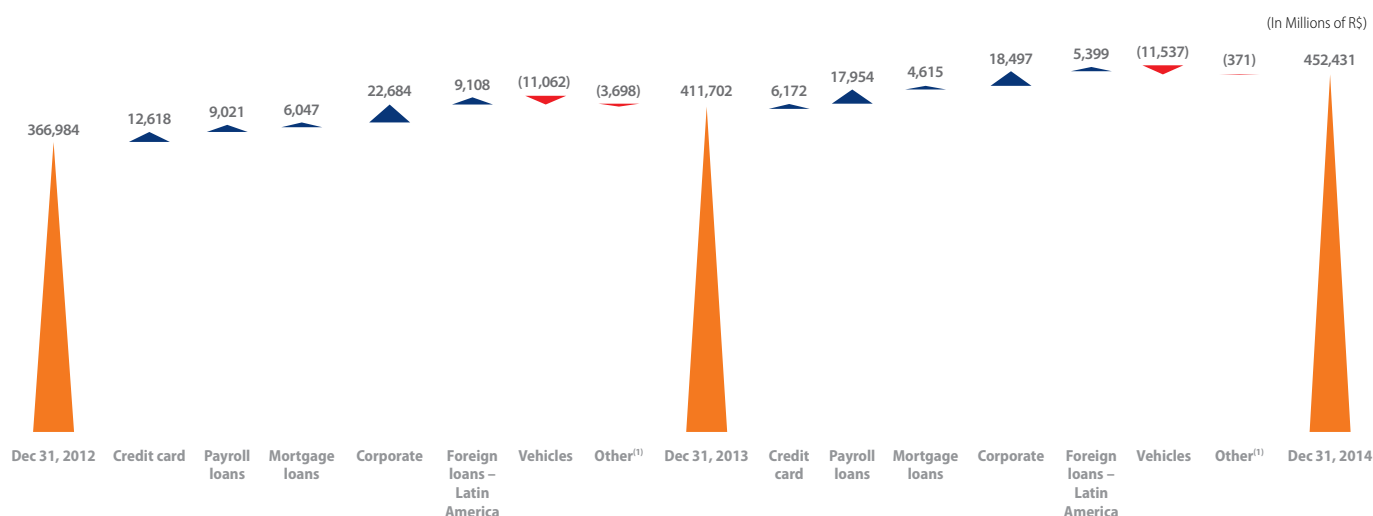
Below is the composition of the carrying amount of loan and lease transactions by type as December 31, 2014, December 31, 2013 and December 31, 2012:

(In millions of R\$, except percentages)

LOAN AND LEASE OPERATIONS BY TYPE	AS OF DECEMBER 31,			VARIATION (%)			
	2014	2013	2012	2014 – 2013		2013 – 2012	
Individuals	185,953	167,431	150,921	18,522	11.1	16,510	10.9
Companies ⁽¹⁾	224,822	208,014	188,914	16,808	8.1	19,100	10.1
Foreign loans – Latin America	41,656	36,257	27,149	5,399	14.9	9,108	33.5
Total loan and lease operations	452,431	411,702	366,984	40,729	9.9	44,718	12.2

(1) Corporate and small and medium businesses.

The following chart shows the components of our total loan and lease transactions which primarily account for the variation between our total loan and lease transactions as of December 31, 2014, December 31, 2013 and December 31, 2012. Values indicated in red represent negative numbers.



(1) Other: Personal loan, Small and Medium businesses.

As of December 31, 2014, our total loan portfolio reached R\$452,431 million, a 9.9% increase from the previous year, influenced by the increase in the average volumes of loan and lease transactions, mainly due to the increase in the volume of credit card lending, payroll loans, mortgage loans and loans to corporate clients. As of December 31, 2013, our loan portfolio reached R\$411,702 million, a 12.2% increase from December 31, 2012.

Since 2011, we have focused on reducing the credit risk of our loan portfolio. As a result, our mortgage, payroll, corporate and Latin America (ex-Brazil) loan portfolios have grown more rapidly, while our vehicle and small companies' portfolios have decreased. Our mortgage loan portfolio has grown in line with the market and we

maintained a conservative approach regarding collateral. The LTV quarterly average (Loan-to-Value: ratio between the loans and the underlying collateral) reached 59.6% in the fourth quarter of 2014. Our payroll loan portfolio has grown more than our personal loan portfolio not only due to the emphasis we have given to it within our branch network but also because of our association with Banco BMG for payroll loan origination. In Latin America, excluding Brazil (i.e., Argentina, Chile, Colombia, Paraguay and Uruguay) we grew 14.9% compared to December 31, 2013 and 33.5% compared to December 31, 2012, both due to organic growth and the depreciation of the *real* against the currencies of those countries. For further details please refer to the table above of loan and lease operations by type.

(In millions of R\$, except percentages)

INTEREST AND SIMILAR EXPENSE	FOR THE YEAR ENDED DECEMBER 31,			VARIATION (%)		
	2014	2013	2012	2014 – 2013	2013 – 2012	
Interest on deposits	(12,064)	(9,802)	(10,544)	(2,262)	742	(7.0)
Interest on securities sold under repurchase agreements	(26,771)	(16,865)	(17,539)	(9,906)	674	(3.8)
Interbank market debt	(14,404)	(6,245)	(5,747)	(8,159)	(498)	8.7
Institutional market debt	(10,695)	(9,971)	(7,693)	(724)	(2,278)	29.6
Financial expense from technical reserves for insurance and private pension plans	(8,987)	(3,436)	(6,513)	(5,551)	3,077	(47.2)
Other	(56)	(42)	(31)	(14)	(11)	35.5
Total interest expense	(72,977)	(46,361)	(48,067)	(26,616)	1,706	(3.5)

The changes in the SELIC rate also affected our total interest expenses. In 2014, the cumulative SELIC rate increased to 10.9% as of December 31, 2014 compared to 8.3% as of December 31, 2013. In 2013, the cumulative SELIC decreased to 8.3% as of December 31, 2013 compared to 8.6% as of December 31, 2012.

In 2014, the increase in the SELIC rate increased our interest expenses for securities sold under repurchase agreements and reserves for insurance and private pension and liabilities for capitalization plans (premium bonds). In 2013, the decrease in the SELIC rate reduced our interest expenses for securities sold under repurchase agreements and for deposits, despite a growth in the

average balances of these portfolios compared to 2012. (for further details, refer to section Performance, item Financial Performance, Liabilities, Funding)

Dividend income totaled R\$215 million for the year ended December 31, 2014, compared to R\$205 million for the year ended December 31, 2013. This increase was due to the increase in dividend income on equity investments. For the year ended December 31, 2012, dividend income totaled R\$323 million. The decrease of dividend income for the year ended December 31, 2014 compared to the year ended December 31, 2013 is due to lower income from dividends of other companies.

Net gain (loss) from investment securities and derivatives totaled a loss of R\$724 million for the year ended December 31, 2014 compared to a loss of R\$5,924 million in the same period in 2013. For the year ended December 31, 2012, net gain (loss) from investment securities and derivatives totaled a loss of R\$5,924 million. These results were mainly due to our risk management strategies, particularly those associated with derivative instruments used to hedge our investments abroad and due to the depreciation of the *real* against the U.S. dollar during 2014 and 2013.

Foreign exchange results and exchange variation on transactions totaled R\$9,644 million for the year ended December 31, 2014, R\$6,594 million for the year ended December 31, 2013 and R\$3,755 million for the year ended December 31, 2012. The changes were due mainly to the effect from derivative financial instruments used to hedge the impact of exchange rate variation on our investments in subsidiaries abroad.

The following table shows the main components of our non-interest income for the years ended December 31, 2012, December 31, 2013 and December 31, 2014:

(In millions of R\$, except percentages)

NON-INTEREST INCOME	FOR THE YEAR ENDED DECEMBER 31,			VARIATION (%)			
	2014	2013	2012	2014 – 2013	2014 – 2012	2013 – 2012	
Banking Service Fees	26,342	22,712	18,944	3,630	16.0	3,768	19.9
Income from insurance, private pension and capitalization operations before claim and selling expenses	6,888	6,639	6,108	249	3.8	531	8.7
Other Income	2,154	1,395	2,282	759	54.4	(887)	(38.9)
Total non-interest income	35,384	30,746	27,334	4,638	15.1	3,412	12.5

In 2014, our non-interest income amounted to R\$35,384 million, representing a growth of 15.1% from the same period in the previous year. The increase is mainly due to the growth in banking service fees. In 2013, our non-interest income amounted to R\$30,746 million, representing a growth of 12.5% from the same period in the previous year, due to the growth in banking service fees.

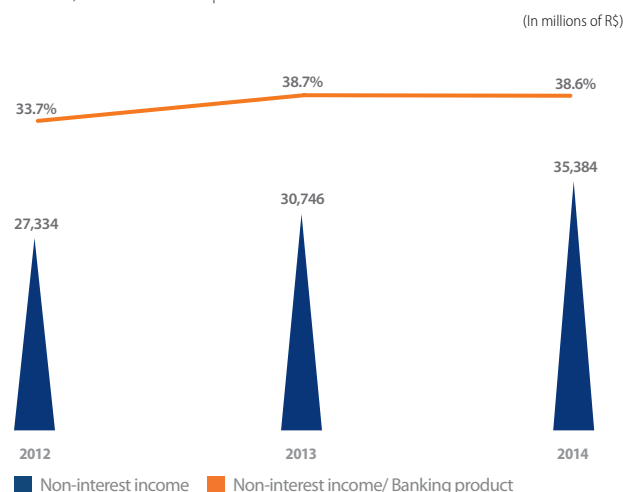
Banking service fees refer to the sum of fees from current account services, asset management, collection, credit card services, guarantees issued and credit lines, brokerage commission and other fees. In 2014, the increase in banking service fee revenues was mainly due to: (i) income from fees from credit card services, influenced by the increased revenues from credit card annual fees, increases in sales and an increase in the number of equipment (POS) rented during the period, as well as the acquisition of Credicard, and (ii) income from current account services, influenced by the expansion of our account holder base and the increase in the offering of differentiated products and services. These products include the differentiated current account service packages for individuals and the convenience and versatility of the *Conta Certa*, a product offered to companies. The growth in banking service fees and other fees income is in line with our strategy to diversify our income, mainly to make it less dependent on changes in interest rates. In 2013, the increase in banking service fees revenues was mainly due to income from fees from credit card services, influenced by the larger revenues from annual fee, increases in sales and an increase in number of equipment (POS) rented during in the period, and to income from current account services, influenced by the increase in the volume of packages and services. New subscriptions to current account service product packages and the adjustment of services provided to our Uniclass clients and by our Itaú Empresas business unit also contributed to this growth.

In 2014, income from insurance, private pension and capitalization operations (premium bonds) before claim and selling expenses increased R\$249 million compared to 2013. The increase was influenced by (i) the lower premium reinsurance of R\$492 million due to the sale of our large risk insurance operations in 2014, (ii) the decrease of R\$192 million in changes in reserves for insurance and private pension and (iii) by the increase of R\$95 million in revenue from capitalization plans. These variations were partially offset by the decrease in income from insurance and private pension, mainly due to the decrease income in VGBL, mandatory insurance for personal injury caused by motor vehicles (DPVAT) and large risk products.

In 2013, income from insurance, private pension and capitalization operations (premium bonds) before claim and selling expenses increased R\$531 million compared to 2012. The increase was mainly due to lower expenses for change in reserves for insurance and private pension, partially offset by the decrease in income from insurance and private pensions. The increase was mainly due to the decrease of R\$2,342 million in changes in reserves for insurance and private pension due to the impact of the change in a Brazilian government resolution (CMN No. 4,176) which lengthens the duration of fixed-income portfolios. This change, along with the increase in future interest rates, increased the volatility of long term fixed-income securities of the private pension funds market. Another result of such changes to the private pension funds market is that customers moved funds to other investments, thereby resulting in a lower increase in pension plan assets, and thus, a decrease of R\$1,421 million in revenues, from insurance and private pension, when compared to the previous year.

In 2014, other income increased, mainly influenced by the increase in reversal of provisions for losses from securities. In 2013, other income decreased, mainly influenced by the effect of the sale of our interest in Serasa S.A. during that year.

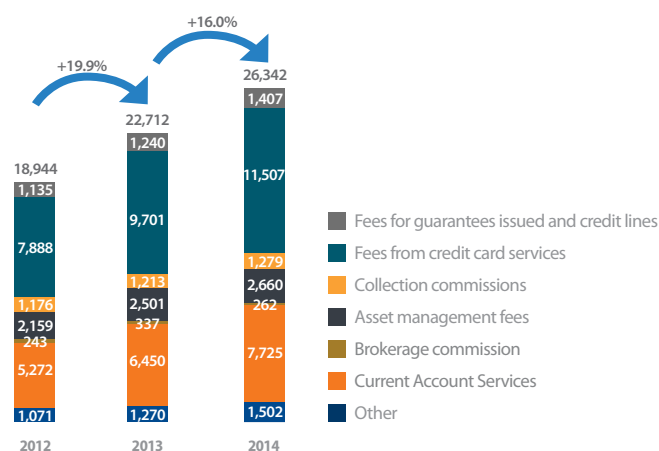
The following chart shows a comparison between our total non-interest income for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, as well as the ratio between our total non-interest income and our banking product (operating revenues) for the same periods:



The following chart shows the aggregate banking services fees and the components thereof for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

Composition of Banking Service Fees

(In millions of R\$)



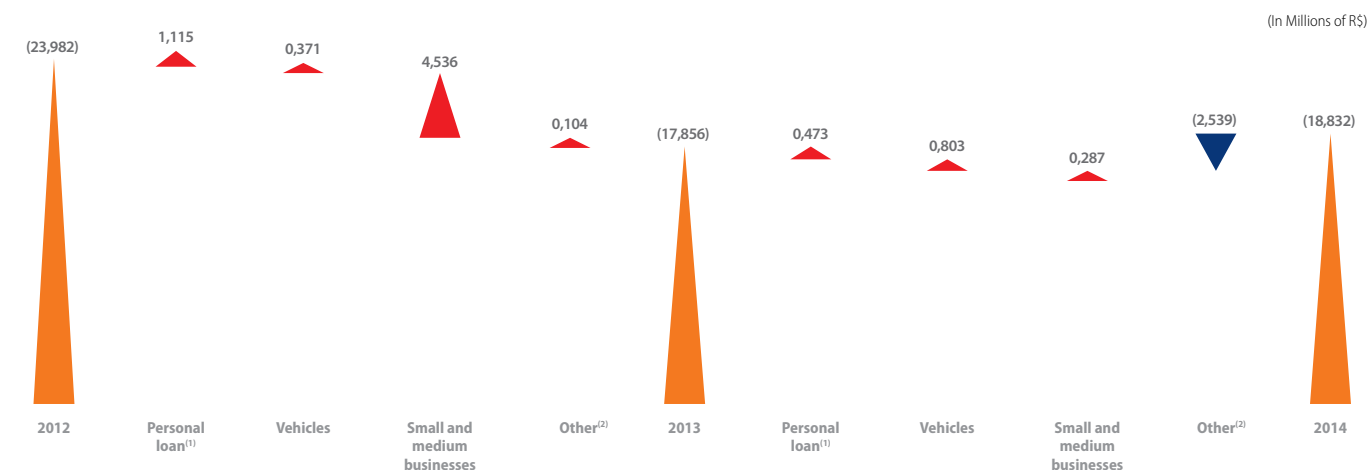
Below is the composition of our losses on loans and claims for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

(In millions of R\$, except percentages)

LOSSES ON LOANS AND CLAIMS	FOR THE YEAR ENDED DECEMBER 31,			VARIATION (%)		
	2014	2013	2012	2014 – 2013	2013 – 2012	
Expenses for allowance for loan and lease losses	(18,832)	(17,856)	(23,982)	(976)	5.5	6,126 (25.5)
Recovery of loans written-off as loss	5,054	5,061	4,663	(7)	(0.1)	398
Expenses for claims	(2,430)	(3,155)	(3,320)	725	(23.0)	165 (5.0)
Recovery of claims under reinsurance	407	1,080	1,285	(673)	(62.3)	(205) (16.0)
Total losses on loans and claims	(15,801)	(14,870)	(21,354)	(931)	6.3	6,484 (30.4)

Evolution of the expenses for allowance for loan and lease losses

The chart below shows the changes in the components making up our expenses for allowance for loan and lease losses which primarily account for the variation between expenses for allowance for loan and lease losses for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:



(1) Includes Payroll Loans.

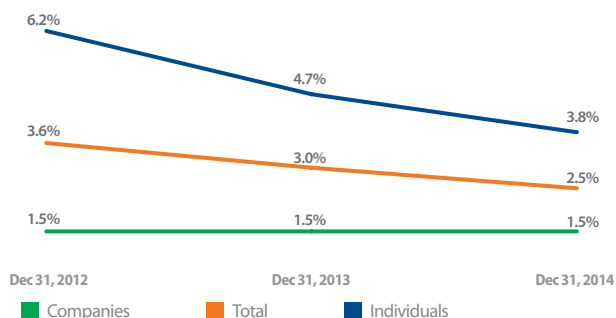
(2) Includes Credit Card Loans, Mortgage Loans, Corporate Loans and Latin America Loans.

For the year ended December 31, 2014, our expenses for allowance for loan and lease losses increased 5.5% compared to the same period in 2013 despite an increase of 9.9% in our loan portfolio in this period. This was the result of our continued application of stricter requirements for granting loans, which has led to higher down payment requirements and shorter financing terms and due to the acquisition of Credicard which increased our loan portfolio by R\$8.2 billion in December 2013.

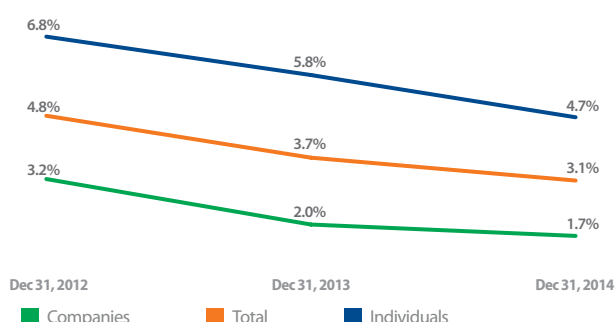
For the year ended December 31, 2013, our expenses for allowance for loan and lease losses decreased 25.5% compared to the same period in 2012, mainly related to lower delinquency ratios in our small companies and personal loans portfolios, which contributed with R\$5,614 million, or 92%, to the R\$6,126 million total decrease. The delinquency ratios of our vehicle loan portfolio are still in a downward trend and the expenses for allowance for loan and lease losses decreased 14.0% for the year ended December 31, 2013.

The NPL ratios presented as of December 31, 2014, below, reached their lowest levels since the Itaú and Unibanco association in November 2008.

15 to 90-day's NPL Ratio



90-day's NPL Ratio



In the year ended December 31, 2014, the recovery of loans written off as losses remained relatively stable compared to the year ended December 31, 2013 and reached R\$5,054 million, representing a 0.1% decrease. In the year ended December 31, 2013, the recovery of loans written off as losses increased by 8.5% or R\$398 million compared to the year ended December 31, 2012.

Expenses for claims decreased by R\$725 million, mainly due to a decrease in claims of corporate insurance risks, individual and group accident insurance segments for the year ended December 31, 2014 compared to the year ended December 31, 2013. In the year ended December 31, 2013 expenses for claims decreased R\$165 million compared to year ended December 31, 2012, primarily due to a reduction in the claims ratio to specified and all risks, credit life and warranty extension – assets.

Recovery of claims under reinsurance decreased by R\$673 million in 2014 from R\$1,080 million for the year ended December 31, 2013 to R\$407 million in the year ended December 31, 2014, mainly due to a decrease in the recovery of claims in our segment of large risk insurance products. In the year ended December 31, 2013, recovery of claims under reinsurance decreased R\$205 million compared to the year ended December 31, 2012, mainly due to a reduction in the recovery of claims from corporate insurance risks that have reinsurance.

Below is the composition of our general and administrative expenses for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

(In millions of R\$, except percentages)

GENERAL AND ADMINISTRATIVE EXPENSES	FOR THE YEAR ENDED DECEMBER 31,				VARIATION (%)		
	2014	2013	2012		2014 – 2013	2013 – 2012	
Personnel expenses	(17,071)	(15,860)	(14,332)	(1,211)	7.6	(1,528)	10.7
Administrative expenses	(14,325)	(13,257)	(12,665)	(1,068)	8.1	(592)	4.7
Depreciation	(1,641)	(1,522)	(1,346)	(119)	7.8	(176)	13.1
Amortization	(827)	(808)	(844)	(19)	2.4	36	(4.3)
Insurance acquisition expenses	(1,214)	(1,147)	(1,253)	(67)	5.8	106	(8.5)
Other expenses	(7,472)	(7,320)	(7,640)	(152)	2.1	320	(4.2)
Total General and Administrative Expenses	(42,550)	(39,914)	(38,080)	(2,636)	6.6	(1,834)	4.8

We kept a tight control on costs and have partially offset the potential rise in costs (brought by the growth of operations, the rise in salaries and benefits due to collective labor agreements and the impact of inflation on our administrative costs) with efficiency gains. Between December 31, 2013, and December 31, 2014, our number of employees decreased 2.6% to 93,175 mainly as a result of our natural turn-over. Further, there was a decrease of 322 employees due to the sale of our large risk operation in October 2014. Between December 31, 2012, and December 31, 2013, our number of employees decreased 1.3% to 95,696, in spite of the arrival of 1,194 employees from Credicard in December 2013.

General and administrative expenses increased R\$2,636 million, or 6.6%, in 2014 compared to 2013. In 2013, these expenses increased 4.8% compared to 2012.

In 2014, the increase of R\$1,211 million in personnel expenses was mainly a result of the increase in expenses related to compensation, payroll taxes, benefits and profit sharing. The annual collective negotiation agreement reached in October 2014,

increased compensation by 8.5% starting from September 2014, and impacted the year ended December 31, 2014 compared to the same period of 2013. In 2013, the increase of R\$ 1,528 million in personnel expenses was mainly a result of the growth in expenses related to compensation, payroll taxes, benefits and profit sharing, which contributed with R\$1,042 million to the increase in personnel expenses. The increase was mainly due to the annual collective negotiation agreement reached in October 2013, which increased these expenses by 8.0%, on top of the agreement reached in September 2012, which grew compensation by 7.5% and benefits by 8.5%.

In 2014, the administrative expenses increased R\$1,068 million, or 8.1%, mainly because of increases in third-party services, data processing and telecommunications, rent, security and financial services. The increase in these expenses was due to the organic growth of our operations, the effect of inflation on most contracts and costs in the year ended December 31, 2014. In 2013, administrative expenses increased by 4.7%, mainly because of growths in advertising, promotions and publication expenses and

rent, which represented with R\$545 million of the R\$592 million increase in administrative expenses. The increase in advertising, promotions and publications expenses was related to the FIFA Confederations Cup, Rock In Rio, Itaipu Bike and the repositioning of the Rede and Hiper brands. Despite the organic growth of our operations and the effect of inflation on most contracts and costs, such as utilities, rent and other, administrative expenses grew by only 1.4% in 2012 (while consumer inflation increased by 5.8%, according to the IPCA index), offset by decreases in expenses with installations, transportation and materials.

In 2014, other expenses increased R\$152 million, or 2.1%, mainly due to the growth in selling expenses related to credit cards which represented R\$817 million, partially offset by lower provisions in connection with tax and social security lawsuits, which provisions represented R\$566 million in the year ended December 31, 2014. In 2013, other non-interest expenses decreased 4.2%, mainly due to the fact that the disposal of our investment in Banco BPI S.A., increased such expenses by R\$302 million in 2012. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 26 – General and Administrative Expenses and Note 32 – Provisions, Contingencies and Other Commitments for further details.

In the year ended December 31, 2014, tax expenses (ISS, PIS, Cofins and other tax expenses) amounted to R\$5,063 million, an increase of R\$722 million compared to the year ended December 31, 2013, and decreased R\$156 for the year ended December 31, 2013 compared to the year ended December 31, 2012, reflecting the growth in our banking product (operating revenues).

Certain amounts of income and expenses are recognized in our income statement but do not affect our taxable basis. Conversely, certain amounts are considered taxable income or deductible expenses in the calculation of our taxes on income but do not affect our income statement. Those items are referred to as “permanent differences”. Our total income tax and social contribution includes current income tax and social contribution as well as deferred income tax and social contribution. The former is the tax expense under Brazilian tax laws for the period, and the latter is the tax expense resulting from permanent differences.

In the year ended December 31, 2014, income tax and social contribution amounted to R\$6,947 million, an increase of R\$2,604 million compared to the year ended December 31, 2013. This increase is mainly due to the 38.1% growth in our profits (income before income tax and social contribution) and to the tax effect of the hedge of our equity investments abroad, as exchange rate variations on such investments are not taxable but the hedge of such investments is. In the year ended December 31, 2013, income tax and social contribution amounted R\$4,343 million, a decrease of R\$118 million, or 2.8% compared to the year ended December 31, 2012.

Basis of Segment Information Presentation

Our segment information is based on reports used by senior management to assess the financial performance of our businesses and to make decisions regarding the allocation of funds for investment and other purposes.

Segment information is prepared according to accounting practices adopted in Brazil (our segment information is not prepared in accordance with IFRS) but includes the following pro forma adjustments: (i) the recognition of the impact related to allocated capital using a proprietary model; (ii) the use of funding and cost of capital, according to market prices, using certain managerial criteria; (iii) the exclusion of non-recurring events from our results and (iv) the reclassification of the tax effects from hedging transactions we enter into for our investments abroad. Please refer to section Performance, item Consolidated Financial Statements (IFRS), Note 34 – Segment Information for further details.

Capital and funding costs are allocated to each segment based on Tier I Capital rules and according to a proprietary model, while the capital surplus and subordinated debt surplus are allocated to the segment Activities with the market and Corporation. The tax effects of payments of interest on our own capital have been allocated to the segments proportionally to the amount of the Tier I Capital of each segment. Additionally, share of income of unconsolidated companies not related to segments and non-controlling interest were allocated to the segment Activities with the market and Corporation.

The Efficiency Ratio and Risk Adjusted Efficiency Ratio are calculated based on managerial information, as presented below:

Non-Interest Expenses

Efficiency Ratio =

(Banking Product - Tax Expenses for ISS, PIS, Cofins and Other Taxes)

Risk Adjusted

Efficiency Ratio =

Non-Interest Expenses + Losses on loans and claims

(Banking Product - Tax Expenses for ISS, PIS, Cofins and Other Taxes)

The Efficiency Ratio and Risk Efficiency Ratio are non-GAAP measures and we disclose them herein as we consider them to be an important measure to understand how we manage our overhead costs. We disclose this measure to the market on a quarterly basis.

Low efficiency ratios indicate a better performance, once this ratio measures the proportion of expenses over revenues. The risk-adjusted efficiency ratio includes the risk portions associated with banking transactions (result of the allowance for loan and lease losses and recovery of loans written off as losses) and insurance and pension plan transactions (claims).

In the first quarter of 2013, we made changes to our consolidation criteria for managerial results in order to better align our presentation of managerial results with the way our management monitors results. These adjustments only rearrange certain revenues and costs within units, therefore they do not affect our net income disclosed. In addition, because of changes implemented in our structure, we changed the names of our segments to: (i) Commercial Bank – Retail, (ii) Wholesale Bank, (iii) Consumer Credit – Retail and (iv) Activities with the market and Corporation. The results of middle market companies, previously allocated to the Commercial Bank segment, are now reported in the Wholesale Bank segment.

We present below a summary of the results from our operating segments for the periods indicated. The adjustments column presents effects of the differences between the segmented results (substantially in line with the accounting practices adopted in Brazil) and those calculated according to the principles adopted in our consolidated financial statements in IFRS. The following discussion should be read in conjunction with our audited consolidated financial statements, especially Note 34 regarding segment information in section Performance, item Consolidated Financial Statements (IFRS).

(In millions of R\$, except percentages)

CONSOLIDATED STATEMENT OF INCOME FROM JANUARY 1 TO DECEMBER 31, 2014	COMMERCIAL BANK – RETAIL	CONSUMER CREDIT – RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET AND CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking Product ⁽¹⁾	52,350	17,992	14,814	4,684	89,840	1,817	91,657
Losses on loans and claims	(8,129)	(4,180)	(2,733)	(3)	(15,045)	(756)	(15,801)
Banking Product net of losses on loans and claims	44,221	13,812	12,081	4,681	74,795	1,061	75,856
Other operating income (expenses)	(28,638)	(9,000)	(5,654)	(1,147)	(44,439)	(2,609)	(47,048)
Income before income tax and social contribution	15,583	4,812	6,427	3,534	30,356	(1,548)	28,808
Income tax and social contribution	(5,636)	(1,431)	(2,090)	(269)	(9,426)	2,479	(6,947)
Non-controlling interest in subsidiaries	-	(305)	-	(6)	(311)	5	(306)
Net income	9,947	3,076	4,337	3,259	20,619	936	21,555

(1) Includes net interest and similar income and expenses, dividend income, net gain (loss) from investment securities and derivatives, results from foreign exchange variation of transactions abroad.

Performance Measures

Efficiency Ratio (%)	52.0	46.5	34.6	25.1	46.6		
Risk adjusted efficiency ratio (%)	68.5	71.4	54.1	25.1	64.3		

Balance Sheet Information

Loan, Lease and Other Credit Transactions	160,689	103,305	184,195	3,572	451,760	671	452,431
Total Assets	790,785	108,629	354,212	97,713	1,208,702	(81,499)	1,127,203

(In millions of R\$, except percentages)

CONSOLIDATED STATEMENT OF INCOME FROM JANUARY 1 TO DECEMBER 31, 2013	COMMERCIAL BANK – RETAIL	CONSUMER CREDIT – RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET AND CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking Product ⁽¹⁾	44,567	14,892	15,116	3,901	78,476	911	79,387
Losses on loans and claims	(7,613)	(4,860)	(3,055)	(82)	(15,610)	740	(14,870)
Banking Product net of losses on loans and claims	36,954	10,032	12,061	3,819	62,866	1,651	64,517
Other operating income (expenses)	(26,043)	(7,496)	(6,159)	(572)	(40,270)	(3,382)	(43,652)
Income before income tax and social contribution	10,911	2,536	5,902	3,247	22,596	(1,731)	20,865
Income tax and social contribution	(3,908)	(642)	(1,886)	(187)	(6,623)	2,280	(4,343)
Non-controlling interest in subsidiaries	-	(124)	-	(13)	(137)	39	(98)
Net income	7,003	1,770	4,016	3,047	15,836	588	16,424

(1) Includes net interest and similar income and expenses, dividend income, net gain (loss) from investment securities and derivatives, results from foreign exchange variation of transactions abroad.

Performance Measures

Efficiency Ratio (%)	55.9	46.5	37.2	18.2	48.5		
Risk adjusted efficiency ratio (%)	74.0	81.7	58.6	20.2	69.5		

Balance Sheet Information

Loan, Lease and Other Credit Transactions	137,802	88,586	180,886	4,966	412,235	(533)	411,702
Total Assets	737,341	94,174	322,667	116,625	1,105,721	(78,424)	1,027,297

(In millions of R\$, except percentages)

CONSOLIDATED STATEMENT OF INCOME FROM JANUARY 1 TO DECEMBER 31, 2012	COMMERCIAL BANK – RETAIL	CONSUMER CREDIT – RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET AND CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking Product ⁽¹⁾	51,551	14,211	7,491	5,808	78,978	2,194	81,172
Losses on loans and claims	(15,292)	(5,179)	(795)	251	(21,015)	(339)	(21,354)
Banking Product net of losses on loans and claims	36,259	9,032	6,696	6,059	57,963	1,855	59,818
Other operating income (expenses)	(27,030)	(7,476)	(3,301)	(281)	(38,041)	(4,361)	(42,402)
Income before income tax and social contribution	9,229	1,556	3,395	5,778	19,922	(2,506)	17,416
Income tax and social contribution	(2,981)	(311)	(1,066)	(968)	(5,326)	1,101	(4,225)
Non-controlling interest in subsidiaries	-	-	-	(589)	(553)	(4)	(557)
Net income	6,248	1,245	2,329	4,221	14,043	(1,409)	12,634

(1) Includes net interest and similar income and expenses, dividend income, net gain (loss) from investment securities and derivatives, results from foreign exchange variation of transactions abroad.

Performance Measures

Efficiency Ratio (%)	50.0	49.3	40.8	7.5	45.6		
Risk adjusted efficiency ratio (%)	81.2	88.3	52.1	3.3	73.6		

Balance Sheet Information

Loan, Lease and Other Credit Transactions	166,718	85,839	109,435	4,309	366,285	699	366,984
Total Assets	745,032	90,096	233,430	134,544	1,014,425	(57,271)	957,154

Revenues from Operations in Brazil and Abroad

We conduct most of our business activities in Brazil, but we do not break down our revenues by geographic market within Brazil. Our interest income from loans and leases, banking service fees and income from insurance, private pension and capitalization (premium bonds) transactions are divided between revenues earned in Brazil and abroad. The following information is presented in IFRS, after eliminations on consolidation.

The following table sets forth the consolidated statement of income with respect to our revenues from operations in Brazil and abroad for the years ended December 31, 2014, 2013 and 2012:

(In millions of R\$)			
REVENUES FROM OPERATIONS IN BRAZIL AND ABROAD	FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012
Interest income ⁽¹⁾	129,250	95,002	101,905
Brazil	119,407	86,934	95,063
Abroad	9,843	8,068	6,842
Banking Service Fees	26,342	22,712	18,944
Brazil	24,869	21,388	17,918
Abroad	1,473	1,324	1,026
Income from insurance, private pension and capitalization operations after	3,651	3,417	2,820
Brazil	3,624	3,382	2,792
Abroad	26	35	28

Commercial Bank – Retail

The following table sets forth the consolidated statement of income with respect to our Commercial Bank – Retail segment for the years ended December 31, 2014, 2013 and 2012:

(In millions of R\$, except percentages)					
CONSOLIDATED STATEMENT OF INCOME	FOR THE YEAR ENDED DECEMBER, 31			VARIATION (%)	
	2014	2013	2012	2014 – 2013	2013 – 2012
Banking Product	52,350	44,567	51,551	17.5	(13.5)
Interest margin	28,957	23,719	32,770	22.1	(27.6)
Banking service fees	14,771	12,585	12,289	17.4	2.4
Income from insurance, private pension and capitalization operations before claim and selling expenses	8,622	8,263	6,030	4.3	37.0
Other income	-	-	462	-	(100.0)
Losses on loans and claims	(8,129)	(7,613)	(15,292)	6.8	(50.2)
Expenses for allowance for loan and lease losses	(9,292)	(9,155)	(16,577)	1.5	(44.8)
Recovery of loans written-off as losses	3,158	3,561	3,320	(11.3)	7.3
Expenses for claims/Recovery of claims under reinsurance	(1,995)	(2,019)	(2,035)	(1.2)	(0.8)
Banking Product net of losses on loans and claims	44,221	36,954	36,259	19.7	1.9
Other operating income (expenses)	(28,638)	(26,043)	(27,030)	10.0	(3.7)
Non-interest expenses	(25,739)	(23,522)	(24,539)	9.4	(4.1)
Tax expenses for ISS, PIS and COFINS and other	(2,899)	(2,521)	(2,704)	15.0	(6.8)
Share of comprehensive income of unconsolidated companies, net	-	-	108	-	(100.0)
Other	-	-	105	-	(100.0)
Income before income tax and social contribution	15,583	10,911	9,229	42.8	18.2
Income tax and social contribution	(5,636)	(3,908)	(2,981)	44.2	31.1
Non-controlling interest in subsidiaries	-	-	-	-	-
Net income	9,947	7,003	6,248	42.0	12.1
Efficiency Ratio (%)	52.0	55.9	50.0		
Risk Adjusted Efficiency Ratio (%)	68.5	74.0	81.2		

In the first quarter of 2013, we reclassified some middle market companies from the Commercial Bank – Retail to the Wholesale Bank. One year later, in the first quarter of 2014, some of those middle market companies, previously allocated to the Wholesale Bank segment, were reclassified back to the Commercial Bank segment.

Net income for the Commercial Bank – Retail segment increased 42.0% in the year ended December 31, 2014 from the same period

(In millions of R\$)			
REVENUES ABROAD BY BUSINESS SEGMENTS	FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012
Commercial Bank	4,993	4,222	3,806
Argentina	692	606	425
Chile	852	883	629
Uruguay	535	406	227
Other companies abroad ⁽²⁾	2,914	2,328	2,525
Wholesale Bank	1,414	1,331	832
Other companies abroad ⁽¹⁾	1,414	1,331	832
Consumer Credit	181	163	127
Argentina	43	34	22
Uruguay	33	30	24
Chile	105	99	81
IFRS Adjustments	4,754	3,710	3,132

(1) Includes interest and similar income, dividend income, net gains (loss) from investment securities and derivatives, foreign exchange results and exchange variation on transactions.

(2) Itaú Unibanco S.A. – Agências Grand Cayman, New York, Tokyo e Nassau Branch, ITAÚ UNIBANCO HOLDING S.A. – Grand Cayman Branch, Banco Itaú Argentina S.A., Itaú Asset Management S.A., Sociedad Gerente de Fondos Comunes de Inversión, Itrust Servicios Inmobiliarios S.A.C.I., Itaú Valores S.A., Itaú Chile Holdings Inc., BICSA Holdings LTD., Banco Itaú Chile S.A., Itaú Chile Inversiones, IPI – Itaú Portugal Investimentos, SGPS Lda. (49%), Itaúsa Europa – Investimentos, SGPS, Lda., Itaúsa Portugal – SGPS S.A., Itaú BBA International (Cayman) Ltd., Itaú Europa Luxemburgo S.A. (nova denominação social de Banco Itaú Europa Luxembourg S.A.), Itaú Bank Ltd., ITB Holding Ltd., Jasper International Investment LLC, Itaú Bank & Trust Cayman Ltd., Uni-Investments Inter. Corp., Rosefield Finance Ltd. (50%), Itaú Cayman Directors Ltd., UBT Finance S.A., Itaú Cayman Nominees Ltd., BIE Cayman Ltd; Afincos Americas Madeira, SGPS Soc. Unipessoal Ltda, IPI – Itaúsa Portugal Investimentos, SGPS Lda. (51%), Banco Del Paraná S.A., Topaz Holding Ltd., Itaú USA Inc., Itaú BBA USA Securities Inc., Itaú International Investment LLC.

(3) Activities with the Market and Corporation has no operations outside Brazil for the years ended December 31, 2014, 2013 and 2012.

of 2013, mainly due to the positive impact of a 22.1% increase in interest margin and a 17.4% increase in banking service fees with higher revenues from current account services, credit card, consortia and collection services. These impacts are mainly influenced by the migration of the middle market companies from the Wholesale Bank segment. Furthermore, losses on loans and claims increased R\$516 million or 6.8% from 2013, despite the 16.6% growth on loan and lease balance mainly due to the change in the credit profile of our portfolio.

On the other hand, with a negative impact on the net income, non-interest expenses increased 9.4%. It was also a consequence of the above mentioned reclassification along with a higher volume of transactions (as a result of a growth in our banking operations), and an increase in personnel expenses, which were affected by the collective negotiation agreements reached in 2013 and 2014.

In 2013, the net income for the Commercial Bank – Retail segment increased 12.1% when compared to 2012, mainly due to the positive impact in net income of a 50.2% decrease in the losses on loans and claims. This decrease was mainly influenced by the change in the credit profile of our portfolio.

Consumer Credit – Retail

The following table sets forth the consolidated statement of income with respect to our Consumer Credit – Retail segment for the years ended December 31, 2014, 2013 and 2012:

CONSOLIDATED STATEMENT OF INCOME	FOR THE YEAR ENDED DECEMBER, 31			VARIATION (%)	
	2014	2013	2012	2014 – 2013	2013 – 2012
	(In millions of R\$, except percentages)				
Banking Product	17,992	14,892	14,211	20.8	4.8
Interest margin	11,159	9,230	8,310	20.9	11.1
Banking service fees	6,832	5,662	5,890	20.7	(3.9)
Income from insurance, private pension and capitalization operations before claim and selling expenses	1	-	(7)	-	(100.0)
Other income	-	-	18	-	(100.0)
Losses on loans and claims	(4,180)	(4,860)	(5,179)	(14.0)	(6.2)
Expenses for allowance for loan and lease losses	(5,708)	(5,996)	(6,111)	(4.8)	(1.9)
Recovery of loans written-off as losses	1,528	1,136	932	34.5	21.9
Expenses for claims/Recovery of claims under reinsurance	-	-	-	-	-
Banking Product net of losses on loans and claims	13,812	10,032	9,032	37.7	11.1
Other operating income (expenses)	(9,000)	(7,496)	(7,476)	20.1	0.3
Non-interest expenses	(7,823)	(6,428)	(6,551)	21.7	(1.9)
Tax expenses for ISS, PIS and COFINS and other	(1,177)	(1,068)	(968)	10.2	10.3
Share of comprehensive income of unconsolidated companies, net	-	-	58	-	(100.0)
Other	-	-	(15)	-	(100.0)
Income before income tax and social contribution	4,812	2,536	1,556	89.7	63.0
Income tax and social contribution	(1,431)	(642)	(311)	122.9	106.4
Non-controlling interest in subsidiaries	(305)	(124)	-	146.0	-
Net income	3,076	1,770	1,245	73.8	42.2
Efficiency Ratio (%)	46.5	46.5	49.3		
Risk Adjusted Efficiency Ratio (%)	71.4	81.7	88.3		

In 2014 net income for our Consumer Credit – Retail segment increased 73.8% from 2013, mainly due to the 20.8% increase in the banking product and the 14.0% decrease in losses on loans and claims.

The 20.8% improvement in banking product was the result of the 20.9% increase in interest margin and the 20.7% increase in banking services fees. The increase in the interest margin was mainly due to the results of Itaú BMG Consignado and the Credicard acquisition, which occurred in December 2013. The decrease on losses on loans and claims was mainly due to the 34.5% increase in the recovery of loans written-off as losses that was a result of the changes in our recovery strategy.

Non-interest expenses increased 21.7% in 2014 compared to 2013, mainly due to a higher transaction volume as a result of a growth in our banking operations, particularly through Itaú BMG Consignado.

In 2013, net income for our Consumer Credit – Retail segment increased 42.2% from 2012, mainly due to the 4.8% increase in the banking product and the 6.2% decrease in losses on loans and claims. In 2013, we were more conservative in our credit appetite with respect to the vehicles portfolio, applying stricter requirements for granting loans in this period, which have led to increased down payment requirements and shorter financing terms. This strategy reduced our expenses for allowance for loan and lease losses from R\$6,111 in 2012 to R\$5,996 in 2013, a 1.9% decrease year over year. The increase in the interest margin was mainly due to the results of Itaú BMG Consignado and to the change in the consolidation criteria of our subsidiaries FIC and Luizacred, which were consolidated proportionally based on our fifty percent interest in 2012, and in 2013 became fully consolidated.

Wholesale Bank

The following table sets forth the consolidated statement of income with respect to our Wholesale Bank segment for the years ended December 31, 2014, 2013 and 2012:

CONSOLIDATED STATEMENT OF INCOME	FOR THE YEAR ENDED DECEMBER, 31			VARIATION (%)	
	2014	2013	2012	2014 – 2013	2013 – 2012
	(In millions of R\$, except percentages)				
Banking Product	14,814	15,116	7,491	(2.0)	101.8
Interest margin	10,678	11,117	5,334	(3.9)	108.4
Banking service fees	3,950	3,688	2,261	7.1	63.1
Income from insurance, private pension and capitalization operations before claim and selling expenses	186	311	38	(40.2)	718.4
Other income	-	-	(142)	-	(100.0)
Losses on loans and claims	(2,733)	(3,055)	(795)	(10.5)	284.3
Expenses for allowance for loan and lease losses	(3,068)	(3,347)	(871)	(8.3)	284.3
Recovery of loans written-off as losses	363	348	76	4.3	357.9
Expenses for claims/Recovery of claims under reinsurance	(28)	(56)	-	(50.0)	-
Banking Product net of losses on loans and claims	12,081	12,061	6,696	0.2	80.1
Other operating income (expenses)	(5,654)	(6,159)	(3,301)	(8.2)	86.6
Non-interest expenses	(4,838)	(5,296)	(2,891)	(8.6)	83.2
Tax expenses for ISS, PIS and COFINS and other	(816)	(863)	(410)	(5.4)	110.5
Share of comprehensive income of unconsolidated companies, net	-	-	5	-	(100.0)
Other	-	-	(5)	-	(100.0)
Income before income tax and social contribution	6,427	5,902	3,395	8.9	73.8
Income tax and social contribution	(2,090)	(1,886)	(1,066)	10.8	76.9
Non-controlling interest in subsidiaries	-	-	-	-	-
Net income	4,337	4,016	2,329	8.0	72.4
Efficiency Ratio (%)	34.6	37.2	40.8		
Risk Adjusted Efficiency Ratio (%)	54.1	58.6	52.1		

In the first quarter of 2013, we reclassified some middle market companies from the Commercial Bank – Retail to the Wholesale Bank. One year after that, in the first quarter of 2014 some of those middle market companies were reclassified back to the Commercial Bank segment.

In 2014, net income for our Wholesale Bank segment increased 8.0% from the previous year, despite the migration of middle market clients to the Commercial Bank segment, mainly due to lower non-interest expenses, which decreased 8.6% from 2013 and lower losses on loans and claims, which decreased 8.3% from the previous year. Banking services fees increased 7.1% from 2013 on higher revenues from Merger and Acquisitions and Fixed Income operations.

The decrease of our expenses for allowance for loan and lease losses was mainly due to the migration of middle market companies to the Commercial Bank – Retail segment and to the improvement of our large and middle market companies' loan

portfolio. Interest margin decreased 3.9% in 2014 compared to 2013, also mainly due the above mentioned migration.

In 2013, net income for our Wholesale Bank segment increased 72.4% from the previous year. Our banking product increased 101.8% as the interest margin and the banking service fees were 108.4% and 63.1% higher than in 2012. In addition to the effect of the result of the middle market companies, the increase in the corporate loan portfolio and in fees from investment banking, cash management and payments services (with REDE) were responsible for this sharp improvement in banking product.

Losses on loans and claims increased 284.3%, due to the migration of middle market companies from the Commercial Bank – Retail segment. Our expenses for allowance for loan and lease losses with middle market companies were R\$ 2,454 million in 2013, 15.5% lower than in 2012. Also with negative impact on net income, the non-interest expenses increased 83.2% as we had more expenses with information technology, telecommunication and debt collection.

Activities with the Market and Corporation

The following table sets forth the consolidated statement of income with respect to our Activities with the Market and Corporation segment for the years ended December 31, 2014, 2013 and 2012:

CONSOLIDATED STATEMENT OF INCOME	FOR THE YEAR ENDED DECEMBER, 31			VARIATION (%)	
	2014	2013	2012	2014 – 2013	2013 – 2012
Banking Product	4,684	3,901	5,808	20.1	(32.8)
Interest margin	4,361	3,571	5,555	22.1	(35.7)
Banking service fees	224	213	249	5.2	(14.5)
Income from insurance, private pension and capitalization operations before claim and selling expenses	99	117	4	(15.4)	2,825.0
Other income	-	-	-	-	-
Losses on loans and claims	(3)	(82)	251	(96.3)	(132.7)
Expenses for allowance for loan and lease losses	(3)	(82)	(85)	(96.3)	(3.5)
Recovery of loans written-off as losses	-	-	336	-	(100.0)
Expenses for claims/Recovery of claims under reinsurance	-	-	-	-	-
Banking Product net of losses on loans and claims	4,681	3,819	6,059	22.6	(37.0)
Other operating income (expenses)	(1,147)	(572)	(281)	100.5	103.6
Non-interest expenses	(1,183)	(741)	(449)	59.6	65.0
Tax expenses for ISS, PIS and COFINS and other	36	169	(148)	(78.7)	(214.2)
Share of comprehensive income of unconsolidated companies, net	-	-	316	-	(100.0)
Other	-	-	-	-	-
Income before income tax and social contribution	3,534	3,247	5,778	8.8	(43.8)
Income tax and social contribution	(269)	(187)	(968)	43.9	(80.7)
Non-controlling interest in subsidiaries	(6)	(13)	(589)	(53.8)	(97.8)
Net income	3,259	3,047	4,221	7.0	(27.8)
Efficiency Ratio (%)	25.1	18.2	7.5		
Risk Adjusted Efficiency Ratio (%)	25.2	20.2	3.3		

(In millions of R\$, except percentages)

Activities with the Market and Corporation segment includes the result from the investment of our excess capital, costs from our excess subordinated debt and the net balance of tax assets and liabilities. It also includes the financial margin on market transactions, costs of treasury operations, equity in the earnings of companies that are not linked to any segments, as well as adjustments related to minority shareholdings in subsidiaries and our interest in Porto Seguro S.A.

In 2014, net income from Activities with the Market and Corporation increased 7.0% from the previous year. With positive effects on our net income, interest margin increased R\$790 million or 22.1% (mainly due to higher results on our treasury transactions undertaken for purposes of asset and liability management and proprietary portfolio management) and expenses for allowance for loan and lease losses decreased R\$79 million when compared to 2013. Non-interest expenses increased 59.6% in 2014 when compared to 2013, mainly due to pre-operational costs of our new Technology Center in Mogi Mirim.

In 2013, net income from Activities with the Market and Corporation decreased 27.8% as interest margin decreased 35.7% and non-interest expenses increased 65.0% from the previous year. Losses on loans and claims decreased from R\$251 million in 2012 to a loss of R\$82 million in 2013. These changes were due to differences in revenues and expenses allocation to other operating segments.

Changes in Cash Flows

The following table sets forth the main variations in our cash flows for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

CHANGES IN CASH FLOWS	FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012
Net cash provided by operating activities	89,726	32,530	48,633
Net cash provided (used in) by investing activities	2,676	(14,500)	(37,582)
Net cash (used in) financing activities	(21,688)	(10,606)	(4,913)
Net increase (decrease) in cash and cash equivalents	70,714	7,425	6,139

(In millions of R\$)

Operating Activities

In 2014, the changes in cash flows from operating activities resulted from a decrease in financial assets held for trading and an increase in deposits received under securities repurchase agreements, partially offset by increases in loan operations. In 2013, the changes in cash flows from operating activities resulted primarily from an increase in funds from interbank markets offset by our loan operations. In 2012, the changes in cash flows from operating activities resulted primarily from an increase in deposits received under securities repurchase agreements and a decrease in compulsory deposits with the Central Bank. This was partially offset by increases in securities purchased under agreements to resell, loan transactions and financial assets held for trading and other assets.

Investing Activities

In 2014, the sale of large risk insurance operations and the sale of available-for-sale assets was the main cause for the inflows in our cash flow from investing activities offset by cash paid from purchase of available-for-sale assets. In 2013 and 2012, the increase in purchase of available-for-sale assets was the main cause for the outflows in our cash flow from investing activities offset by cash received from sale of available-for-sale assets.

Financing Activities

In 2014 and in 2013, the changes in cash flows from financing activities were primarily a result of an increase in redemptions of our subordinated debt in institutional markets and dividends and interest on capital paid. In 2012, the changes in cash flows from financing activities were primarily a result of a decrease in redemptions of our subordinated debt in institutional markets and the acquisition of the remaining minority interest in Redecard, partially offset by an increase in funding from institutional markets.

Liquidity and Capital Resources

Our board of directors determines our policy regarding liquidity risk management, and establishes broad quantitative liquidity risk management limits in line with our risk appetite. The Superior Institutional Treasury and Liquidity Committee (CSTIL), composed of members of senior management, is responsible for strategic liquidity risk management in line with the board-approved liquidity risk framework and risk appetite. In establishing our guidelines, the Superior Institutional Treasury and Liquidity Committee (CSTIL) considers the liquidity implications of each market segment and product. The institutional treasury unit of Itaú Unibanco Holding is responsible for day-to-day management of the Itaú Unibanco Group's liquidity profile, within the parameters set by the Board of Directors and the Superior Institutional Treasury and Liquidity Committee (CSTIL). This includes an oversight responsibility with respect to all business units operating outside of Brazil.

We maintain separate liquidity pools at our Brazilian operations and at each of our subsidiaries in Latin America and Europe. Our Brazilian operations include the financial institutions in Brazil and the entities used by the Brazilian operations for funding and

serving their clients abroad. Each subsidiary in Latin America (e.g., in Chile, Argentina, Uruguay, Colombia and Paraguay) and in Europe has its own treasury function with appropriate autonomy to manage liquidity according to local needs and regulations, while remaining in compliance with the liquidity limits established by Itaú Unibanco Holding senior management. In general, there are rarely liquidity transfers between subsidiaries or between the head office and a subsidiary, except under very specific circumstances (e.g., targeted capital increases). The United Kingdom and Colombia are the only countries in which we operate where local regulators have established minimum liquidity levels. As a result of the adoption of the new Basel III liquidity indicators by all G-20 countries, starting in 2015, minimum liquidity levels are expected to apply to Brazil and Argentina as well.

CMN regulations also establish capital conservation and countercyclical buffers for Brazilian financial institutions, and determines their minimum percentages as well as which sanctions and limitations will apply in case of non-compliance with such additional requirements.

We define our consolidated group operational liquidity reserve as the total amount of assets that can be rapidly turned into cash, based on local market practices and legal restrictions. The operational liquidity reserve generally includes: cash and deposits on demand, funded positions of securities purchased under agreements to resell and unencumbered government securities.

The following table presents our operational liquidity reserve as of December 31, 2014, 2013 and 2012:

CASH IN CASH FLOWS	AS OF DECEMBER 31,			(In millions of R\$)
	2014	2013	2012	2014 AVERAGE BALANCE ⁽¹⁾
Cash and deposits on demand	17,527	16,576	13,967	17,475
Funded positions of securities purchased under agreements to resell	74,275	23,979	22,896	35,832
Unencumbered government securities	45,587	50,573	83,980	57,061
Operational reserve	137,389	91,128	120,843	110,367

(1) Average calculated based on interim financial statements.

Management controls our liquidity reserves by projecting the resources that will be available for investment by our treasury department. The technique we employ involves the statistical projection of scenarios for our assets and liabilities, considering the liquidity profiles of our counterparties.

Short-term minimum liquidity limits are defined according to guidelines set by the Superior Institutional Treasury and Liquidity Committee (CSTIL). These limits aim to ensure that the Itaú Unibanco Group always has sufficient liquidity available, sufficient to cover unforeseen market events. These limits are revised periodically, based on the projection of cash needs in atypical market situations (i.e., stress scenarios).

Management of liquidity makes it possible for us to simultaneously meet our operating requirements, protect our capital and exploit market opportunities. Our strategy is to maintain adequate liquidity to meet our present and future financial obligations and to capitalize on business opportunities as they arise.

We are exposed to effects of the disruptions and volatility in the global financial markets and the economies in those countries where we do business, especially Brazil. However, due to our stable sources of funding, which include a large deposit base, the large number of correspondent banks with which we have long-standing relationships, as well as facilities in place which enable us to access further funding when required, we have not historically experienced liquidity challenges, even during periods of disruption in the international financial markets.

The following table sets forth our average deposits and borrowings for the year ended December 31, 2014, 2013 and 2012:

(In millions of R\$, except percentages)

AVERAGE DEPOSITS AND BORROWINGS	FOR THE YEAR ENDED DECEMBER 31,					
	2014		2013		2012	
	AVERAGE BALANCE	% OF TOTAL	AVERAGE BALANCE	% OF TOTAL	AVERAGE BALANCE	% OF TOTAL
Interest-bearing liabilities	793,069	82.4	738,535	83.4	649,026	83.4
Interest-bearing deposits	233,999	24.3	209,347	23.6	206,652	26.5
Savings deposits	111,473	11.6	92,964	10.5	73,404	9.4
Interbank deposits	6,131	0.6	7,446	0.8	8,661	1.1
Time deposits	116,395	12.1	108,937	12.3	124,587	16.0
Securities sold under repurchase agreements	266,527	27.7	256,025	28.9	204,358	26.3
Interbank market debt and Institutional market debt	183,981	19.1	174,834	19.7	154,852	19.9
Interbank market debt	113,522	11.8	104,002	11.7	94,555	12.1
Institutional market debt	70,459	7.3	70,832	8.0	60,297	7.7
Reserves for insurance private pension and liabilities for capitalization plans	107,880	11.2	97,818	11.0	82,820	10.6
Other Interest-bearing liabilities	682	0.1	511	0.1	344	0.0
Non-interest-bearing liabilities	169,247	17.6	147,338	16.6	129,413	16.6
Non-interest bearing deposits	43,840	4.6	36,726	4.1	30,324	3.9
Derivatives	13,107	1.4	10,355	1.2	8,251	1.1
Other non-interest bearing liabilities	112,300	11.7	100,257	11.3	90,838	11.7
Total	962,316	100.0	885,873	100.0	778,439	100.0

Our principal sources of funding are interest-bearing deposits, deposits received under repurchase agreements, on-lending from government financial institutions, lines of credit with foreign banks and the issuance of securities abroad. Please refer to section Performance, item Consolidated Financial Statements, Note 17 – Deposits for further details about funding.

Some of our long-term debt provides for acceleration of the outstanding principal balance upon the occurrence of specified events, which are events ordinarily found in long-term financing agreements. As of December 31, 2014, none of these events, including any events of default or failure to satisfy financial covenants, have occurred, and we have no reason to believe that it is reasonably likely that any of these events will occur in 2015.

Under Brazilian law, cash dividends may only be paid if the subsidiary paying such dividends has reported a profit in its financial statements. In addition, subsidiaries that are financial institutions are prohibited from making loans to Itaú Unibanco Holding, but they are allowed to make deposits in Itaú Unibanco Holding, which represent interbank certificates of deposit (*Certificado de Depósito Interbancário*). These restrictions have not had, and are not expected to have, a material impact on our ability to meet our cash obligations.

Seasonality

Generally our retail banking and our credit card businesses have some seasonality, with increased levels of retail and credit card transactions during the Christmas season and a subsequent decrease of these levels at the beginning of the year. We also have some seasonality in our banking service fees related to collection services at the beginning of the year, which is when taxes and other fiscal contributions are generally paid.

Information on trends

We expect many factors to affect our future results of operations, liquidity and capital resources, including:

- the Brazilian economic environment (please refer to section Context, item Macroeconomic Context, Brazilian Context and section Our Risk Management, item Risk Factors, Macroeconomic Risks for further details);
- legal and regulatory developments (please refer to section Context, item Macroeconomic Context, Brazilian Context and section Our Risk Management, item Risk Factors, Legal and Regulatory Risks for further details);
- the effects of any ongoing international financial turmoil, including on the liquidity and capital required (please refer to section Context, item Macroeconomic Context, Global Context and section Our Risk Management, item Risk Factors, Macroeconomic Risks for further details);
- the inflation effects on the result of our operations (please refer to section Context, item Macroeconomic Context, Brazilian Context and section Our Risk Management, item Risk Factors, Macroeconomic Risks, Inflation and fluctuations in interest rates may have a material adverse effect on us for further details);
- the effects of the variations in the value of the Brazilian *real*, foreign exchange rates and interest rates on our net interest income (please refer to section Performance, item Financial Performance, Results Our Risk Management, item Risk Factors, Macroeconomic Risks, for further details); and
- any acquisitions we may make in the future (please refer to Our Risk Management, item Risk Factors, The integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us).

As part of our strategy, we continue to review growth opportunities, both in Brazil and outside of Brazil. Additionally, please refer to section Our Risk Management, item Risk Factors for comments on the risks faced in our operations and that could affect our business, results of operations or financial condition.

Consolidated Financial Statements (IFRS)

The following financial statements, together with the report of the independent auditor, are part of this annual report:

Management's Report on Internal Control over Financial Reporting.	F-1
Report of Independent Registered Public Accounting Firm.	F-2
Consolidated Balance Sheet as of December 31, 2014 and 2013.	F-3
Consolidated Statement of Income for the years ended December 31, 2014, 2013 and 2012.	F-4
Consolidated Statement of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012.	F-5
Consolidated Statement of Changes in Stockholders' Equity for the years ended December 31, 2014, 2013 and 2012.	F-6
Consolidated Statement of Cash Flows for the years ended December 31, 2014, 2013 and 2012.	F-8
Notes to the Consolidated Financial Statements.	F-10

Management's Report on Internal Control over Financial Reporting

The management of Itaú Unibanco Holding S.A is responsible for establishing and maintaining adequate internal control over financial reporting for the company.

The company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those controls determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or a decline in the level of compliance with policies or procedures may occur.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

In connection with the evaluation required by the Exchange Act Rule 13a-15(d), our management, concluded that the changes that occurred during the year ended December 31, 2014 have not materially affected, or are not reasonably likely to materially affect, our internal control over financial reporting.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

By: /s/ Roberto Egydio Setubal
Name: Roberto Egydio Setubal
Title: Chief Executive Officer

By: /s/ Eduardo Mazzilli de Vassimon
Name: Eduardo Mazzilli de Vassimon
Title: Chief Financial Officer

A signed original copy of this report has been provided to the registrant and will be retained by the registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Date: April 02, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Itaú Unibanco Holding S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Itaú Unibanco Holding S.A. and its subsidiaries ("Itaú Unibanco Holding") at December 31, 2014 and December 31, 2013 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, Itaú Unibanco Holding maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Itaú Unibanco Holding's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting". Our responsibility is to express opinions on these financial statements and on the Itaú Unibanco Holding's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes

São Paulo, Brazil
Date: April 02, 2015

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Balance Sheet

(In millions of Reais)

ASSETS	NOTE	12/31/2014	12/31/2013
Cash and deposits on demand	4	17,527	16,576
Central Bank compulsory deposits	5	63,106	77,010
Interbank deposits	6	23,081	25,660
Securities purchased under agreements to resell	6	208,918	138,455
Financial assets held for trading	7a	132,944	148,860
Pledged as collateral		37,366	25,743
Other		95,578	123,117
Financial assets designated at fair value through profit or loss	7b	733	371
Derivatives	8 and 9	14,156	11,366
Available-for-sale financial assets	10	78,360	96,626
Pledged as collateral		22,250	18,851
Other		56,110	77,775
Held-to-maturity financial assets	11	34,434	10,116
Pledged as collateral		6,102	5,095
Other		28,332	5,021
Loan operations and lease operations portfolio, net	12	430,039	389,467
Loan operations and lease operations portfolio		452,431	411,702
(-) Allowance for loan and lease losses		(22,392)	(22,235)
Other financial assets	20a	53,649	47,592
Investments in associates and joint ventures	13	4,090	3,931
Goodwill	3a and d	1,961	1,905
Fixed assets, net	15	8,711	6,564
Intangible assets, net	16	6,134	5,797
Tax assets		35,243	34,742
Income tax and social contribution – current		3,329	1,955
Income tax and social contribution – deferred	27b	31,129	31,886
Other		785	901
Assets held for sale	36	196	117
Other assets	20a	13,921	12,142
Total assets		1,127,203	1,027,297

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY	NOTE	12/31/2014	12/31/2013
Deposits	17	294,773	274,383
Securities sold under repurchase agreements	19a	288,683	266,682
Financial liabilities held for trading	18	520	371
Derivatives	8 and 9	17,350	11,405
Interbank market debt	19a	122,586	111,376
Institutional market debt	19b	73,242	72,055
Other financial liabilities	20b	71,492	61,274
Reserves for insurance and private pension	30c II	109,778	99,023
Liabilities for capitalization plans		3,010	3,032
Provisions	32	17,027	18,862
Tax liabilities		4,465	3,794
Income tax and social contribution – current		2,835	1,655
Income tax and social contribution – deferred	27b II	201	328
Other		1,429	1,811
Other liabilities	20b	23,660	20,848
Total liabilities		1,026,586	943,105
Capital	21a	75,000	60,000
Treasury shares	21a	(1,328)	(1,854)
Additional paid-in capital	21c	1,508	984
Appropriated reserves	21d	8,210	13,468
Unappropriated reserves		16,301	12,138
Cumulative other comprehensive income		(431)	(1,513)
Total stockholders' equity attributed to the owners of the parent company		99,260	83,223
Non-controlling interests		1,357	969
Total stockholders' equity		100,617	84,192
Total liabilities and stockholders' equity		1,127,203	1,027,297

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Income

Periods ended

(In millions of *Reais*, except for number of shares and earnings per share information)

	NOTE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Banking product		91,657	79,387	81,172
Interest and similar income	23a	120,115	94,127	96,364
Interest and similar expense	23b	(72,977)	(46,361)	(48,067)
Dividend income		215	205	323
Net gain (loss) from investment securities and derivatives	23c	(724)	(5,924)	1,463
Foreign exchange results and exchange variations on transactions		9,644	6,594	3,755
Banking service fees	24	26,342	22,712	18,944
Income from insurance, private pension and capitalization operations before claim and selling expenses		6,888	6,639	6,108
Income from insurance and private pension	30b III	22,797	23,327	24,748
Premium reinsurance	30b III	(1,031)	(1,523)	(1,166)
Change in reserves for insurance and private pension		(15,436)	(15,628)	(17,970)
Revenue from capitalization plans		558	463	496
Other income	25	2,154	1,395	2,282
Losses on loans and claims		(15,801)	(14,870)	(21,354)
Expenses for allowance for loan and lease losses	12b	(18,832)	(17,856)	(23,982)
Recovery of loans written-off as loss		5,054	5,061	4,663
Expenses for claims		(2,430)	(3,155)	(3,320)
Recovery of claims under reinsurance		407	1,080	1,285
Banking product net of losses on loans and claims		75,856	64,517	59,818
Other operating income (expenses)		(47,048)	(43,652)	(42,402)
General and administrative expenses	26	(42,550)	(39,914)	(38,080)
Tax expenses		(5,063)	(4,341)	(4,497)
Share of profit or (loss) in associates and joint ventures	13	565	603	175
Income before income tax and social contribution	27	28,808	20,865	17,416
Current income tax and social contribution		(7,209)	(7,503)	(7,716)
Deferred income tax and social contribution		262	3,160	3,491
Net income		21,861	16,522	13,191
Net income attributable to owners of the parent company	28	21,555	16,424	12,634
Net income attributable to non-controlling interests		306	98	557
Earnings per share – basic	28			
Common		3.94	3.01	2.31
Preferred		3.94	3.01	2.31
Earnings per share – diluted	28			
Common		3.92	3.00	2.30
Preferred		3.92	3.00	2.30
Weighted average number of shares outstanding – basic	28			
Common		2,770,034,003	2,770,034,003	2,770,034,003
Preferred		2,699,460,382	2,692,213,780	2,696,697,363
Weighted average number of shares outstanding – diluted	28			
Common		2,770,034,003	2,770,034,003	2,770,034,003
Preferred		2,724,080,698	2,713,733,080	2,715,295,033

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Comprehensive Income

Periods ended

(In millions of Reais)

	NOTE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Net income		21,861	16,522	13,191
Available-for-sale financial assets		583	(3,187)	1,231
Change in fair value		20	(6,166)	2,760
Income tax effect		14	2,476	(1,106)
(Gains)/losses transferred to income statement on disposal	23c	915	839	(705)
Income tax effect		(366)	(336)	282
Hedge		(143)	(317)	(465)
Cash flow hedge	9	336	312	(7)
Change in fair value		644	541	(14)
Income tax effect		(308)	(229)	7
Hedge of net investment in foreign operation	9	(479)	(629)	(458)
Change in fair value		(830)	(1,049)	(764)
Income tax effect		351	420	306
Remeasurements of liabilities for post-employment benefits ^(*)		202	(379)	-
Remeasurements	29	332	(633)	-
Income tax effect		(130)	254	-
Foreign exchange differences on foreign investments		440	635	530
Change in foreign exchange		347	330	(301)
Income tax effect		93	75	119
Share of other comprehensive income in associates and joint ventures – available-for-sale financial assets – (disposal of Banco BPI S.A.)	26	-	-	413
Change in fair value		-	-	626
Income tax effect		-	-	(213)
Total comprehensive income		22,943	13,274	14,900
Comprehensive income attributable to non-controlling interests		306	98	557
Comprehensive income attributable to the owners of the parent company		22,637	13,176	14,343

(*) Amounts that will not be subsequently reclassified to income.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Stockholders' Equity (Notes 21 and 22)

Periods ended December 31, 2014, 2013 and 2012
(In millions of Reais)

	ATTRIBUTED TO OWNERS OF THE PARENT COMPANY							TOTAL STOCKHOLDERS' EQUITY – OWNERS OF THE PARENT COMPANY		TOTAL STOCKHOLDERS' EQUITY – NON-CONTROLLING INTERESTS	
	CAPITAL	TREASURY SHARES	ADDITIONAL PAID-IN CAPITAL	APPROPRIATED RESERVES	UNAPPROPRIATED RESERVES	RETAINED EARNINGS	AVAILABLE FOR SALE ⁽¹⁾	REMEASUREMENTS OF LIABILITIES OF POST-EMPLOYMENT BENEFITS	CUMULATIVE TRANSLATION ADJUSTMENTS ABROAD	GAINS AND LOSSES – HEDGE ⁽²⁾	TOTAL
Balance at 01/01/2012	45,000	(1,663)	738	24,279	5,561	-	360	-	118	(452)	1,395
Transactions with owners	-	140	150	(119)	-	(5,177)	-	-	-	-	(519)
Treasury shares – granting of stock options	-	140	150	-	-	-	-	-	-	-	-
Granting of stock options – exercised options	-	262	(53)	-	-	-	-	-	-	-	209
Acquisition of treasury shares (Note 21a)	-	(122)	-	-	-	-	-	-	-	-	(122)
Granted options recognized	-	-	203	-	-	-	-	-	-	-	203
(Increase)/Reduction of interest of controlling stockholders (Note 2.4a I and 3c)	-	-	-	-	-	-	-	-	-	-	(141)
Dividends/Interest on capital – Special profit reserve (Note 21b)	-	-	-	(119)	-	(5,177)	-	-	-	-	(378)
Corporate reorganizations (Note 3b)	-	-	-	(7,360)	-	-	-	-	-	-	(939)
Other	-	-	-	-	(16)	-	-	-	-	-	(398)
Total comprehensive income	-	-	-	-	-	12,634	1,644	-	530	(465)	14,900
Net income	-	-	-	-	-	12,634	-	-	-	-	557
Other comprehensive income for the period	-	-	-	-	-	-	1,644	-	530	(465)	1,709
Appropriations:											
Legal reserve	-	-	-	540	-	(540)	-	-	-	-	-
Statutory reserve	-	-	-	5,083	1,834	(6,917)	-	-	-	-	-
Balance at 12/31/2012	45,000	(1,523)	888	22,423	7,379	-	2,004	-	648	(917)	96
Change in the period	-	140	150	(1,856)	1,818	-	1,644	-	530	(465)	662
Balance at 01/01/2013	45,000	(1,523)	888	22,423	7,379	-	2,004	-	648	(917)	96
Transactions with owners	15,000	(331)	96	(12,404)	-	(5,842)	-	-	-	-	775
Capital increase – Statutory Reserve	15,000	-	-	(15,000)	-	-	-	-	-	-	-
Treasury shares – granting of stock options – exercised options	-	(331)	96	-	-	-	-	-	-	-	(235)
Granting of stock options – exercised options	-	331	(116)	-	-	-	-	-	-	-	215
Acquisition of treasury shares (Note 21a)	-	(662)	-	-	-	-	-	-	-	-	(662)
Granted options recognized	-	-	212	-	-	-	-	-	-	-	212
(Increase)/Reduction of interest of controlling stockholders	-	-	-	-	-	-	-	-	-	-	812
Dividends and interest on capital – Statutory Reserve (Note 21b)	-	-	-	2,596	-	(5,842)	-	-	-	-	(37)

Context

Our profile

Our governance

Our risk management

Performance

Sustainability

Attachments

	ATTRIBUTED TO OWNERS OF THE PARENT COMPANY										TOTAL STOCKHOLDERS' EQUITY – NON-CONTROLLING INTERESTS		
	CAPITAL	TREASURY SHARES	ADDITIONAL PAID-IN CAPITAL	APPROPRIATED RESERVES	UNAPPROPRIATED RESERVES	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME			STOCKHOLDERS' EQUITY – OWNERS OF THE PARENT COMPANY			
							AVAILABLE FOR SALE ⁽¹⁾	REMEASUREMENTS OF LIABILITIES OF POST-EMPLOYMENT BENEFITS	CUMULATIVE TRANSLATION ADJUSTMENTS ABROAD			GAINS AND LOSSES – HEDGE ⁽²⁾	
Dividends/Interest on capital paid in 2013 – Year 2012 – Special profit reserve	-	-	-	(1,730)	-	-	-	-	-	-	(1,730)	-	(1,730)
Corporate reorganizations (Note 3b)	-	-	-	(640)	-	-	-	-	-	-	(640)	-	(640)
Other	-	-	-	-	(4)	-	-	-	-	-	(4)	-	(4)
Total comprehensive income	-	-	-	-	-	16,424	(3,187)	(379)	635	(317)	13,176	98	13,274
Net income	-	-	-	-	-	16,424	-	-	-	-	16,424	98	16,522
Other comprehensive income for the period	-	-	-	-	-	-	(3,187)	(379)	635	(317)	(3,248)	-	(3,248)
Appropriations:													
Legal reserve	-	-	-	583	-	(583)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	5,236	4,763	(9,999)	-	-	-	-	-	-	-
Balance at 12/31/2013	60,000	(1,854)	984	13,468	12,138	-	(1,183)	(379)	1,283	(1,234)	83,223	969	84,192
Change in the period	15,000	(331)	96	(8,955)	4,759	-	(3,187)	(379)	635	(317)	7,321	873	8,194
Balance at 01/01/2014	60,000	(1,854)	984	13,468	12,138	-	(1,183)	(379)	1,283	(1,234)	83,223	969	84,192
Transactions with owners	15,000	526	524	(12,053)	-	(7,344)	-	-	-	-	(3,347)	82	(3,265)
Capital increase – Statutory Reserve	15,000	-	-	(15,000)	-	-	-	-	-	-	-	-	-
Treasury shares – granting of stock options	-	526	223	-	-	-	-	-	-	-	749	-	749
Granting of stock options – exercised options	-	561	(26)	-	-	-	-	-	-	-	535	-	535
Acquisition of treasury shares (Note 21a)	-	(35)	-	-	-	-	-	-	-	-	(35)	-	(35)
Granted options recognized	-	-	249	-	-	-	-	-	-	-	249	-	249
Share-based payment – variable compensation	-	-	301	-	-	-	-	-	-	-	301	-	301
(Increase)/Reduction of interest of controlling stockholders (Note 2.4a I and 3c)	-	-	-	-	-	-	-	-	-	-	-	167	167
Dividends/interest on capital – Special profit reserve (Note 21b)	-	-	-	2,947	-	(7,344)	-	-	-	-	(4,397)	(85)	(4,482)
Dividends/Interest on capital paid in 2014 – Year 2013 – Statutory Reserve	-	-	-	(2,597)	-	-	-	-	-	-	(2,597)	-	(2,597)
Corporate reorganizations (Note 3b)	-	-	-	(639)	-	-	-	-	-	-	(639)	-	(639)
Other	-	-	-	(17)	-	-	-	-	-	-	(17)	-	(17)
Total comprehensive income	-	-	-	-	-	21,555	583	202	440	(143)	22,637	306	22,943
Net income	-	-	-	-	-	21,555	-	-	-	-	21,555	306	21,861
Other comprehensive income for the period	-	-	-	-	-	-	583	202	440	(143)	1,082	-	1,082
Appropriations:													
Legal reserve	-	-	-	870	-	(870)	-	-	-	-	-	-	-
Statutory reserve	-	-	-	9,178	4,163	(13,341)	-	-	-	-	-	-	-
Balance at 12/31/2014	75,000	(1,328)	1,508	8,210	16,301	-	(600)	(177)	1,723	(1,377)	99,260	1,357	100,617
Change in the period	15,000	526	524	(5,258)	4,163	-	583	202	440	(143)	16,037	388	16,425

(1) Includes Share of other comprehensive income in associates and joint ventures – Available-for-sale financial assets.
(2) Includes Cash flow/ hedge and of net investment in foreign operation.
The accompanying notes are an integral part of these consolidated financial statements.

(1) Includes Share of other comprehensive income in associates and joint ventures – Available-for-sale financial assets.

(2) Includes Cash flow hedge and hedge of net investment in foreign operation.

The accompanying notes are an integral part of these consolidated financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Consolidated Statement of Cash Flows

(In millions of Reais)

	NOTE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Adjusted net income		58,231	47,706	54,805
Net income		21,861	16,522	13,191
Adjustments to net income:		36,370	31,184	41,614
Granted options recognized	22d	550	212	203
Effects of changes in exchange rates on cash and cash equivalents		1,186	(2,590)	(1,546)
Expenses for allowance for loan and lease losses	12b	18,832	17,856	23,982
Interest and foreign exchange expense from operations with subordinated debt		7,879	4,940	4,374
Interest expense from operations with debentures		-	41	138
Change in reserves for insurance and private pension		15,436	15,628	17,970
Revenue from capitalization plans		(558)	(463)	(496)
Depreciation and amortization	15 and 16	2,544	2,333	2,190
Interest expense from provision for contingent and legal liabilities		1,019	801	1,178
Provision for contingent and legal liabilities		3,380	4,534	4,793
Interest income from escrow deposits		(377)	(265)	(302)
Deferred taxes		(262)	(3,160)	(3,491)
Share of profit or (loss) in associates and joint ventures		(565)	(603)	(175)
(Gain) loss from available-for-sale securities	23c	915	839	(705)
Interest and foreign exchange income from available-for-sale financial assets		(9,012)	(8,482)	(4,725)
Interest and foreign exchange income from held-to-maturity financial assets		(3,517)	(544)	(495)
(Gain) loss from sale of assets held for sale	25 and 26	35	1	(52)
(Gain) loss from sale of investments	25 and 26	14	(10)	(1,194)
(Gain) loss from sale of fixed assets	25 and 26	41	10	20
(Gain) loss from sale of investment of ISSC	3i	(1,151)	-	-
Other		(19)	107	(54)
Change in assets and liabilities^(*)		31,495	(15,176)	(6,172)
(Increase) decrease in assets		8,195	(48,638)	(94,929)
Interbank deposits		12,099	520	323
Securities purchased under agreements to resell		11,327	27,601	(61,519)
Compulsory deposits with the Central Bank of Brazil		13,893	(13,180)	34,525
Financial assets held for trading		26,073	(3,347)	(23,627)
Derivatives (assets / liabilities)		4,525	582	1,565
Financial assets designated at fair value through profit or loss		(303)	(151)	(34)
Loan operations		(42,309)	(56,661)	(39,837)
Financial assets		(35,546)	(3,921)	(4,003)
Other tax assets		1,203	1,059	994
Other assets		17,233	(1,139)	(3,316)
(Decrease) increase in liabilities		23,300	33,462	88,757
Deposits		(4,353)	29,466	(3,056)
Deposits received under securities repurchase agreements		22,013	(723)	81,953
Financial liabilities held for trading		47	(271)	(2,173)
Funds from interbank markets		3,946	14,196	6,256
Other financial liabilities		4,711	5,894	5,886
Technical reserve for insurance and private pension		(383)	(6,923)	1,444
Liabilities for capitalization plans		536	603	550
Provisions		(4,852)	(4,286)	(1,845)
Tax liabilities		8,119	3,509	6,157

(*) Includes the amounts of interest received and paid as shown above.
The accompanying notes are an integral part of these consolidated financial statements.

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments	
				NOTE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Other liabilities					1,237	(1,247)	228
Payment of income tax and social contribution					(7,721)	(6,756)	(6,643)
Net cash from (used in) operating activities					89,726	32,530	48,633
Interest on capital/dividends received from investments in associates and joint ventures					213	62	204
Cash received from sale of available-for-sale financial assets					60,768	29,518	15,905
Cash received from redemption of held-to-maturity financial assets					2,667	465	397
Cash upon sale of assets held for sale					68	111	131
Cash upon sale of investments in associates and joint ventures					(14)	15	1,796
Cash and cash equivalents net assets and liabilities due from ISSC sale				3i	1,474	-	-
Cash and cash equivalents net assets and liabilities due from BMG Seguradora acquisition				3e	(88)	-	-
Cash upon sale of fixed assets				15	62	60	226
Cash upon sale of intangible assets				16	222	201	22
Purchase of available-for-sale financial assets					(46,165)	(38,738)	(51,796)
Purchase of held-to-maturity financial assets					(11,322)	(585)	0
Cash and cash equivalents net assets and liabilities due from Credicard acquisition				3e	-	(2,875)	-
Purchase of investments in associates and joint ventures				13	(10)	(379)	(816)
Purchase of fixed assets				15	(3,966)	(2,516)	(1,914)
Purchase of intangible assets				16	(1,232)	161	(1,738)
Net cash from (used in) investing activities					2,676	(14,500)	(37,582)
Funding from institutional markets					207	121	26,494
Redemptions in institutional markets					(16,158)	(5,166)	(14,017)
(Acquisition)/Disposal of interest of non-controlling stockholders					167	292	(141)
Purchase of additional interest from non-controlling stockholders – REDE				3c	-	-	(11,752)
Granting of stock options – exercised options					535	215	209
Purchase of treasury shares					(35)	(662)	(122)
Dividends and interest on capital paid to non-controlling interests					(85)	(37)	(378)
Dividends and interest on capital paid					(6,319)	(5,369)	(5,206)
Net cash from (used in) financing activities					(21,688)	(10,606)	(4,913)
Net increase (decrease) in cash and cash equivalents				2.4c and 4	70,714	7,425	6,139
Cash and cash equivalents at the beginning of the period				4	55,790	45,775	38,105
Effects of changes in exchange rates on cash and cash equivalents					(1,186)	2,590	1,546
Cash and cash equivalents at the end of the period				4	125,318	55,790	45,790
Additional information on cash flow							
Interest received					117,079	92,411	88,376
Interest paid					67,559	52,338	39,304
Non-cash transactions							
Dividends and interest on capital declared and not yet paid					2,270	1,070	1,358

(*) Includes the amounts of interest received and paid as shown above.
The accompanying notes are an integral part of these consolidated financial statements.

ITAÚ UNIBANCO HOLDING S.A.

Notes to the Consolidated Financial Statements

At December 31, 2014 and December 31, 2013 for balance sheet accounts and from January 1 to December 31, 2014, 2013 and 2012 for income statement accounts
(In millions of Reais, except information per share)

Note 1 – Overview

ITAÚ UNIBANCO HOLDING S.A. (ITAÚ UNIBANCO HOLDING) is a publicly-held company, organized and existing under the Laws of Brazil. The head office of ITAÚ UNIBANCO HOLDING is located at Praça Alfredo Egydio de Souza Aranha, No. 100, in the city of São Paulo, Brazil.

ITAÚ UNIBANCO HOLDING provides a wide range of financial products and services to individual and corporate clients in Brazil and abroad, as to whether these clients have Brazilian links or not through its international branches, subsidiaries and affiliates. In Brazil we serve retail clients through the branch network of Itaú Unibanco S.A. ("Itaú Unibanco") and to wholesale clients through Banco Itaú BBA S.A. ("Itaú BBA"), and overseas through branches in New York, Grand Cayman, Tokyo, and Nassau, and through subsidiaries mainly in Argentina, Chile, the US (New York and Miami), and Europe (Lisbon, London, Luxembourg and Switzerland), Cayman Islands, Paraguay, Uruguay and Colombia.

ITAÚ UNIBANCO HOLDING is a holding company controlled by Itaú Unibanco Participações S.A. ("IUPAR"), a holding company which owns 51% of our common shares, and which is jointly controlled by (i) Itaúsa Investimentos Itaú S.A., ("Itaúsa"), a holding company controlled by members of the Egydio de Souza Aranha family, and (ii) Companhia E. Johnston de Participações ("E. Johnston"), a holding company controlled by the Moreira Salles family. Itaúsa also directly holds 38.7% of ITAÚ UNIBANCO HOLDING common shares.

As described in Note 34, the operations of ITAÚ UNIBANCO HOLDING are divided into four operating and reportable segments: (1) Commercial Bank – Retail, which offers a wide range of banking services for retail individuals (under several areas specialized in distribution using several brands, such as Itaú, Uniclass and Personnalité) or high net worth clients (Private Bank) and for companies (very small and small companies), including services such as asset management, investor services, insurance, private pension plans, capitalization plans and credit cards issued to account holders; (2) Consumer Credit – Retail, which offers financial products and services to an universe beyond account holders such as vehicle financing, credit card transactions and consumer financing; (3) Wholesale Bank, which offers wholesale products and services to large and medium-sized companies, as well as investment bank activities, and (4) The Activities with the Market + Corporation segment basically manages the interest income associated with ITAÚ UNIBANCO HOLDING capital surplus, subordinated debt surplus and the net balance of tax credits and debits, as well as the net interest income from the trading of financial assets through proprietary positions (desks), management of currency gaps, interest rate gaps and other risk factors and arbitrage opportunities in the foreign and domestic markets.

These consolidated financial statements were approved by the Executive Board on February 02, 2015.

Note 2 – Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1. Basis of Preparation

These consolidated financial statements of ITAÚ UNIBANCO HOLDING were prepared taking into consideration that the National Monetary Council (CMN) Resolution No. 3,786 established that as of December 31, 2010, annual consolidated financial statements shall be prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB).

These consolidated financial statements have been presented following the accounting practices described in this note.

In the preparation of these consolidated financial statements, ITAÚ UNIBANCO HOLDING adopted the criteria for recognition, measurement, and disclosure established in the IFRS and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) described in this note. For this reason, these Consolidated Financial Statements are in full compliance with the standards issued by the IASB and the interpretations issued by the IFRIC.

The Consolidated Statement of Cash Flows shows the changes in cash and cash equivalents during the period from operating, investing, and financing activities. Cash and cash equivalents include highly-liquid financial investments (Note 2.4c).

Cash flows from operating activities are presented under the indirect method. Consolidated net income is adjusted for non-monetary items, such as measurement gains and losses, changes in provisions and in receivables and liabilities balances. All income and expense arising from non-monetary transactions, attributable to investing and financing activities, are eliminated. Interest received or paid is classified as operating cash flows.

2.2. New accounting standards and new accounting standards changes and interpretations

a) Accounting standards applicable for period ended December 31, 2014

- IAS 32 – "Financial instruments: presentation" – this change was issued to clarify the offsetting requirements for financial instruments in the balance sheet. No material impacts arising from this change were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.
- Investment Entities – Amendments to IFRS 10 – "Consolidated financial statements"; IFRS 12 – "Disclosure of interests in other entities" and IAS 27 – "Separate financial statements" – It introduces an exception to the principle that all subsidiaries must be

consolidated. The change requires that any controlling company that is an investment entity measures the fair value, based on the results, of its investments in certain entities, rather than consolidating them. After this standard was issued, amendments to IFRS 10, 12 and IAS 27 – Investment Entities: Applying the Consolidation Exception were issued, and the latter are effective immediately from the date of issue of these amendments. No material impacts arising from this change were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.

- IAS 36 – Impairment of assets – This change introduces requirements for disclosure of measurement of the recoverable amounts of assets, due to the issuance of IFRS 13. Identified impacts are related to the disclosure of the recoverable amount and measurement methodology and have not given rise to significant impacts on the consolidated financial statements.
- IAS 39 – Financial instruments: recognition and measurement – This change permits continuity of hedge accounting, even if a derivative is novated (transferred) to a clearing house, adhering to certain conditions. No material impacts arising from this change were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.

b) Accounting standards recently issued and applicable in future periods

The following pronouncements will become applicable for periods after the date of these consolidated financial statements and were not early adopted:

- IFRS 9 – “Financial instruments” – the standard aimed at replacing IAS 39 – “Financial instruments: recognition and measurement”. IFRS 9 includes: (a) a logical classification and measurement model; (b) a single impairment model for financial instruments, which offers a response to expected losses; (c) the removal of volatility in income arising from own credit risk; and (d) a new hedge accounting approach. Effective for annual periods beginning on January 1, 2018. Any possible impacts arising from adopting these changes are being assessed and will be completed up to the date this standard comes into force.
- IFRS 15 – Revenue from Contracts with Customers – requires that revenue is recognized so as to reflect the transfer of goods or services to the client for an amount that expresses the company's expectation of having rights to these goods or services by way of consideration. IFRS 15 replaces IAS 18, IAS 11, and related interpretations (IFRICs 13, 15 and 18). It is effective for years beginning after January 1, 2017 and its early adoption is allowed by IASB. Any possible impacts arising from adopting these changes are being assessed and will be completed up to the date this standard comes into force.
- IAS 19 (R1) – Employee Benefits – the entity should take into account the contributions by employees and third parties in the recording of defined benefit plans. It is effective for years beginning after July 1, 2014 and its early adoption is allowed by IASB. No material impacts arising from this change were identified for the consolidated financial statements of ITAÚ UNIBANCO HOLDING.
- Amendment to IFRS 11 – Joint Arrangements – This amendment establishes criteria for the accounting of an acquisition of an interest in joint ventures and joint operations, when the operation constitutes a business, in accordance with the methodology established in IFRS 3 – Business Combinations. Effective for annual periods beginning on January 1, 2016, with early adoption

permitted by IASB. The impact of this amendment will be due only in case of acquisition of joint control.

- Amendment to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets – The amendment clarifies the base principle for depreciation and amortization as being the expected standard of consumption of future economic benefits embodied in the asset. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB. Any possible impacts arising from adopting these changes are being assessed and will be completed up to the date this standard comes into force.
- Amendment to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures. These amendments relate to an inconsistency between the requirements of IFRS 10 and IAS 28 (2011) regarding the sale or contribution of assets between an investor and its affiliates or joint ventures. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB. Any possible impacts arising from adopting these changes are being assessed and will be completed up to the date this standard comes into force.
- IASB Annual Improvement Cycle (2012-2014) – Annually IASB makes minor amendments to a series of pronouncements to clarify the standards and avoid double interpretation. In this cycle IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosures, IAS 19 – Employee Benefits, and IAS 34 – Interim Financial Reporting were reviewed. Effective for annual periods beginning on January 1, 2016, with early adoption permitted by IASB. Any possible impacts arising from adopting these changes are being assessed and will be completed up to the date this standard comes into force.
- Amendment to IAS 1 – Presentation of Financial Statements; This amendment is aimed at encouraging companies to identify which information is sufficiently material to be disclosed in the financial statements. It also clarifies that materiality is applicable to the full set of financial statements, including the notes to the financial statements, and it is applicable to any and all disclosure requirements in connection with the IFRS standards. It is effective for annual periods beginning on January 1, 2016, with earlier application permitted by IASB. Possible impacts arising from the adoption of this amendment will be assessed up to the date this standard becomes effective.
- Amendments to IAS 28, IFRS 10 and IFRS 12: Applying the Consolidation Exception: This document comprises guidance for applying the Investment Entities concept. Amendments to IAS 28, IFRS 10 and IFRS 12 are effective for annual periods beginning on January 1, 2016, with earlier application permitted by IASB.

2.3. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue, expenses, gains, and losses over the reporting and subsequent periods, because actual results may differ from those determined in accordance with such estimates and assumptions.

2.3.1. Critical accounting estimates

All estimates and assumptions made by Management are in accordance with IFRS and represent the current best estimates made in compliance with the applicable standards. Estimates are evaluated continuously, considering past experience and other factors.

The Consolidated Financial Statements reflect a variety of estimates and assumptions. The critical accounting estimates and assumptions that have the most significant impact on the carrying amounts of assets and liabilities are described below:

a) Allowance for loan and lease losses

ITAÚ UNIBANCO HOLDING periodically reviews its portfolio of loans and receivables to evaluate the existence of impairment.

In order to determine the amount of the allowance for loan and lease losses in the Consolidated Statements of Income with respect to certain receivables or group of receivables, ITAÚ UNIBANCO HOLDING exercises its judgment to determine whether objective evidence indicates that an event of loss has occurred. This evidence may include observable data that indicates that an adverse change has occurred in relation to the expected cash inflows from the counterparty or the existence of a change in local or international economic conditions that correlates with impairment. Management uses estimates based on the history of loss experience in loan operations with similar characteristics and with similar objective evidence of impairment. The methodology and assumptions used for estimating future cash flows are regularly reviewed by Management, considering the adequacy of models and sufficiency of provision volumes in view of the experience of incurred loss.

ITAÚ UNIBANCO HOLDING uses statistical models to calculate the Allowance for Loan and Lease Losses in the homogeneous loan portfolio. ITAÚ UNIBANCO HOLDING periodically carries out procedures to improve these estimates by aligning the required provisions to the levels of losses observed by the historical behavior (as described in Note 2.4g VIII). This alignment aims at ensuring that the volume of allowances reflects the current economic conditions, the composition of the loan portfolios, the quality of guarantees obtained and the profile of our clients. In 2014 and in 2013, there were no such improvements of model assumptions. In 2012, the improvement of model assumptions gave rise to a growth in the level of provisions in the amount of R\$ 1,492.

The allowance amounted to R\$ 22,392 (R\$ 22,235 at December 31, 2013).

The details on methodology and assumptions used by the Management are disclosed in note 2.4g VIII.

b) Deferred income tax and social contribution

As explained in item 2.4n, deferred tax assets are recognized only in relation to temporary differences and loss carry forwards to the extent that it is probable that ITAÚ UNIBANCO HOLDING will generate future taxable profit for their utilization. The expected realization of ITAÚ UNIBANCO HOLDING's deferred tax asset is based on the projection of future income and other technical studies, as disclosed in Note 27. The carrying amount of deferred tax assets was R\$ 36,619 (R\$ 39,545 as of December 31, 2013).

c) Fair value of financial instruments, including derivatives

The fair value of financial instruments is measured on a recurring basis, in conformity with the requirements of IAS 39 – "Financial instruments: recognition and measurement. Financial instruments recorded at fair value are assets amounting to R\$ 226,193 (R\$ 257,223 at December 31, 2013) of which R\$ 14,156 are derivatives (R\$ 11,366 at December 31, 2013) and liabilities in the

amount of R\$ 17,870 (R\$ 11,776 at December 31, 2013) of which R\$ 17,350 are derivatives (R\$ 11,405 at December 31, 2013). The fair value of financial instruments, including derivatives that are not traded in active markets, is calculated by using valuation techniques. This calculation is based on assumptions that take into consideration ITAÚ UNIBANCO HOLDING Management's judgment about market information and conditions existing at the balance sheet date.

ITAÚ UNIBANCO HOLDING ranks the fair value measurements using a fair value hierarchy that reflects the significance of inputs adopted in the measurement process. There are three broad levels related to the fair value hierarchy, detailed in Note 31.

The team in charge of the pricing of assets, in accordance with the governance defined by the committee and regulatory circulars, carries out critical analyses of the information extracted from the market and from time to time reassesses the long-term of indexes. At the end of the monthly closings, the areas meet for a new round of analyses for the maintenance of the classification in connection with the fair value hierarchy. ITAÚ UNIBANCO HOLDING believes that all methodologies adopted are appropriate and consistent with market participants. Regardless of this fact, the adoption of other methodologies or use of different assumptions to estimate fair values may result in different fair value estimates.

The methodologies used to estimate the fair value of certain financial instruments are described in Note 31.

d) Defined benefit pension plan

At December 31, 2014, an amount of R\$ (104) (R\$ (358) at December 31, 2013) was recognized as an asset related to pension plans. The current amount of the pension plan obligations is obtained from actuarial calculations that use a variety of assumptions. Among the assumptions used for estimating the net cost (income) of these plans is the discount rate. Any changes in these assumptions will affect the carrying amount of pension plan assets and liabilities.

ITAÚ UNIBANCO HOLDING determines the appropriate discount rate at the end of each year, which is used for determining the present value of estimated future cash outflows necessary for settling the pension plan liabilities. In order to determine the appropriate discount rate, ITAÚ UNIBANCO HOLDING considers the interest rates of the Brazilian federal government bonds that are denominated in Brazilian Reais, the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related liabilities.

Should the discount rate currently used be lowered by 0.5% than Management's estimates, then the actuarial amount of the pension plan obligations would be increased by approximately R\$ 668, with impact on the amount recognized with effect on Stockholder's Equity – Other Comprehensive Income before taxes – of R\$ 315, net of the effects of Asset Ceiling.

Other important assumptions for pension plan obligations are in part based on current market conditions. Additional information is disclosed in Note 29.

e) Provisions, contingencies and other commitments

ITAÚ UNIBANCO HOLDING periodically reviews its contingencies. These contingencies are evaluated based on Management's best estimates, taking into account the opinion of legal counsel when

there is a likelihood that financial resources will be required to settle the obligations and the amounts may be reasonably estimated.

Contingencies classified as probable losses are recognized in the Balance Sheet under Provisions.

Contingent amounts are measured using appropriate models and criteria, despite the uncertainty surrounding the ultimate timing and amounts, as detailed in Note 32.

The carrying amount of these contingencies was R\$ 17,027 (R\$ 18,862 at December 31, 2013).

f) Technical provisions for insurance and pension plan

Technical provisions are liabilities arising from obligations of ITAÚ UNIBANCO HOLDING to its policyholders and participants. These obligations may be short-term liabilities (property and casualty insurance) or medium and long-term liabilities (life insurance and pension plans).

The determination of the actuarial liability is subject to several uncertainties inherent in the coverage of insurance and pension contracts, such as assumptions of persistence, mortality, disability, life expectancy, morbidity, expenses, frequency and severity of claims, conversion of benefits into annuities, redemptions and return on assets.

The estimates for these assumptions are based on the historical experience of ITAÚ UNIBANCO HOLDING, benchmarks and experience of the actuary, in order to comply with best market practices and the continuous review of the actuarial liability. The adjustments resulting from these continuous improvements, when necessary, are recognized in the statement of income for the corresponding period.

Additional information is described in Note 30.

2.3.2 Critical judgments in accounting policies

a) Goodwill

The impairment test for goodwill involves estimates and significant judgments, including the identification of cash generation units and the allocation of goodwill to such units based on the expectations of which ones will benefit from the acquisition. Determining the expected cash flows and a risk-adjusted interest

rate for each unit requires that management exercises judgment and estimates. Annually submitted to the impairment test and, at December 31, 2014 and 2013, ITAÚ UNIBANCO HOLDING did not identify goodwill impairment losses.

2.4. Summary of main accounting practices

a) Consolidation

I. Subsidiaries

Before January 1, 2013, ITAÚ UNIBANCO HOLDING consolidated its subsidiaries in accordance with IAS 27 – “Consolidated and separate financial statements”, and its specific purpose entities, defined in accordance with the SIC 12 – “Consolidation – special purpose entities”, in its Consolidated Financial Statements. As of January 1, 2013, ITAÚ UNIBANCO HOLDING adopted IFRS 10 – “Consolidated financial statements”, which replaced IAS 27 and SIC 12.

In accordance with IFRS 10, subsidiaries are all entities in which ITAÚ UNIBANCO HOLDING holds control. ITAÚ UNIBANCO HOLDING controls an entity when it is exposed to, or is entitled to, its variable returns derived from its involvement with such entity, and has the capacity to impact such returns.

Subsidiaries are fully consolidated as from the date in which ITAÚ UNIBANCO HOLDING obtains its control and are no longer consolidated as from the date such control is lost.

On January 1, 2013 ITAÚ UNIBANCO HOLDING assessed its investments to determine whether the conclusions regarding the consolidation in accordance with IFRS 10 differ from those conclusions reached in accordance with IAS 27 and SIC 12.

No adjustment is required for those investments already consolidated in accordance with IAS 27 and SIC 12 and which remain consolidated in accordance with IFRS 10 on January 1, 2013 or for those investments not consolidated in accordance with IAS 27 and SIC 12 and which continue not being consolidated in accordance with IFRS 10.

The following table shows the main consolidated subsidiaries, with total assets over R\$150 million, as well as the interests of ITAÚ UNIBANCO HOLDING in their voting capital at December 31, 2014, and December 31, 2013:

		INCORPORATION COUNTRY	ACTIVITY	INTEREST IN VOTING CAPITAL AT		INTEREST IN TOTAL CAPITAL AT	
				12/31/2014	12/31/2013	12/31/2014	12/31/2013
Banco Credicard S.A.	(1) (Note 3d)	Brazil	Financial institution	-	100.00%	-	100.00%
Banco Itaú Argentina S.A.		Argentina	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú BBA S.A.		Brazil	Financial institution	99.99%	99.99%	99.99%	99.99%
Banco Itaú Chile		Chile	Financial institution	99.99%	99.99%	99.99%	99.99%
Banco Itaú BMG Consignado S.A.	(Note 3c)	Brazil	Financial institution	60.00%	70.00%	60.00%	70.00%
Banco Itaú Paraguay S.A.		Paraguay	Financial institution	100.00%	99.99%	100.00%	99.99%
Banco Itaú Suisse S.A.		Switzerland	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaú Uruguay S.A.		Uruguay	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itaúcard S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Banco Itauleasing S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Cia. Itaú de Capitalização		Brazil	Capitalization	100.00%	100.00%	100.00%	100.00%
Dibens Leasing S.A. – Arrendamento Mercantil		Brazil	Leasing	100.00%	100.00%	100.00%	100.00%
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Hipercard Banco Múltiplo S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%

		INCORPORATION COUNTRY	ACTIVITY	INTEREST IN VOTING CAPITAL AT		INTEREST IN TOTAL CAPITAL AT	
				12/31/2014	12/31/2013	12/31/2014	12/31/2013
Itaú Bank, Ltd.	(2)	Cayman Islands	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA Colombia S.A. Corporación Financiera		Colombia	Financial institution	100.00%	99.99%	100.00%	99.99%
Itaú BBA Internacional plc		United Kingdom	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú BBA USA Securities Inc.		United States	Broker	100.00%	100.00%	100.00%	100.00%
Itaú BMG Seguradora S.A.		Brazil	Insurance	60.00%	-	60.00%	-
Itaú Corretora de Valores S.A.		Brazil	Broker	100.00%	100.00%	100.00%	100.00%
Itaú Seguros S.A.		Brazil	Insurance	100.00%	100.00%	100.00%	100.00%
Itaú Unibanco Financeira S.A. – Crédito, Financiamento e Investimento		Brazil	Consumer finance credit	100.00%	100.00%	100.00%	100.00%
Itaú Unibanco S.A.		Brazil	Financial institution	100.00%	100.00%	100.00%	100.00%
Itaú Vida e Previdência S.A.		Brazil	Pension plan	100.00%	100.00%	100.00%	100.00%
Luizacred S.A. Soc. Cred. Financiamento Investimento		Brazil	Consumer finance credit	50.00%	50.00%	50.00%	50.00%
Redecard S.A. – REDE		Brazil	Acquirer	100.00%	100.00%	100.00%	100.00%

(1) Company merged in 08/31/2014 by Banco Itaúcard S.A.

(2) Does not include Redeemable Preferred Shares.

ITAÚ UNIBANCO HOLDING is committed to maintaining the minimum capital required by all these joint ventures, noteworthy is that for all FIC – Financeira Itaú CBD S.A Crédito, Financiamento e Investimento the minimum capital percentage is 25.0% higher than that required by the Central Bank of Brazil (Note 33).

II. Business combinations

Accounting for business combinations under IFRS 3 (R) is only applicable when a business is acquired. Under IFRS 3 (R), a business is defined as an integrated set of activities and assets that is conducted and managed for the purpose of providing a return to investors, or cost reduction or other economic benefits. In general, a business consists of inputs, processes applied to those inputs and outputs that are, or will be, used to generate income. If there is goodwill in a set of activities or transferred assets, this is presumed to be a business. For acquisitions that meet the definition of business, accounting under the purchase method is required.

The acquisition cost is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the exchange date, plus costs directly attributable to the acquisition. Acquired assets and assumed liabilities and contingent liabilities identifiable in a business combination are initially measured at fair value at the date of acquisition, regardless of the existence of non-controlling interests. The excess of the acquisition cost, plus non-controlling interests, if any, over the fair value of identifiable net assets acquired, is accounted for as goodwill.

The treatment of goodwill is described in Note 2.4k. If the cost of acquisition, plus non-controlling interests, if any, is lower than the fair value of identifiable net assets acquired, the difference is directly recognized in income.

For each business combination, the purchaser should measure any non-controlling interest in the acquired company at the fair value or amount proportional to its interest in net assets of the acquired company.

III. Transactions with non-controlling stockholders

IFRS 10 – “Consolidated financial statements” establishes that, changes in an ownership interest in a subsidiary, which do not result in a loss of control, are accounted for as capital transactions and any difference between the amount paid and the carrying amount of non-controlling stockholders is recognized directly in consolidated stockholders’ equity.

b) Foreign currency translation

I. Functional and presentation currency

The consolidated financial statements of ITAÚ UNIBANCO HOLDING are presented in *reais*, which is its functional and presentation currency. For each subsidiary and investment in associates and joint ventures, ITAÚ UNIBANCO HOLDING defined the functional currency, as set forth in IAS 21.

The assets and liabilities of subsidiaries with a functional currency other than the Brazilian *real* are translated as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at monthly average exchange rates;
- exchange differences arising from currency translation are recorded in other comprehensive income.

II – Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of foreign exchange results and exchange variations on transactions and amount to R\$ 3,677 for the period for the period January 1 to December 31, 2014 (R\$ 2,635 for the period January 1 to December 31, 2013 and R\$ 1,109 for the period January 1 to December 31, 2012).

In the case of monetary assets classified as available-for-sale, the exchange differences resulting from a change in the amortized cost of the instrument are recognized in the income statement, while those resulting from other changes in the carrying amount, except impairment losses, are recognized in other comprehensive income until derecognition or impairment.

c) Cash and cash equivalents

ITAÚ UNIBANCO HOLDING defines cash and cash equivalents as cash and current accounts in banks (included in the heading cash and deposits on demand on the consolidated balance sheet), interbank deposits and securities purchased under agreements to resell that have original maturities of up to 90 days or less, as shown in Note 4.

d) Central Bank Compulsory deposits

The Central Banks of the countries in which ITAÚ UNIBANCO HOLDING operates currently impose a number of compulsory deposit requirements on financial institutions. Such requirements are applied to a wide range of banking activities and operations, such as demand, savings, and time deposits. In the case of Brazil, the acquisition and deposit of Brazilian federal government securities is also required.

Compulsory deposits are initially recognized at fair value and subsequently at amortized cost, using the effective interest rate method as detailed in Note 2.4g VI.

e) Interbank deposits

ITAÚ UNIBANCO HOLDING recognizes its interbank deposits in the balance sheet initially at fair value and subsequently at the amortized cost using the effective interest method as detailed in Note 2.4g VI.

f) Securities purchased under agreements to resell and sold under repurchase agreements

ITAÚ UNIBANCO HOLDING has purchased securities with resale agreement (resale agreements), and sold securities with repurchase agreement (repurchase agreement) of financial assets. Resale and repurchase agreements are accounted for under Securities purchased under agreements to resell and Securities sold under repurchase agreements, respectively.

The amounts invested in resale agreement transactions and borrowed in repurchase agreement transactions are initially recognized in the balance sheet at the amount advanced or raised, and subsequently measured at amortized cost. The difference between the sale and repurchase prices is treated as interest and recognized over the life of the agreements using the effective interest rate method. Interest earned in resale agreement transactions and incurred in repurchase agreement transactions is recognized in Interest and similar income and Interest and similar expense, respectively.

The financial assets accepted as collateral in our resale agreements can be used by us, if provided for in the agreements, as collateral for our repurchase agreements or can be sold.

In Brazil, control over custody of financial assets is centralized and the ownership of investments under resale and repurchase agreements is temporarily transferred to the buyer. ITAÚ UNIBANCO HOLDING strictly monitors the fair value of financial assets received as collateral under our resale agreements and adjusts the collateral amount when appropriate.

Financial assets pledged as collateral to counterparties are also recognized in the consolidated financial statements. When the counterparty has the right to sell or re-pledge such instruments, they are presented in the balance sheet under the appropriate class of financial assets.

g) Financial assets and liabilities

In accordance with IAS 39, all financial assets and liabilities, including derivative financial instruments, shall be recognized in the balance sheet and measured based on the category in which the instrument is classified.

Financial assets and liabilities can be classified into the following categories:

- Financial assets and liabilities at fair value through profit or loss – held for trading.
- Financial assets and liabilities at fair value through profit or loss – designated at fair value.
- Available-for-sale financial assets.
- Held-to-maturity financial assets.
- Loans and receivables.
- Financial liabilities at amortized cost.

The classification depends on the purpose for which financial assets were acquired or financial liabilities were assumed. Management determines the classification of financial instruments at initial recognition.

ITAÚ UNIBANCO HOLDING classifies financial instruments into classes that reflect the nature and characteristics of these financial instruments.

ITAÚ UNIBANCO HOLDING classifies as loans and receivables the following classes of balance sheet headings: Cash and deposits on demand, Central Bank compulsory deposits (Note 2.4d), Interbank deposits (Note 2.4e), Securities purchased under agreement to resell (Note 2.4f), Loan operations (Note 2.4g VI) and Other financial assets (Note 2.4g IX).

Regular purchases and sales of financial assets are recognized and derecognized, respectively, on the trade date.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when ITAÚ UNIBANCO HOLDING has substantially transferred all risks and rewards of ownership, and such transfer qualifies for derecognition, according to the requirements of IAS 39. Therefore, if the risks and rewards were not substantially transferred, ITAÚ UNIBANCO HOLDING evaluates the extent of control in order to determine whether the continuous involvement related to any retained control does not prevent derecognition. Financial liabilities are derecognized when discharged or extinguished.

Financial assets and liabilities are offset against each other and the net amount is reported in the balance sheet solely when there is a legally enforceable right to offset the recognized amounts and there is intention to settle them on a net basis, or simultaneously realize the asset and settle the liability.

I – Financial assets and liabilities at fair value through profit or loss – held for trading

These are financial assets and liabilities acquired or incurred principally for the purpose of selling them in the short term or when they are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent history of short-term profit taking.

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the consolidated statement of income. Gains and losses arising from changes in fair value are directly included in the consolidated statement of income under Net gain (loss) from investment securities and derivatives. Interest income

and expenses are recognized in Interest and similar income and Interest and similar expense, respectively.

II – Financial assets and liabilities at fair value through profit or loss – designated at fair value

These are assets and liabilities designated at fair value through profit or loss upon initial recognition (fair value option). This designation cannot be subsequently changed. In accordance with IAS 39, the fair value option can only be applied if it reduces or eliminates an accounting mismatch when the financial instruments are part of a portfolio for which risk is managed and reported to Management based on its fair value or when these instruments consist of hosts and embedded derivatives that shall otherwise be separated.

The financial assets and liabilities included in this category are initially and subsequently recognized at fair value. Transaction costs are directly recognized in the consolidated statement of income. Gains and losses arising from changes in fair value are directly included in the consolidated statement of income under Net gain (loss) from investment securities and derivatives – Financial assets designated at fair value through profit or loss. Interest income and expenses are recognized in Income and similar income and Interest and similar expense, respectively.

ITAÚ UNIBANCO HOLDING designated certain assets at fair value through profit or loss upon their initial recognition, because they are reported to Management and their performance is evaluated daily based on their fair value.

III – Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are recognized as assets when the fair value is positive, and as liabilities when negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not recognized at fair value through profit or loss. These embedded derivatives are accounted for separately at fair value, with changes in fair value recognized in the consolidated statement of income in Net gain (loss) from investment securities and derivatives – Financial assets held for trading and derivatives – except when ITAÚ UNIBANCO HOLDING designates these hybrid contracts as a whole as fair value through profit or loss.

Derivatives can be designated as hedging instruments under hedge accounting and in the event they qualify, depending upon the nature of the hedged item, the method for recognizing gains or losses from changes in fair value will be different. These derivatives, which are used to hedge exposures to risk or modify the characteristics of financial assets and liabilities, and that meet IAS 39 criteria, are recognized as hedge accounting.

In accordance with IAS 39, to qualify for hedge accounting, all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
- the hedge is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged

risk, consistent with the originally documented risk management strategy for that particular hedging relationship.

- for a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.
- the effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured.
- the hedge is assessed on an ongoing basis and it is determined that the hedge has in fact been highly effective throughout the periods for which the hedge was designated.

IAS 39 presents three hedge accounting categories: fair value hedge, cash flow hedge, and hedge of net investments in a foreign operation.

ITAÚ UNIBANCO HOLDING uses derivatives as hedging instruments under cash flow hedge strategies, fair value hedge and hedge of net investments, as detailed in Note 9.

Fair value hedge

For derivatives that are designated and qualify as fair value hedges, the following practices are adopted:

- a) The gain or loss arising from the new measurement of the hedge instrument at fair value should be recognized in income; and
- b) The gain or loss arising from the hedged item, attributable to the effective portion of the hedged risk, should adjust the book value of the hedged item and also be recognized in income.

When the derivative expires or is sold or the hedge no longer meets the accounting hedge criteria or the entity revokes the designation, the entity should prospectively discontinue the accounting hedge. In addition, any adjustment in the book value of the hedged item should be amortized in income.

Cash flow hedge

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of derivative gains or losses are recognized in Other comprehensive income – Cash flow hedge, and reclassified to Income in the same period or periods in which the hedged transaction affects income. The portion of gain or loss on derivatives that represents the ineffective portion or the hedge components excluded from the assessment of effectiveness is recognized immediately in income. Amounts originally recorded in Other comprehensive income and subsequently reclassified to Income are recorded in the corresponding income or expense lines in which the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting and also when ITAÚ UNIBANCO HOLDING redesignates a hedge, any cumulative gain or loss existing in Other comprehensive income is frozen and is recognized in income when the hedged item is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in Other comprehensive income is immediately transferred to the statement of income.

Hedge of net investments in foreign operations

A hedge of a net investment in a foreign operation, including hedge of a monetary item that is accounted for as part of the net investment, is accounted for in a manner similar to a cash flow hedge:

- a) the portion of gain or loss on the hedge instrument determined as effective is recognized in other comprehensive income.
- b) the ineffective portion is recognized in income.

Gains or losses on the hedging instrument related to the effective portion of the hedge which is recognized in comprehensive income are reclassified to the income statement upon the disposal of the investment in the foreign operation.

IV – Available-for-sale financial assets

In accordance with IAS 39, financial assets are classified as available-for-sale when in the Management's judgment they can be sold in response to or in anticipation of changes in market conditions, and that were not classified into the categories of financial assets at fair value through profit or loss, loans and receivables or held to maturity.

Available-for-sale financial assets are initially and subsequently recognized in the consolidated balance sheet at fair value, plus transaction costs. Unrealized gains and losses (except losses for impairment, foreign exchange differences, dividends and interest income) are recognized, net of applicable taxes, in Other comprehensive income. Interest, including the amortization of premiums and discounts, is recognized in the consolidated statement of income under Interest and similar income. The average cost is used to determine the realized Gains and losses on Disposal of available-for-sale financial assets, which are recorded in the consolidated statement of income under Net gain (loss) from financial assets and liabilities – Available-for-sale financial assets. Dividends on available-for-sale assets are recognized in the consolidated statement of income as Dividend income when ITAÚ UNIBANCO HOLDING is entitled to receive such dividends and inflow of economic benefits is probable.

ITAÚ UNIBANCO HOLDING assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence of impairment, resulting in the recognition of an impairment loss. If any impairment evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income, is recognized in the consolidated statement of income as a reclassification adjustment from Other comprehensive income.

Impairment losses recognized in the consolidated statement of income on equity instruments are not reversed through the statement of income. However, if in a subsequent period the fair value of a debt instrument classified as an available-for-sale financial asset increases and such increase can be objectively related to an event that occurred after the loss recognition, such loss is reversed through the statement of income.

V – Held-to-maturity financial assets

In accordance with IAS 39, the financial assets classified into the held-to-maturity category are non-derivative financial assets for which ITAÚ UNIBANCO HOLDING has the positive intention and ability to hold to maturity.

These assets are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost, using the effective interest rate method (as detailed in item VI below). Interest income, including the amortization of premiums and discounts, is recognized in the consolidated statement of income under Interest and similar income.

When held-to-maturity financial assets are impaired, the loss is recorded as a reduction in the carrying amount through the use of an allowance account and recognized in the consolidated statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the loss was recognized, the previously recognized loss is reversed. The reversal amount is also recognized in the consolidated statement of income.

VI – Loan operations

Loan operations are initially recognized at fair value, plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method.

The effective interest rate approach is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the discount rate that is applied to future payments or receipts through the expected life of the financial instrument that results in an amount equal to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, ITAÚ UNIBANCO HOLDING estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all commissions paid or received between parties to the contract, transaction costs, and all other premiums or discounts.

ITAÚ UNIBANCO HOLDING classifies a loan operation as on non-accrual status if the payment of the principal or interest has been in default for 60 days or more. When a loan is placed on non-accrual status, the accrual of interest of the loan is discontinued.

When a financial asset or group of similar financial assets is impaired and its carrying amount is reduced through an allowance for loan losses, the subsequent interest income is recognized on the reduced carrying amount using the interest rate used to discount the future cash flows for purposes of measuring the allowance for loan losses.

Our Individuals portfolio consists primarily of vehicle financing to individuals, credit card, personal loans (including mainly consumer finance and overdrafts) and residential mortgage loans. The Corporate portfolio includes loans made to large corporate clients. Our Small / Medium Business Portfolio corresponds to loans to a variety of customers from small to medium-sized companies. The Foreign Loans Latin America is substantially comprised of loans granted to individuals in Argentina, Chile, Paraguay, and Uruguay.

At a corporate level, there are two groups (independent from the business areas) the credit risk group and the finance group, which are responsible for defining the methodologies used to measure the allowance for loan losses and for performing the corresponding calculations on a recurring basis.

The credit risk group and the finance group, at the corporate level, monitor the trends observed in the allowance for loan losses at the portfolio segment level, in addition to establishing an initial understanding of the variables that may trigger changes in the allowance for loan losses, the probability of default or the loss given default.

Once the trends have been identified and an initial assessment of the variables has been made at the corporate level, the business areas are responsible for further analyzing these observed trends at a detailed level and for each portfolio, in order to understand the underlying reasons for the trends observed and for deciding whether changes are required in our credit policies.

VII – Lease operations (as lessor)

When assets are subject to a finance lease, the present value of lease payments is recognized as a receivable in the consolidated balance sheet under Loan operations and Lease Operations.

Initial direct costs when incurred by ITAÚ UNIBANCO HOLDING are included in the initial measurement of the lease receivable, reducing the amount of income to be recognized over the lease period. Such initial costs usually include commissions and legal fees.

The recognition of interest income reflects a constant rate of return on the net investment of ITAÚ UNIBANCO HOLDING and is recognized in the consolidated statement of income under Interest and similar income.

VIII – Allowance for loan and lease losses

General

ITAÚ UNIBANCO HOLDING periodically assesses whether there is any objective evidence that a receivable or group of receivables is impaired. A receivable or group of receivables is impaired and there is a need for recognizing an impairment loss if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated.

The allowance for loan and lease losses is recognized as probable losses inherent in the portfolio at the balance sheet date. The determination of the level of the allowance rests upon various judgments and assumptions, including current economic conditions, loan portfolio composition, prior loan and lease loss experience and evaluation of credit risk related to individual loans. Our process for determining the allowance for loan and lease losses includes Management's judgment and the use of estimates. The adequacy of the allowance is regularly analyzed by Management.

The criteria adopted by ITAÚ UNIBANCO HOLDING for determining whether there is objective evidence of impairment include the following:

- default in principal or interest payment;

- financial difficulties of the debtor and other objective evidence that results in the deterioration of the financial position of the debtor (for example, debt-to-equity ratio, percentage of net sales or other indicators obtained through processes adopted to monitor credit, particularly for retail portfolios);
- breach of loan clauses or terms;
- entering into bankruptcy;
- loss of competitive position of the debtor.

The estimated period between the loss event and its identification is defined by Management for each portfolio of similar receivables. Considering the representativeness of several homogeneous groups, management chose to use a twelve month period as being the most representative. For portfolios of loans that are individually evaluated for impairment this period is at most 12 months, considering the review cycle for each loan operation.

Assessment

ITAÚ UNIBANCO HOLDING first assesses whether objective evidence of impairment exists for receivables that are individually significant, and individually or collectively for receivables that are not individually significant.

To determine the amount of the allowance for individually significant receivables with objective evidence of impairment, methodologies are used that consider both the quality of the client and the nature of the transaction, including its collateral, to estimate the cash flows expected from these loans.

If no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the asset is included in a group of receivables with similar credit risk characteristics and collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is recognized are not included in the collective assessment. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

For collectively assessed loans, the calculation of the present value of the estimated future cash flows for which there is collateral reflects the historical performance of the foreclosure and recovery of fair value, considering the cash flows that may arise from foreclosure less costs for obtaining and selling that collateral.

For the purpose of a collective evaluation of impairment, receivables are grouped on the basis of similar credit risk characteristics. The characteristics are relevant to the estimation of future cash flows for such receivables by being indicative of the debtors' ability to pay all amounts due, according to the contractual terms of the receivables being evaluated. Future cash flows in a group of receivables that are collectively evaluated for purposes of identifying the need for recognizing impairment are estimated on the basis of the contractual cash flows of the group of receivables and historical loss experience for receivables with similar credit risk characteristics. The historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For individually significant receivables with no objective evidence of impairment, ITAÚ UNIBANCO HOLDING classifies these loans into certain rating categories based on several qualitative and quantitative factors applied through internally developed models. Considering the size and the different risk characteristics of each contract, the rating category determined according to internal models can be reviewed and modified by our Corporate Credit Committee, the members of which are executives and officers in corporate credit risk. ITAÚ UNIBANCO HOLDING estimates inherent losses for each rating category considering an internally developed approach for low-default portfolios, that uses our historical experience for building internal models, that are used both to estimate the PD (probability of default) and to estimate the LGD (loss given default.)

To determine the amount of the allowance for individually insignificant items loans are segregated into classes considering the underlying risks and characteristics of each group. The allowance for loan and lease losses is determined for each of those classes through a process that considers historical delinquency and loan loss experience over the most recent years.

Measurement

The methodology used to measure the allowance for loan and lease losses was developed internally by the credit risk and finance areas at the corporate level. In those areas and considering the different characteristics of the portfolios, different areas are responsible for defining the methodology to measure the allowance for each: Corporate (including loan operations with objective evidence of impairment and individually significant loan operations but with no objective evidence of impairment), Individuals, Small and Medium Businesses, and Foreign Units Latin America. Each of the four portfolio areas responsible for defining the methodology to measure the allowance for loan and lease losses is further divided into groups, including groups that develop the methodology and groups that validate the methodology. A centralized group in the credit risk area is responsible for measuring the allowance on a recurring basis following the methodologies developed and approved for each of the four areas.

The methodology is based on two components to determine the amount of the allowance: The probability of default by the client or counterparty (PD), and the potential economic loss that may occur in the event of default, being the debt that cannot be recovered (LGD) which are applied to the outstanding balance of the loan. Measurement and assessment of these risk components is part of the process for granting credit and for managing the portfolio. The estimated amounts of PD and LGD are measured based on statistical models that consider a significant number of variables which are different for each class and include, among others, income, equity, past loan experiences, level of indebtedness, economic sectors that affect collectability and other attributes of each counterparty and of the economic environment. These models are regularly updated for changes in economic and business conditions.

A model updating process is started when the modeling area identifies that it is not capturing significant effects of the changes of economic conditions, in the performance of the portfolio or when a change is made in the methodology for calculating the allowance for loan and lease losses. When a change in the model

is made, the model is validated through back-testing and statistical methods are used to measure its performance through detailed analysis of its documentation, by describing step-by-step how the process is carried out. The models are validated by an area independent from the one developing it, by issuing a technical report on the assumptions used (integrity, consistency, and replicability of the bases) and on the mathematical methodology used. The technical report is subsequently submitted to CTAM (Model assessment technical committee), which is the highest level of approval of model reviews.

Considering the different characteristics of the loans at each of the four portfolio areas (Corporate (with no objective evidence of impairment), Individuals, Small and Medium Businesses, and Foreign Units Latin America), different areas within the corporate credit risk area are responsible for developing and approving the methodologies for loans in each of those four portfolio areas. Management believes that the fact that different areas focus on each of the four portfolios results in increased knowledge, specialization and awareness of the teams as to the factors that are more relevant for each portfolio area in measuring the loan losses. Also considering such different characteristics and other factors, different inputs and information are used to estimate the PD and LGD as further detailed below:

- **Corporate (with no evidence of impairment)** – factors considered and inputs used are mainly the history of the customer relationship with us, the results of analysis of the customer's accounting statements and the information obtained through frequent contacts with its officers, aiming at understanding the strategy and the quality of its management. Additionally, industry and macroeconomic factors are also included in the analysis. All those factors (which are quantitative and qualitative) are used as inputs to the internal model developed to determine the corresponding rating category. This approach is also applied to the corporate credit portfolio outside Brazil.
- **Individuals** – factors considered and inputs used are mainly the history of the customer relationship with us, and information available through credit bureaus (negative information).
- **Small/Medium Businesses** – factors considered and inputs used include, in addition to the history of the customer relationship and credit bureau information about the customer's revenues, industry expertise, and information about its shareholders and officers, among others.
- **Foreign Units – Latin America** – considering the relative smaller size of this portfolio and its more recent nature, the models are simpler and use the past due status and an internal rating of the customer as main factors.

Reversal, write-off, and renegotiation

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment is reversed. The amount of reversal is recognized in the consolidated statement of Income under Expense for allowance for loan and lease losses.

When a loan is uncollectible, it is written-off in the balance sheet under allowance for loan and lease losses. Write-off as losses occur after 360 days of credits have matured or after 540 days for loans with maturities over 36 months.

In almost all cases for loan products, renegotiated loans require at least one payment to be made under the renegotiated terms in order for it to be removed from nonperforming and nonaccrual status. Renegotiated loans return to nonperforming and nonaccrual status when they reach 60 days past due under the renegotiated terms, which typically corresponds to the borrower missing two or more payments.

IX – Other financial assets

ITAÚ UNIBANCO HOLDING presents these assets, which composition is detailed in Note 20a, in the consolidated balance sheet initially at fair value and subsequently at amortized cost using the effective interest method.

Interest income is recognized in the consolidated statement of income under Interest and similar income.

X – Financial liabilities at amortized cost

The financial liabilities that are not classified at fair value through profit or loss are classified into this category and initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Interest expenses are presented in consolidated statement of income under Interest and similar expense.

The following financial liabilities are presented in the consolidated balance sheet and recognized at amortized cost:

- Deposits (See Note 17).
- Securities sold under repurchase agreements (Note 2.4f).
- Funds from interbank markets (Note 19a).
- Funds from institutional markets (Note 19b).
- Liabilities for capitalization plans.
- Other financial liabilities (Note 20b).

h) Investments in associates and joint ventures

I – Associates

In accordance with IAS 28 – “Investments in associates and joint ventures”, associates are those companies in which the investor has significant influence, but does not have control. Significant influence is usually presumed to exist when an interest in voting capital is held from 20.0% to 50.0%. Investments in these companies are initially recognized at cost of acquisition and subsequently accounted for using the equity method. Investments in associates and joint ventures include the goodwill identified upon acquisition, net of any cumulative impairment loss.

II – Joint arrangements

Before January 1, 2013, ITAÚ UNIBANCO HOLDING consolidated proportionally its interest held in joint ventures, in conformity with the requirements of IAS 31 – “Interests in joint ventures”. As from that date, ITAÚ UNIBANCO HOLDING adopted IFRS 11 – “Joint arrangements”, thus changing its accounting policy from interest in joint business to the equity method.

In accordance with the IFRS 11, investments in joint business are classified as joint operations or joint ventures. The classification is

dependent upon the contractual rights and obligations held by each investor, rather than the legal structure of the joint arrangements.

ITAÚ UNIBANCO HOLDING has assessed the nature of its joint arrangements and concluded that it has both joint operations and joint ventures. There was no change in the accounting treatment for joint operations. For joint ventures, ITAÚ UNIBANCO HOLDING adopted the new policy for interest in joint ventures, in accordance with the IFRS 11 transition provisions.

The effects arising from adopting IFRS 11, which gave rise to a change in the accounting policy, have not had significant impacts on the consolidated financial statements of ITAÚ UNIBANCO HOLDING.

ITAÚ UNIBANCO HOLDING's share in profits or losses of its associates and joint ventures after acquisition is recognized in the consolidated statement of income. Its share of the changes in the reserves of corresponding stockholders' equity of its associates and joint ventures is recognized in its own reserves of stockholders' equity. The cumulative changes after acquisition are adjusted against the carrying amount of the investment. When the ITAÚ UNIBANCO HOLDING share of losses of an associates and joint ventures is equal or above its interest in the associates and joint ventures, including any other receivables, ITAÚ UNIBANCO HOLDING does not recognize additional losses, unless it has incurred any obligations or made payments on behalf of the associates and joint ventures.

Unrealized profits on transactions between ITAÚ UNIBANCO HOLDING and its associates and joint ventures are eliminated to the extent of the interest of ITAÚ UNIBANCO HOLDING. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. The accounting policies on associates and joint ventures are consistent with the policies adopted by ITAÚ UNIBANCO HOLDING.

If the interest in the associates and joint ventures decreases, but ITAÚ UNIBANCO HOLDING retains significant influence or joint control, only the proportional amount of the previously recognized amounts in Other comprehensive income is reclassified in Income, when appropriate.

Gains and losses from dilution arising from investments in associates and joint ventures are recognized in the consolidated statement of income.

i) Lease commitments (as lessee)

As a lessee, ITAÚ UNIBANCO HOLDING has finance and operating lease agreements.

ITAÚ UNIBANCO HOLDING leases certain fixed assets. Leases of fixed assets, in which ITAÚ UNIBANCO HOLDING substantially holds all risks and rewards incidental to the ownership are classified as finance leases. They are capitalized on the commencement date of the leases at the lower of the fair value of the asset and the present value of the lease future minimum payments.

Each lease installment is allocated partially to the liability and partially to financial charges, so that a constant rate is obtained for the outstanding debt balance. The corresponding obligations, net of future financial charges, are included in Other financial liabilities. The interest

expense is recognized in the consolidated statement of income over the lease term, to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Fixed assets acquired through finance lease are depreciated over their useful lives.

Expenses of operating leases are recognized in the consolidated statement of income, on a straight-line basis, over the period of lease.

When an operating lease is terminated before the end of the lease term, any payment to be made to the lessor as a penalty is recognized as an expense in the period the termination occurs.

j) Fixed assets

In accordance with IAS 16 – “Property, plant and equipment”, fixed assets are recognized at the cost of acquisition less accumulated depreciation, calculated using the straight-line method and rates based on the estimated useful lives of these assets. Such rates are presented in Note 15.

The residual values and useful lives of assets are reviewed and adjusted, if appropriate, at the end of each year.

ITAÚ UNIBANCO HOLDING reviews its assets in order to identify whether any indications of impairment exist. If such indications are identified, fixed assets are tested for impairment. In accordance with IAS 36 – Impairment of assets, impairment losses are recognized for the difference between the carrying and recoverable amount of an asset (or group of assets), in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing impairment, assets are grouped at the lowest level for which independent cash flows can be identified (cash-generating units). The assessment may be made at an individual asset level when the fair value less the cost to sell may be reliably determined.

ITAÚ UNIBANCO HOLDING in the period ended December 31, 2014, December 31, 2013 and December 31, 2012 did not recognize any impairment losses related to fixed assets.

Gains and losses on disposals of fixed assets are recognized in the consolidated statement of income under Other income or General and administrative expenses.

k) Goodwill

In accordance with IFRS 3 (R) – “Business combinations”, goodwill may arise on an acquisition and represents the excess of the consideration transferred plus non-controlling interest over the net fair value of the net identifiable assets and contingent liabilities of the acquiree. Goodwill is not amortized, but its recoverable amount is tested for impairment annually or when there is any indication of impairment, using an approach that involves the identification of cash-generating units and estimates of fair value less cost to sell and/or value in use.

As defined in IAS 36, a cash-generating unit is the lowest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination.

IAS 36 determines that an impairment loss shall be recognized for a cash-generating unit if the recoverable amount of the cash-generating unit is less than its carrying amount. The loss shall be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to the other assets of the unit on a pro rata basis applied to the carrying amount of each asset. The loss cannot reduce the carrying amount of an asset below the higher of its fair value less costs to sell and its value in use. The impairment loss of goodwill cannot be reversed.

Goodwill arising from the acquisition of subsidiaries is presented in the Consolidated Balance Sheet under the line Goodwill.

Goodwill of associates and joint ventures is reported as part of investment in the consolidated balance sheet under Investments in associates and joint ventures, and the impairment test is carried out in relation to the total balance of the investments (including goodwill).

l) Intangible assets

Intangible assets are non-physical assets, including software and other assets, and are initially recognized at cost. Intangible assets are recognized when they arise from legal or contractual rights, their costs can be reliably measured, and in the case of intangible assets not arising from separate acquisitions or business combinations, it is probable that future economic benefits may arise from their use. The balance of intangible assets refers to acquired assets or those internally generated.

Intangible assets may have finite or indefinite useful lives. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized, but periodically tested in order to identify any impairment.

ITAÚ UNIBANCO HOLDING semi-annually assesses its intangible assets in order to identify whether any indications of impairment exist, as well as possible reversal of previous impairment losses. If such indications are found, intangible assets are tested for impairment. In accordance with IAS 36, impairment losses are recognized as the difference between the carrying and the recoverable amount of an asset (or group of assets), and recognized in the consolidated statement of income. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. For purposes of assessing an impairment, assets are grouped into the minimum level for which cash flows can be identified. The assessment can be made at an individual asset level when the fair value less its cost to sell can be determined reliably.

In the period ended December 31, 2014 the ITAÚ UNIBANCO HOLDING recognized impairment losses in the amount of R\$ 8 related to development of software and losses reversals of R\$ 25 related to association for the promotion and offer of financial products and services (At December 31, 2013, recognized impairment losses in the amount of R\$ 6 related to the development of software and R\$ 27 related to association for the promotion and offer of financial products and services, at December 31, 2012, recognized impairment losses in the amount of R\$ 3 related to acquisition of rights to credit payroll and R\$ 4 related to association for the promotion and offer of financial products and services), caused by results below expectations.

As set forth in IAS 38, ITAÚ UNIBANCO HOLDING elected the cost model to measure its intangible assets after its initial recognition.

m) Assets held for sale

Assets held for sale are recognized in the balance sheet when they are actually repossessed or there is intention to sell. These assets are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, or (ii) the carrying amount of the related asset held for sale.

Subsequent reductions in the carrying value of such assets are recorded as a loss due to decreases in fair value less costs to sell, in the consolidated statement of income under General and administrative expenses. In the case of recovery of the fair value less cost to sell, the recognized losses can be reversed.

n) Income tax and social contribution

There are two components of the provision for income tax and social contribution: current and deferred.

Current income tax expense approximates taxes to be paid or recovered for the applicable period. Current assets and liabilities are recorded in the balance sheet under Tax assets – income tax and Social contribution – current and Tax liabilities assets – income tax and Social contribution – current, respectively.

Deferred income tax and social contribution represented by deferred tax assets and liabilities are obtained based on the differences between the tax bases of assets and liabilities and the amounts reported in the financial statements at each year end. The tax benefit of tax loss carryforwards is recognized as an asset. Deferred tax assets are only recognized when it is probable that future taxable income will be available for offset. Deferred tax assets and liabilities are recognized in the balance sheet under Tax assets – Income tax and social contribution – Deferred and Tax liabilities – Income tax and social contribution – Deferred, respectively.

Income tax and social contribution expense is recognized in the consolidated statement of income under Income tax and social contribution, except when it refers to items directly recognized in Other comprehensive income, such as: deferred tax on fair value measurement of available-for-sale financial assets, and tax on cash flow hedges. Deferred taxes of such items are initially recognized in other comprehensive income and subsequently recognized in Income together with the recognition of the gain/loss originally deferred.

Changes in tax legislation and rates are recognized in the consolidated statement of income under Income tax and social contribution in the period in which they are enacted. Interest and fines are recognized in the consolidated statement of income under General and administrative expenses. Income tax and social contribution are calculated at the rates shown below, considering the respective taxable bases, based on the current legislation related to each tax, which in the case of the operations in Brazil are for all the reporting periods as follows:

	12/31/2014
Income tax	15.00%
Additional income tax	10.00%
Social contribution ^(*)	15.00%

(*) For non-financial operations consolidated in the financial statements the social contribution rate regards 9.00%.

To determine the proper level of provisions for taxes to be maintained for uncertain tax positions, a two-phased approach was applied, according to which a tax benefit is recognized if it is more probable than not that a position can be sustained. The benefit amount is then measured to be the highest tax benefit which probability of realization is over 50.0%.

o) Insurance contracts and private pension

IFRS 4 – “Insurance contracts” defines insurance contracts as contracts under which the issuer accepts a significant insurance risk of the counterparty, by agreeing to compensate it if a specified uncertain future event adversely affects it.

ITAÚ UNIBANCO HOLDING, through its subsidiaries, issues contracts to clients that have insurance risks, financial risks or a combination of both. A contract under which ITAÚ UNIBANCO HOLDING accepts significant insurance risks from its clients and agrees to compensate them upon the occurrence of a specified uncertain future event is classified as an insurance contract. The insurance contract may also transfer a financial risk, but is accounted for as an insurance contract, should the insurance risk be significant.

As permitted by IFRS 1, upon adoption of IFRS for the first time, ITAÚ UNIBANCO HOLDING elected not to change its accounting policies for insurance contracts, which follow accounting practices adopted in Brazil (“BRGAAP”).

Investment contracts are those that transfer a significant financial risk. Financial risk is the risk of a future change in one or more variables, such as interest rate, price of financial assets, price of commodities, foreign exchange rate, index of prices or rates, credit risk rating, credit index or other variable.

Investment contracts may be reclassified as insurance contracts after their initial classification, should the insurance risk become significant.

Investment contracts with discretionary participation features are financial instruments, but they are treated as insurance contracts, as established by IFRS 4.

Once the contract is classified as an insurance contract, it remains as such until the end of its life, even if the insurance risk is significantly reduced during such period, unless all rights and obligations are extinguished or expired.

Note 30 presents a detailed description of all products classified as insurance contracts.

Private pension plans

In accordance with IFRS 4, an insurance contract is one that exposes its issuer to a significant insurance risk. An insurance risk is significant only if the insurance event could cause an issuer to pay significant additional benefits in any scenario, except for those that do not have commercial substance. Additional benefits refer to amounts that exceed those that would be payable if no insured event occurred.

Contracts that contemplate retirement benefits after an accumulation period (known as PGBL, VGBL and FGB) assure, at the commencement date of the contract, the basis for calculating the retirement benefit (mortality table and minimum interest).

The contracts specify the annuity fees and, therefore, the contract transfers the insurance risk to the issuer at the commencement date, and they are classified as insurance contracts.

The payment of additional benefits is considered significant in all scenarios with commercial substance, since survival of the beneficiary may exceed the survival estimates in the actuarial table used to define the benefit agreed in the contract. The option of conversion into a fixed amount to be paid for the life of the beneficiary is not available. All contracts give the right to the counterparty to choose a life annuity benefit.

Insurance premiums

Insurance premiums are recognized by issuing an insurance policy or over the period of the contracts in proportion to the amount of the insurance coverage. Insurance premiums are recognized as income in the consolidated statement of income.

If there is evidence of impairment losses with respect to receivables for insurance premiums, ITAÚ UNIBANCO HOLDING recognizes a provision, sufficient to cover this loss, based on the risk analysis of realization of insurance premiums receivable with installments overdue for over 60 days.

Reinsurance

Reinsurance premiums are recognized over the same period in which the related insurance premiums are recognized in the consolidated statement of income.

In the ordinary course of business, ITAÚ UNIBANCO HOLDING reinsures a portion of the risks underwritten, particularly property and casualty risks that exceed the maximum limits of responsibility that we determine to be appropriate for each segment and product (after a study which considers size, experience, specificities, and the necessary capital to support these limits). These reinsurance agreements allow the recovery of a portion of the losses from the reinsurer, although they do not release the insurer from the main obligation as direct insurer of the risks contemplated in the reinsurance.

Reinsurance assets are valued according to consistent basis of risk assignment contracts, and in the event of losses effectively paid are revalued after 365 days elapse in relation to the possibility of non-recovery of such losses. In the event of doubt, these assets are reduced based on the provision recognized for credit risk associated to reinsurance.

Acquisition costs

Acquisition costs include direct and indirect costs related to the origination of insurance. These costs, except for the commissions paid to brokers and others, are expensed directly in income as incurred. Commissions, on the other hand, are deferred and expensed in proportion to the recognition of the premium revenue, i.e. over the period of the corresponding insurance contract.

Liabilities

Reserves for claims are established based on historical experience, claims in process of payment, estimated amounts of claims incurred but not yet reported, and other factors relevant to the required reserve levels. A liability for premium deficiencies is recognized if the estimated amount of premium deficiencies

exceeds deferred acquisition costs. Expenses related to recognition of liabilities for insurance contracts are recognized in the consolidated statement of income under Change in reserves for insurance and private pension.

Embedded derivatives

ITAÚ UNIBANCO HOLDING analyzes all contracts in order to check for any embedded derivatives. In the cases where these derivatives meet the definition of insurance contracts on their own, we do not separate them. We have not identified any embedded derivatives in our insurance contracts, which may be separated or measured at fair value in accordance with IFRS 4 requirements.

Liability adequacy test

IFRS 4 requires that the insurance companies analyze the adequacy of their insurance liabilities in each reporting period through a minimum adequacy test. The liability adequacy test for IFRS was conducted by adopting the current actuarial assumptions for future cash flows of all insurance contracts in force on the balance sheet date.

As a result of this test, if the assessment shows that the carrying amount of the insurance liabilities (less related deferred acquisition costs of contracts and related intangible assets) is lower than the value of the estimated future cash flows, any identified deficiency will have to be recognized in income for the period. In order to perform the adequacy test, insurance contracts are grouped in portfolios that are broadly subject to similar risks and which risks are jointly managed as a single portfolio.

The assumptions used to conduct the liability adequacy test are detailed in Note 30.

p) Capitalization plans

ITAÚ UNIBANCO HOLDING sells capitalization certificates, in which clients deposit specific amounts, depending on the plan, which are redeemable at the original amount plus interest. Clients enter, during the term of the plan, into raffles of cash prizes.

While for regulatory purposes in Brazil they are regulated by the insurance regulator, these plans do not meet the definition of an insurance contract under IFRS 4, and therefore they are classified as a financial liability at amortized cost under IAS 39.

Revenue from capitalization plans is recognized during the period of the contract and measured as the difference between the amount deposited by the client and the amount that ITAÚ UNIBANCO HOLDING has to reimburse.

q) Post-employments benefits

ITAÚ UNIBANCO HOLDING is required to make contributions to government social security and labor indemnity plans, in Brazil and in other countries where it operates, which are expensed in the consolidated statement of income as an integral part of general and administrative expenses, when incurred. Those contributions totaled R\$ 1,747 from January 1 to December 31, 2014 (R\$ 1,547 from January 1 to December 31, 2013 and R\$ 1,488 from January 1 to December 31, 2012).

Additionally, ITAÚ UNIBANCO HOLDING also sponsors defined benefit plans and defined contribution plans, accounted for pursuant to IAS 19 – “Employee benefits” up to December 31,

2012 and in accordance with the IAS 19 (revised in June 2011) – “Employee benefits” as from January 1, 2013.

Pension plans – Defined benefit plans

The liability (or asset, as the case may be) recognized in the consolidated balance sheet with respect to the defined benefit plan corresponds to the present value of the defined benefit obligations on the balance sheet date less the fair value of the plan assets. The defined benefit obligation is annually calculated by an independent actuarial consulting company using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated amount of future cash flows of benefit payments based on the Brazilian treasury long term securities denominated in reais and with maturity periods similar to the term of the pension plan liabilities.

The following amounts are recognized in the consolidated statement of income:

- current service cost – defined as the increase in the present value of obligations resulting from employee service in the current period;
- interest on the net amount of assets (liabilities) of defined benefit plans is the change, during the period, in the net amount recognized in assets and liabilities, due to the time elapsed, which comprises the interest income on plan assets, interest expense on the obligations of the defined benefit plan and interest on the asset ceiling effects.

Actuarial gains and losses arise from the non-realization of the actuarial assumptions established in the latest actuarial evaluation as compared to those effectively carried out, as well as the effects from changes in such assumptions. Gains and losses are fully recognized in Other Comprehensive Income.

Pension plans – defined contribution

For defined contribution plans, contributions to plans made by ITAÚ UNIBANCO HOLDING, through pension plan funds, are recognized as an expense when due.

Other post-employment benefit obligations

Certain companies that merged into ITAÚ UNIBANCO HOLDING over the past few years were sponsors of post-employment healthcare benefit plans and ITAÚ UNIBANCO HOLDING is contractual committed to maintain such benefits over specific periods, as well as in relation to the benefits granted due to a judicial ruling.

Similarly to the defined benefit pension plans, these obligations are assessed annually by independent and qualified actuaries, and the costs expected from these benefits are accrued during the length of service. Gains and losses arising from adjustments and changes in actuarial assumptions are debited from or credited to stockholders' equity in other comprehensive income in the period in which they occur.

r) Stock-based compensation

Stock-based compensation is accounted for in accordance with IFRS 2 – “Share-based payment” which requires the entity to measure the value of equity instruments granted, based on their fair value at the option grant date. This cost is recognized during the vesting period of the right to exercise the instruments.

The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any service and non-market performance vesting conditions (notably remaining an employee of the entity over a specified time period). The fulfillment of on-market vesting conditions is included in the assumptions about the number of options that are expected to be exercised. At the end of each period, ITAÚ UNIBANCO HOLDING revises its estimates of the number of options that are expected to be exercised based on non-market vesting conditions. It recognizes the impact of the revision of the original estimates, if any, in the consolidated statement of income, with a corresponding adjustment to stockholders' equity.

When the options are exercised, the ITAÚ UNIBANCO HOLDING treasury shares are generally delivered to the beneficiaries.

The fair value of stock options is estimated by using option pricing models that take into account the exercise price of the option, the current stock price, the risk-free interest rate, the expected volatility of the stock price and the life of the option.

All stock based compensation plans established by ITAÚ UNIBANCO HOLDING correspond to plans that can be settled exclusively through the delivery of shares.

s) Financial guarantees

In accordance with IAS 39, the issuer of a financial guarantee contract has an obligation and should recognize it initially at its fair value. Subsequently, this obligation should be measured at: (i) the amount initially recognized less accumulated amortization and (ii) the amount determined pursuant to IAS 37 – “Provisions, contingent liabilities and contingent assets”, whichever is higher.

ITAÚ UNIBANCO HOLDING recognizes the fair value of the guarantees issued in the consolidated balance sheet under Other liabilities. Fair value is generally represented by the fee charged to client for issuing the guarantee. This amount at the issuance date is amortized over the life of the guarantee issued and recognized in the consolidated statement of income under Banking service fees.

After issuance, if based on the best estimate ITAÚ UNIBANCO HOLDING concludes that the occurrence of a loss regarding a guarantee issued is probable, and if the loss amount is higher than the initial fair value less cumulative amortization of the guarantee, a provision is recognized for such amount.

t) Provisions, contingent assets and contingent liabilities

These are assessed, recognized and disclosed in accordance with IAS 37. Contingent assets and contingent liabilities are rights and obligations arising from past events for which materialization depends on future events.

Contingent assets are not recognized in the consolidated financial statements, except when the Management of ITAÚ UNIBANCO HOLDING understands that realization is virtually certain which, generally corresponds to lawsuits with favorable rulings, in final and unappealable judgments, withdrawal from lawsuits as a result of a payment in settlement or as a result of an agreement to offset against an existing liability.

Contingent liabilities mainly arise from administrative proceedings and lawsuits, inherent in the ordinary course of business, filed

by third parties, former employees and governmental bodies, in connection with civil, labor, and tax and social security claims.

These contingencies are evaluated based on the Management's best estimates, taking into account the opinion of legal counsel when there is a likelihood that financial resources are required to settle the obligations and the amounts can be estimated with reasonable certainty.

Contingent losses are classified as:

- **probable:** in which liabilities are recognized in the consolidated balance sheet under Provisions;
- **possible:** in which case they are disclosed in the financial statements but no provision is recorded;
- **remote:** which require neither a provision nor disclosure.

Contingent liabilities recorded under Provisions and those disclosed as possible are measured using best estimates through the use of models and criteria which allow their appropriate measurement even if there is uncertainty as to their ultimate timing and amount, and the criteria are detailed in Note 32.

The amount of court escrow deposits is adjusted in accordance with current legislation.

Contingent liabilities guaranteed by indemnity clauses provided by third parties, such as in business combinations carried out before the transition date to IFRS, are recognized when a claim is asserted, and a receivable is recognized simultaneously subject to its collectability. For business combinations carried out after the transition date, indemnification assets are recognized at the same time and measured on the same basis as the indemnified item, subject to collectability or contractual limitations on the indemnified amount.

u) Capital

Common and preferred shares, which are equivalent to common shares but without voting rights are classified in Stockholders' equity. The additional costs directly attributable to the issue of new shares are included in Stockholders' equity as a deduction from the proceeds, net of taxes.

v) Treasury shares

Common and preferred shares repurchased are recorded in Stockholders' equity under Treasury shares at their average purchase price.

Shares that are subsequently sold, such as those sold to grantees under our stock option plan, are recorded as a reduction in treasury shares, measured at the average price of treasury stock held at such date.

The difference between the sale price and the average price of the treasury shares is recorded as a reduction or increase in Additional paid-in capital. The cancellation of treasury shares is recorded as a reduction in Treasury shares against Appropriated reserves, at the average price of treasury shares at the cancellation date.

w) Dividends and interest on capital

Pursuant to the Company's bylaws, stockholders are entitled to a mandatory minimum dividend of 25.0% of net income for the year,

as determined in accordance with the corporate law. Minimum dividend amounts established in the bylaws are recorded as liabilities at the end of each year. Any other amount above the mandatory minimum dividend is accounted for as liabilities, when approved by the stockholders at a Stockholder's Meeting. Since January 1, 1996, Brazilian companies have been permitted to attribute a tax-deductible nominal interest rate charge on net equity (called interest on capital.)

Interest on capital is treated for accounting purposes as a dividend, and it is presented as a reduction of stockholders' equity in the consolidated financial statements. The related tax benefit is recorded in the consolidated statement of income.

Dividends have been and continue to be calculated and paid based on the financial statements prepared under Brazilian accounting standards and regulations for financial institutions and not based on these consolidated financial statements prepared under IFRS.

x) Earnings per share

Earnings per share are computed by dividing net income attributable to the owners of ITAÚ UNIBANCO HOLDING by the weighted average number of common and preferred shares outstanding for each reporting year. Weighted average shares are computed based on the periods for which the shares were outstanding.

Earnings per share are presented based on the two types of shares issued by ITAÚ UNIBANCO HOLDING. Both types, common and preferred, participate in dividends on substantially the same basis, except that preferred shares are entitled to a priority non-cumulative minimum annual dividend of R\$ 0.022 per share. Earnings per share are computed based on the distributed earnings (dividends and interest on capital) and undistributed earnings of ITAÚ UNIBANCO HOLDING after giving effect to the preference indicated above, without regard to whether the earnings will ultimately be fully distributed. Earnings per share amounts have been determined as if all earnings were distributed and computed following the requirements of IAS 33 – "Earnings per share".

ITAÚ UNIBANCO HOLDING grants stock-based compensation whose dilutive effect is reflected in diluted earnings per share, with the application of the "treasury stock method". Under the treasury stock method, earnings per share are calculated as if shares under stock-based compensation plans had been issued and as if the assumed proceeds (funds to be received upon exercise of the stock options and the amount of compensation cost attributed to future services and not yet recognized) were used to purchase shares of ITAÚ UNIBANCO HOLDING.

y) Revenue from services

ITAÚ UNIBANCO HOLDING provides a number of services to its clients, such as investment management, credit card, investment banking services and certain commercial banking services.

Services related to current accounts are offered to clients either in the format of packages or individually. These revenues are recognized when such services are provided.

Income from credit card commissions arises from the capture of these transactions and allocated to income on their capture and processing date.

Revenue from certain services such as fees from funds management, performance, collection for retail clients and custody, is recognized over the life of the related contracts on a straight-line basis.

The breakdown of the banking service fees is detailed in Note 24.

z) Segment information

IFRS 8 – “Operating segments” requires that operating segments are disclosed consistently with information provided to the chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. ITAÚ UNIBANCO HOLDING considers that its Executive Board is the chief operating decision maker.

ITAÚ UNIBANCO HOLDING has four reportable segments: (i) Commercial Bank – Retail, (ii) Consumer Credit – Retail, (iii) Wholesale Bank, and (iv) Activities with the Market + Corporation.

Segment information is presented in Note 34.

Note 3 – Business development

a) BSF Holding S.A.

On April 14, 2011, ITAÚ UNIBANCO HOLDING entered into a sale and purchase agreement for the purchase and sale of shares with Carrefour Comércio e Indústria Ltda. (“Carrefour”) to acquire 49.0% of BSF Holding S.A. (“Banco Carrefour”), the entity responsible for the offer and distribution, on an exclusive basis, of financial, insurance and private pension products and services in the distribution channels of Carrefour Brazil operated under the “Carrefour” brand in Brazil. The completion of the operation was subject to the approval of the Central Bank of Brazil, which was obtained on April 23, 2012 and to the transfer of shares of BSF to ITAÚ UNIBANCO HOLDING, which was carried out on May 31, 2012.

Since May 31, 2012 ITAÚ UNIBANCO HOLDING have accounted for this interest in BSF under the equity method (Note 13) and as transactions with related parties (Note 35).

The allocation of the difference between the investment held in BSF and the interest in its net assets, at the acquisition date, is shown below:

Acquired identifiable assets and assumed liabilities	
Cash and deposits on demand	1
Available-for-sale financial assets	131
Loan operations, net	600
Fixed assets, net	6
Intangible assets, net	33
Others assets ^(*)	1,881
Total acquired assets	2,652
Deposits	312
Deposits received under securities repurchase agreements	94
Provisions	27
Others liabilities ^(*)	1,738
Total assumed liabilities	2,171
Net assets at fair value – 100.0%	481
Interest acquired – 49.0%	236
Consideration paid	816
Goodwill	580

(*) Basically represented by credit card operations.

Goodwill arising from the operation is reported as part of investment in the heading Investments in associates and joint

ventures (Note 13a), and the impairment test is analyzed in relation to the total investment balance (including goodwill).

b) REDE

On September 24, 2012, ITAÚ UNIBANCO HOLDING completed the auction of the Tender Public Offer (OPA) to cancel REDE's listed company register, pursuant to the OPA call notice published on August 23, 2012.

As a result of the auction, ITAÚ UNIBANCO HOLDING purchased, through its non-financial subsidiary Banestado Participações, Administração e Serviços Ltda., 298,989,237 common shares issued by REDE, representing 44.4% of its capital, and now it holds 635,474,593 common shares, representing 94.4% of its capital. The shares were purchased for the unit price of R\$ 35.00, totaling R\$ 10,469.

With the purpose of completing the purchase of the remaining minority interest, ITAÚ UNIBANCO HOLDING acquired, by way of its subsidiary Banestado Participações, Administração e Serviços Ltda., 36,423,856 common shares (24,207,582 shares in October 2012; 9,893,659 shares in November 2012; and 2,322,615 shares in December 2012) for the amount, offered at the OPA of September 24, 2012, of R\$ 35.00, plus SELIC variation for the period, redeemed 999,884 common shares and canceled 72,372 treasury shares, thus increasing its interest in the capital, from 94.4% to 100.0%, totaling the amount of R\$ 1,283 (including fees and brokerage).

On October 18, 2012, the Brazilian Securities and Exchange Commission (CVM) cancelled REDE's registration as a publicly-held company.

Changes in stockholders' equity of ITAÚ UNIBANCO HOLDING S.A., due to the purchase of shares from non-controlling stockholders of REDE, are shown below:

	2012
Effect of change in interest	(11,151)
Recognition of deferred income tax on temporary difference ^(*)	3,791
Decrease in stockholders' equity due to the purchase of REDE's shares	(7,360)

(*) For non-financial subsidiaries, tax rate of Income Tax and Social Contribution is 34.00%.

c) Association with Banco BMG S.A.

On July 9, 2012 ITAÚ UNIBANCO HOLDING entered into an Association Agreement with Banco BMG S.A. (“BMG”), aiming at the offering, distribution and commercialization of payroll debit loans through the incorporation of a financial institution, the Banco Itaú BMG Consignado S.A. (“Itaú BMG Consignado”). After obtaining the previous approval required for starting operations, issued by the Administrative Council for Economic Defense (CADE) on October 17, 2012, the final documents were signed on December 13, 2012 and Banco BMG has been a stockholder of Itaú BMG Consignado since January 7, 2013. The completion of the operation was subject to the approval of the Central Bank of Brazil, which was obtained on April 18, 2013.

As a result of this transaction stockholders' equity attributed to non-controlling stockholders increased by R\$ 303 at the base date of 2013.

On April 29, 2014, an agreement was entered into to establish the combination of payroll loan business of BMG and Itaú BMG Consignado, which was concentrated in Itaú BMG Consignado. In

reciprocity for this business combination, on July 25, 2014, a capital increase of Itaú BMG Consignado was carried out, fully subscribed and paid in by BMG in the amount of R\$ 181. The possibility of this combination was already set forth in the investment agreement of December 13, 2012, which governs the association. After this capital increase, ITAÚ UNIBANCO HOLDING will hold a sixty per cent (60%) interest in the total and voting capital of Itaú BMG Consignado and BMG will hold the remaining forty per cent (40%).

Accordingly, as from July 25, 2014 and throughout the period of the Association, Itaú BMG Consignado is exclusive vehicle of BMG and its controlling shareholders for the offer, in the Brazilian territory, of payroll loans, provided that certain exceptions are observed for a maximum period of six (6) months counted from the date on which the capital of Itaú BMG Consignado is increased.

It is estimated that this transaction will not have significant accounting effects on the results of ITAÚ UNIBANCO HOLDING, which will continue to consolidate Itaú BMG Consignado in its financial statements.

d) Credicard

On May 14, 2013, ITAÚ UNIBANCO HOLDING, signed with Banco Citibank, a Share and Quotas Purchase Agreement for the acquisition of Banco Credicard and Credicard Promotora de Vendas, including "Credicard" brand, for the amount of R\$ 2,948 million (monetarily adjusted). The completion of this transaction was pending approval by the Central Bank of Brazil, which was obtained on December 12, 2013 and settled on December 20, 2013.

Banco Credicard and Credicard Promotora de Vendas are these entities responsible for the supply and distribution of financial products and services under "Credicard" brand, principally personal loans and credit cards.

In view of this transaction, ITAÚ UNIBANCO HOLDING consolidated Banco Credicard and Credicard Promotora de Vendas in the consolidated financial statements as from December, 2013 to August 31, 2014. Banco Credicard merged with Banco Itaucard S.A. on August 31, 2014.

The allocation of the difference between the amount paid and the allocation of net assets at fair value led to the recognition of goodwill based on expected future profitability, in the amount of R\$1,863 million, and other intangible assets.

e) BMG Seguradora S.A.

On June 25, 2013, ITAÚ UNIBANCO HOLDING, through Banco Itaú BMG Consignado S.A. ("Itaú BMG Consignado"), which is an entity indirectly controlled by ITAÚ UNIBANCO HOLDING signed a Share Purchase Agreement with controlling shareholders of Banco BMG S.A. ("Sellers") whereby Itaú BMG Consignado agreed to acquire 99.996% of the shares issued by BMG Seguradora S.A.

BMG Seguradora generated R\$ 62.6 million in retained premiums during 2012 and, from January to May 2013, a retained premiums' volume of R\$ 42.4 million, 77% higher than the volume generated during the same period of 2012.

BMG Seguradora signed exclusivity agreements with Banco BMG S.A. and with the Itaú BMG Consignado for the purpose of

distributing insurance products to be offered jointly with the products distributed by these financial institutions.

The approval by the Central Bank of Brazil was obtained on December 19, 2013 and the transaction was settled on January 27, 2014 in the amount of R\$ 88.1 million. This acquisition has not had any significant accounting impact on the results of ITAÚ UNIBANCO HOLDING, which has consolidated the transaction in its financial statements since January, 2014.

As a result of the study of Purchase Price Allocation – PPA, the allocation of difference between the amount paid and the share in net assets at fair value, resulted in the recognition of a goodwill due to expected future profitability in the amount of R\$ 22.7 million.

f) Citibank N.A. Uruguay Branch

On June 28, 2013, Itau Unibanco Holding, whereby its subsidiary Banco Itaú Uruguay S.A. ("BIU") executed a binding agreement with Citibank N.A. Uruguay Branch ("Citi") establishing the rules for the acquisition by BIU of the retail business conducted by Citi in Uruguay.

As a result of this transaction, BIU assumed a portfolio of more than 15,000 clients in Uruguay related to the retail business (bank accounts, saving and term deposits). The acquired assets include mainly the credit card operations conducted by Citi in Uruguay under the Visa, Mastercard and Diners brand, which in 2012 represented slightly more than 6.0% of the Uruguayan market share.

Approval was obtained from applicable regulatory authorities on December 10, 2013.

The allocation of the difference between the amount paid and the allocation of assets and liabilities related to the operation, net at fair value, led to the recognition of goodwill based on expected future profitability and other intangible assets.

g) Partnership with Fiat

On August 20, 2013, ITAÚ UNIBANCO HOLDING announced that it renewed for another 10 years, by means of its subsidiary Itaú Unibanco S.A., the commercial cooperation agreement entered into with Fiat Group Automobiles S.p.A. and Fiat Automóveis S.A. ("Fiat"). This agreement sets forth: (i) exclusive financing offer in promotional campaigns held by car maker Fiat for the sale of new automobiles; and (ii) the exclusive use of Fiat brand in vehicle-financing related activities.

The amount involved in the transaction is not material for ITAÚ UNIBANCO HOLDING and, therefore, will not cause any material accounting effect in its results.

h) Itaú CorpBanca

On January 29, 2014, ITAÚ UNIBANCO HOLDING, together with its subsidiary Banco Itaú Chile S.A. ("BIC") entered into an agreement (Transaction Agreement) with CorpBanca ("CorpBanca") and its controlling stockholders ("Corp Group") establishing the terms and conditions to merge the operations of BIC and CorpBanca Chile in Chile and in the other jurisdictions in which CorpBanca operates.

The operation will be realized by means of (i) capital increase of BIC in the amount of US\$ 652 million to be carried out by ITAÚ UNIBANCO HOLDING or one of its subsidiaries, (ii) merger of BIC into

CorpBanca, with the cancellation of BIC shares and the issuance of new shares, at the estimated rate of 85,420.07 shares of CorpBanca for each 1 share of BIC, to be approved at the stockholders' meeting of CorpBanca upon the affirmative vote of two thirds (2/3) of shares issued by CorpBanca, so that the interests in the bank resulting from the merger (to be named "Itaú CorpBanca") are 33.58% for ITAÚ UNIBANCO HOLDING and 33.13% for Corp Group, and (iii) subsequent integration of Itaú BBA Colombia S.A. into the operations of Itaú CorpBanca or its subsidiaries.

Itaú CorpBanca will be controlled by ITAÚ UNIBANCO HOLDING, which will enter into a stockholders' agreement with Corp Group when the operation is concluded. This agreement will entitle ITAÚ UNIBANCO HOLDING and Corp Group to appoint members for the Board of Directors of Itaú CorpBanca in accordance to their interests in capital stock, and this group of stockholders will have the privilege of electing the majority of members of the Board of Directors, and ITAÚ UNIBANCO HOLDING will be entitled to elect the majority of these members. The chairman of the Boards of Directors of Itaú CorpBanca and its subsidiaries will be appointed by Corp Group, and their vice-chairman by ITAÚ UNIBANCO HOLDING. The executives of Itaú CorpBanca and its subsidiaries will be proposed by ITAÚ UNIBANCO HOLDING and ratified by the Board of Directors of Itaú CorpBanca. The stockholders' agreement will also set forth that Corp Group will be entitled to approve, together with ITAÚ UNIBANCO HOLDING, certain strategic matters of Itaú CorpBanca, and it will include provisions on the transfer of shares between ITAÚ UNIBANCO HOLDING and Corp Group, and also to third parties.

It is estimated that this operation will not have significant accounting effects on the results of ITAÚ UNIBANCO HOLDING, which will consolidate Itaú CorpBanca in its financial statements.

The effectiveness of this operation is subject to the satisfaction of certain conditions precedent, including the aforementioned approval by the stockholders' meeting of CorpBanca and regulatory approval in Chile. The operation has already received the approval in Panama, Colombia and Brazil.

i) Major Risk Insurance Operation

ITAÚ UNIBANCO HOLDING, whereby its subsidiary Itaú Unibanco S.A., signed on July 4th, 2014 a "Share Purchase Agreement" with ACE Ina International Holdings, Ltd. ("ACE") whereby Itaú Unibanco and some of its subsidiaries have undertaken to sell their total stakes in Itaú Seguros Soluções Corporativas S.A. ("ISSC").

ISSC had the ITAÚ UNIBANCO HOLDING's major risk insurance operations, the clients of which were middle market and large corporations with policies representing high insured values. This operation was approved by the Administrative Council for Economic Defense (CADE) on September 15, 2014 and by SUSEP on October 09, 2014.

Based on pro-forma data for December 31, 2013, the major risk insurance operation comprises the following: net equity value of R\$ 364 million, assets of R\$ 5.8 billion and technical reserves of R\$ 4.6 billion.

After certain conditions established in the agreement are fulfilled, ACE paid R\$ 1.515 billion to ITAÚ UNIBANCO HOLDING and its subsidiaries. The transfer of these shares and the financial

settlement of the operation were carried out on October 31, 2014, in which the amount paid by ACE is subject to price adjustment according to the difference in the positions of Stockholders' Equity between the pro forma balance sheet date and the closing balance sheet date.

The operation produced an accounting effect, before tax, of R\$ 1.1 billion on fourth quarter ITAÚ UNIBANCO HOLDING's results.

ITAÚ UNIBANCO HOLDING's major risk insurance operations are classified within the "Commercial Bank Retail" segment in these Financial Statements.

The sale of this operation reflects ITAÚ UNIBANCO HOLDING's strategy of commercializing the mass-market insurance products typically related to retail banking.

j) Tecnologia Bancária S.A. (TECBAN) – New Shareholders' Agreement

The subsidiaries of ITAÚ UNIBANCO HOLDING, in conjunction with other financial institutions, on July 17, 2014 signed a new Shareholders Agreement of TecBan that will revoke and substitute the current shareholders agreement as soon as it comes into effect.

In addition to the usual provisions in shareholders agreements such as rules on governance and the transfer of shares, the Shareholders Agreement provides that within approximately 4 (four) years as from the date it comes into effect, the Parties shall have substituted part of their external network of Automatic Teller Machines ("ATM") for Banco24Horas Network ATMs, which are and shall continue to being managed by TecBan. As a general rule, the external ATM network can be considered those ATMs located outside the branch banking environment or where access is not restricted, exclusive or controlled such as for example such equipment installed in shopping centers, gasoline service stations, supermarkets etc.

In line with the worldwide tendency towards best practice in the industry, the Parties constituting Brazil's leading retail banks will consolidate their external ATM networks on the Banco24Horas Network terminals, generating increased efficiency, greater quality and capillarity of customer service. It should also be pointed out that in addition to the Parties, approximately 40 (forty) other banks are clients of TecBan. Consequently, this growth in the Banco24Horas Network will also significantly benefit these institutions and their respective customers.

The operation was approved by the Administrative Council for Economic Defense (CADE) on October 22, 2014, with no restrictions. The effective date of sale and settlement was November 14, 2014.

This operation had no significant accounting effects on the results of ITAÚ UNIBANCO HOLDING.

k) Maxi Pago

In September 2014 ITAÚ UNIBANCO HOLDING, through its subsidiary Rede (Redecard S.A.), entered into a share purchase agreement with the controlling parties of MaxiPago Serviços de Internet S.A., a payments gateway company featuring network interconnection for mobile electronic payments.

Approval was obtained from the Central Bank on December 15, 2014, and preconditions were fulfilled on January 8, 2015. This agreement provides for the acquisition of 35,261 common shares of MaxiPago, which represents 75% of total stock and voting capital.

This operation had no significant effects on the results of ITAÚ UNIBANCO HOLDING.

I) MCC Securities and MCC Corredora de Bolsa

In July 2011 ITAÚ UNIBANCO HOLDING, through its subsidiary in Chile, entered into a share purchase agreement with MCC Inversiones Globales (MCC Inversiones) and MCC Beneficial Owners (Chilean Individuals), by which it agreed to gradually acquire the total shares of MCC Securities.

In June 2012 ITAÚ UNIBANCO HOLDING, through its subsidiary in Chile, entered into a share purchase agreement with MCC Inversiones Globales (MCC Inversiones) and MCC Beneficial Owners (Chilean Individuals), by which it agreed to gradually acquire the total shares of MCC Corredora de Bolsa.

In August 2014, the aforementioned parties entered into a new agreement for acquiring in advance the remaining shares of MCC Securities and MCC Corredora de Bolsa for amounts US\$ 32.7 million and US\$ 6.7 million respectively.

Accordingly, with this operation ITAÚ UNIBANCO HOLDING validates its relevant share in the Chilean private banking market, as it now fully consolidates MCC Securities and MCC Corredora de Bolsa in its financial statements from August 2014 onwards.

The final allocation of the difference between the amount paid and the interest in net assets at fair value (Purchase Price Allocation – PPA) will be completed during 2015.

m) Via Varejo

On October 1, 2014 ITAÚ UNIBANCO HOLDING informed that, in view of the early termination by Via Varejo of the operating agreements for the offer of extended warranty insurance in the “Ponto Frio” and “Casas Bahia” stores, its subsidiary Itaú Seguros S.A. received from Via Varejo the cash amount of R\$ 584 million, mainly related to the refund of amounts disbursed pursuant to these agreements, duly restated.

This operation had no significant effects on the results of ITAÚ UNIBANCO HOLDING.

Note 4 – Cash and cash equivalents

For purposes of consolidated statements of cash flows, Cash and cash equivalents in this note comprises the following items:

	12/31/2014	12/31/2013
Cash and deposits on demand	17,527	16,576
Interbank deposits	13,939	18,599
Securities purchased under agreements to resell	93,852	20,615
Total	125,318	55,790

Amounts related to interbank deposits and securities purchased under agreements to resell not included in cash equivalents are R\$ 9,142 (R\$ 7,061 at December 31, 2013) and R\$ 115,066 (R\$ 117,840 at December 31, 2013), respectively.

Note 5 – Central Bank compulsory deposits

	12/31/2014	12/31/2013
Non-interest bearing deposits	3,392	5,133
Interest-bearing deposits	59,714	71,877
Total	63,106	77,010

Note 6 – Interbank deposits and securities purchased under agreements to resell

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Interbank deposits	22,135	946	23,081	25,024	636	25,660
Securities purchased under agreements to resell ^(*)	208,918	-	208,918	138,260	195	138,455
Total	231,053	946	231,999	163,284	831	164,115

(*) The amounts of R\$ 5,945 (R\$ 3,333 at December 31, 2013) are pledged in guarantee of operations on BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros and Central Bank and the amounts of R\$ 88,716 (R\$ 96,262 at December 31, 2013) are pledged in guarantee of repurchase agreement transactions, in conformity with the policies described in Note 2.4f.

Note 7 – Financial assets held for trading and designated at fair value through profit or loss

a) Financial assets held for trading recognized at their fair value are presented in the following table:

	12/31/2014			12/31/2013		
	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE
Investment funds	870	-	870	1,062	-	1,062
Brazilian government securities ^(1a)	86,796	(403)	86,393	112,008	(873)	111,135
Brazilian external debt bonds ^(1b)	1,894	20	1,914	1,900	4	1,904
Government securities – abroad^(1c)	1,502	38	1,540	680	(1)	679
Germany	-	-	-	-	-	-
Argentina	594	34	628	99	-	99
Belgium	-	-	-	109	(2)	107
Chile	132	-	132	6	-	6
Colombia	85	3	88	225	1	226
United States	447	1	448	12	6	18
Mexico	3	-	3	187	(5)	182

	12/31/2014			12/31/2013		
	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE
Paraguay	128	-	128	-	-	-
Uruguay	41	-	41	42	(1)	41
Other	72	-	72	-	-	-
Corporate securities^(1d)	42,207	20	42,227	34,021	59	34,080
Shares	2,383	(32)	2,351	2,853	43	2,896
Bank deposit certificates	3,281	-	3,281	3,006	-	3,006
Securitized real estate loans	1	-	1	12	-	12
Debentures	4,203	40	4,243	5,089	8	5,097
Eurobonds and other	1,049	12	1,061	1,270	8	1,278
Financial credit bills	30,711	-	30,711	21,566	-	21,566
Promissory notes	577	-	577	27	-	27
Other	2	-	2	198	-	198
Total⁽²⁾	133,269	(325)	132,944	149,671	(811)	148,860

(1) Assets held for trading pledged as collateral of funding transactions of financial institutions and clients were December 31, 2014: a) R\$ 36,544 (R\$ 24,870 at December 31, 2013), b) R\$ 531 (R\$ 429 at December 31, 2013), c) R\$ 249 (R\$ 18 at December 31, 2013) and d) R\$ 42 (R\$ 426 at December 31, 2013), totaling R\$ 37,366 (R\$ 25,743 at December 31, 2013).

(2) No reclassifications of held for trading to other categories of financial assets were carried out in the period.

The cost and fair value of financial assets held for trading by maturity are as follows:

	12/31/2014		12/31/2013	
	COST	FAIR VALUE	COST	FAIR VALUE
Current	53,436	53,451	51,301	51,333
Non-stated maturity	3,253	3,220	3,915	3,958
Up to one year	50,183	50,231	47,386	47,375
Non-current	79,833	79,493	98,370	97,527
From one to five years	57,278	57,074	81,576	81,032
From five to ten years	16,400	16,279	9,068	8,935
After ten years	6,155	6,140	7,726	7,560
Total	133,269	132,944	149,671	148,860

Financial assets held for trading include assets with a fair value of R\$ 97,184 (R\$ 82,394 at December 31, 2013) that belong to investment funds wholly owned by Itaú Vida e Previdência S.A. The return of those assets (positive or negative) is fully transferred to customers of our PGBL and VGBL private pension plans whose premiums (less fees charged by us) are used by our subsidiary to purchase quotas of those investment funds.

b) Financial assets designated at fair value through profit or loss are presented in the following table:

	12/31/2014		
	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE
Brazilian external debt bonds	601	25	626
Government securities – abroad	109	(2)	107
Total	710	23	733

	12/31/2013		
	COST	ACCUMULATED GAIN/(LOSS) REFLECTED IN INCOME	FAIR VALUE
Brazilian external debt bonds	355	16	371

The cost and fair value by maturity of financial assets designated as fair value through profit or loss were as follows:

	12/31/2014		12/31/2013	
	COST	FAIR VALUE	COST	FAIR VALUE
Current	468	493	-	-
Up to one year	468	493	-	-
Non-current	242	240	355	371
From one to five years	242	240	-	-
After ten years	-	-	355	371

Note 8 – Derivatives

ITAÚ UNIBANCO HOLDING enters into derivative financial instruments with various counterparties to manage its overall exposures and to assist its customers in managing their own exposures.

Futures – Interest rate and foreign currency futures contracts are commitments to buy or sell a financial instrument at a future date, at a contracted price or yield and may be settled in cash or through delivery. The notional amount represents the face value of the underlying instrument. Commodity futures contracts or financial instruments are commitments to buy or sell commodities (mainly gold, coffee and orange juice), at a future date, at a contracted price, which are settled in cash. The notional amount represents the quantity of such commodities multiplied by the future price at the contract date. Daily cash settlements of price movements are made for all instruments.

Forwards – Interest forward contracts are agreements to exchange payments on a specified future date, based on a market change in interest rates from trade date to contract settlement date. Foreign exchange forward contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price, at an agreed settlement date. Financial instrument forward contracts are commitments to buy or sell a financial instrument on a future date at a contracted price and are settled in cash.

Swaps – Interest rate and foreign exchange swap contracts are commitments to settle in cash at a future date or dates, based on differentials between specified financial indices (either two different interest rates in a single currency or two different rates each in a different currency), as applied to a notional principal

amount. Swap contracts presented in Other in the table below correspond substantially to inflation rate swap contracts.

Options – Option contracts give the purchaser, for a fee, the right, but not the obligation, to buy or sell within a limited time a financial instrument including a flow of interest, foreign currencies, commodities, or financial instruments at a contracted price that may also be settled in cash, based on differentials between specific indices.

Credit Derivatives – Credit derivatives are financial instruments with value relating to the credit risk associated to the debt issued by a third party (the reference entity), which permits that one party (the purchaser of the hedge) transfers the risk to the counterparty (the

seller of the hedge). The seller of the hedge should make payments as set forth in the contract when the reference entity undergoes a credit event, such as bankruptcy, default or debt restructuring. The seller of the hedge receives a premium for the hedge, but, on the other hand, assumes the risk that the underlying asset referenced in the contract undergoes a credit event, and the seller would have to make the payment to the purchaser of the hedge, which could be the notional amount of the credit derivative.

The total value of margins pledged in guarantee by ITAÚ UNIBANCO HOLDING was R\$ 3,826 (R\$ 10,385 at 12/31/2013) and was basically comprised of government securities.

The following table shows the composition of derivatives by index:

	OFF-BALANCE SHEET NOTIONAL AMOUNT	AMORTIZED COST	GAINS/(LOSSES)	FAIR VALUE
	12/31/2014	12/31/2014	12/31/2014	12/31/2014
Futures contracts	331,022	(375)	21	(354)
Purchase commitments	97,931	(694)	48	(646)
Commodities	157	-	-	-
Indices	43,126	(624)	(9)	(633)
Interbank market	29,994	49	-	49
Foreign currency	17,797	(119)	57	(62)
Fixed rate	41	-	-	-
Securities	6,811	-	-	-
Other	5	-	-	-
Commitments to sell	233,091	319	(27)	292
Commodities	341	-	-	-
Indices	19,289	311	5	316
Interbank market	82,595	(117)	1	(116)
Foreign currency	123,068	125	(33)	92
Securities	7,798	-	-	-
Swap contracts		(5,132)	414	(4,718)
Asset position	270,219	4,011	805	4,816
Indices	103,921	588	137	725
Interbank market	68,534	345	456	801
Foreign currency	12,057	1,323	70	1,393
Floating rate	3,763	115	77	192
Fixed rate	81,917	1,640	65	1,705
Securities	16	-	-	-
Other	11	-	-	-
Liability position	275,351	(9,143)	(391)	(9,534)
Commodities	25	-	-	-
Indices	72,197	(2,510)	39	(2,471)
Interbank market	51,284	(71)	(601)	(672)
Foreign currency	24,796	(2,359)	155	(2,204)
Floating rate	5,665	(74)	(129)	(203)
Fixed rate	121,048	(4,065)	131	(3,934)
Securities	88	(41)	12	(29)
Other	248	(23)	2	(21)
Option contracts	503,836	(93)	(92)	(185)
Purchase commitments – long position	88,641	1,120	853	1,973
Commodities	614	17	(2)	15
Indices	35,438	102	(22)	80
Interbank market	12,430	48	34	82
Foreign currency	36,918	898	566	1,464
Floating rate	8	-	-	-
Fixed rate	2	-	-	-
Securities	3,153	49	268	317
Other	78	6	9	15

DERIVATIVE CONTRACTS MATURE AS FOLLOWS (IN DAYS):					
OFF-BALANCE SHEET – NOTIONAL AMOUNT	0 - 30	31-180	181-365	OVER 365	12/31/2014
Futures	26,358	119,027	47,279	138,358	331,022
Swaps	13,374	72,365	22,292	158,177	266,208
Options	231,624	203,454	52,421	16,337	503,836
Forwards (onshore)	2,325	4,455	838	321	7,939
Credit derivatives	291	2,757	500	7,613	11,161
Forwards (offshore)	36,297	42,057	16,510	7,010	101,874
Swaps with USD check	-	-	122	588	710
Check of swap	-	-	155	753	908
Other	171	868	1,785	8,452	11,276

	OFF-BALANCE SHEET NOTIONAL AMOUNT	AMORTIZED COST	GAINS/(LOSSES)	FAIR VALUE
	12/31/2013	12/31/2013	12/31/2013	12/31/2013
Futures contracts	427,507	(212)	179	(33)
Purchase commitments	94,038	74	221	295
Commodities	164	-	-	-
Indices	16,775	40	-	40
Interbank market	65,934	7	(1)	6
Foreign currency	6,248	27	222	249
Securities	4,910	-	-	-
Other	7	-	-	-
Commitments to sell	333,469	(286)	(42)	(328)
Commodities	78	-	-	-
Indices	42,746	(257)	(1)	(258)
Interbank market	177,323	(27)	1	(26)
Foreign currency	106,857	(2)	(43)	(45)
Fixed rate	84	-	1	1
Securities	6,371	-	-	-
Other	10	-	-	-
Swap contracts		(2,249)	580	(1,669)
Asset position	297,381	2,434	2,008	4,442
Commodities	3	-	-	-
Indices	61,344	824	149	973
Interbank market	60,465	44	823	867
Foreign currency	12,209	917	306	1,223
Floating rate	106,590	72	117	189

	OFF-BALANCE SHEET NOTIONAL AMOUNT	AMORTIZED COST	GAINS/(LOSSES)	FAIR VALUE
	12/31/2013	12/31/2013	12/31/2013	12/31/2013
Forwards operations (onshore)	58,960	1,416	37	1,453
Purchases receivable	9,282	954	128	1,082
Commodities	22	1	-	1
Foreign currency	8,786	480	128	608
Floating rate	346	345	-	345
Fixed rate	128	128	-	128
Purchases payable	1,611	(497)	5	(492)
Commodities	34	(2)	(1)	(3)
Foreign currency	1,577	(20)	6	(14)
Floating rate	-	(347)	-	(347)
Fixed rate	-	(128)	-	(128)

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
			OFF-BALANCE SHEET NOTIONAL AMOUNT	AMORTIZED COST	GAINS/(LOSSES)	FAIR VALUE
			12/31/2013	12/31/2013	12/31/2013	12/31/2013
Sales receivable			27,664	2,243	(10)	2,233
Commodities			27	5	-	5
Interbank market			22,482	179	4	183
Foreign currency			3,246	38	(14)	24
Floating rate			149	149	-	149
Fixed rate			725	861	-	861
Securities			1,035	1,011	-	1,011
Sales deliverable			20,403	(1,284)	(86)	(1,370)
Commodities			19	(4)	4	-
Interbank market			11,842	-	(1)	(1)
Foreign currency			8,542	(400)	(89)	(489)
Floating rate			-	(149)	-	(149)
Fixed rate			-	(731)	-	(731)
Credit derivatives			25,300	151	144	295
Asset position			13,852	604	82	686
Fixed rate			12,973	604	63	667
Securities			659	-	13	13
Other			220	-	6	6
Liability position			11,448	(453)	62	(391)
Foreign currency			2,544	(67)	(17)	(84)
Fixed rate			7,724	(386)	108	(278)
Securities			1,155	-	(28)	(28)
Other			25	-	(1)	(1)
Forwards operations (offshore)			50,737	(32)	27	(5)
Asset position			20,900	533	22	555
Indices			27	2	-	2
Foreign currency			20,775	530	22	552
Floating rate			98	1	-	1
Liability position			29,837	(565)	5	(560)
Indices			63	(1)	-	(1)
Foreign currency			29,774	(564)	5	(559)
Swap with USD check			1,647	(103)	(42)	(145)
Asset position – interbank market			772	-	-	-
Liability position			875	(103)	(42)	(145)
Interbank market			65	-	(1)	(1)
Foreign currency			810	(103)	(41)	(144)
Check of swap – asset position – foreign currency			886	-	88	88
Other derivative financial instruments			7,093	195	(14)	181
Asset position			5,602	536	27	563
Foreign currency			509	25	6	31
Fixed rate			1,256	400	8	408
Securities			3,824	111	13	124
Other			13	-	-	-
Liability position			1,491	(341)	(41)	(382)
Foreign currency			482	(13)	(22)	(35)
Fixed rate			-	(328)	(1)	(329)
Securities			777	-	(14)	(14)
Other			232	-	(4)	(4)
Asset			9,171	9,171	2,195	11,366
Liability			(9,718)	(9,718)	(1,687)	(11,405)
Total			(547)	(547)	508	(39)

DERIVATIVE CONTRACTS MATURE AS FOLLOWS (IN DAYS):

OFF-BALANCE SHEET – NOTIONAL AMOUNT	0-30	31-180	181-365	OVER 365	12/31/2013
Futures	98,979	111,667	54,054	162,807	427,507
Forwards (onshore)	9,900	32,131	10,889	6,040	58,960
Options	900,047	103,711	153,069	25,553	1,182,380
Swaps	10,220	19,984	33,462	231,281	294,947
Credit derivatives	257	1,648	613	22,782	25,300
Forwards (offshore)	20,418	21,734	6,390	2,195	50,737
Swaps with USD check	8	7	51	706	772
Check of swap	9	9	67	801	886
Other	23	1,027	1,417	4,626	7,093

Derivative financial instruments

See below the composition of the Derivative financial instruments portfolio (assets and liabilities) by type of instrument, stated fair value, and by maturity.

	12/31/2014							
	FAIR VALUE	%	0-30 DAYS	31-90 DAYS	91-180 DAYS	181-365 DAYS	366-720 DAYS	OVER 720 DAYS
Assets								
Swaps – difference receivable	4,816	34.0	448	150	429	233	643	2,913
BM&FBOVESPA	109	0.8	1	22	12	8	11	55
Companies	2,961	20.8	278	62	186	125	461	1,849
Financial institutions	1,354	9.6	165	53	38	75	128	895
Individuals	392	2.8	4	13	193	25	43	114
Option premiums	2,872	20.2	481	738	384	598	308	363
BM&FBOVESPA	1,713	12.0	140	246	1,138	165	23	1
Companies	(453)	(3.2)	37	45	(1,010)	143	140	192
Financial institutions	1,611	11.4	304	447	255	290	145	170
Individuals	1	0.0	-	-	1	-	-	-
Forwards (onshore)	2,394	16.9	846	832	714	2	-	-
BM&FBOVESPA	1,646	11.6	163	796	685	2	-	-
Companies	406	2.9	341	36	29	-	-	-
Financial institutions	342	2.4	342	-	-	-	-	-
Credit derivatives – financial Institutions	122	0.9	-	-	1	6	8	107
Forwards (offshore)	2,106	14.9	631	519	287	406	149	114
Companies	914	6.5	101	280	152	195	94	92
Financial institutions	1,190	8.4	530	237	135	211	55	22
Individuals	2	0.0	-	2	-	-	-	-
Check of swap – companies	93	0.7	-	-	-	7	-	86
Other	1,753	12.4	2	16	3	986	69	677
Companies	211	1.5	1	3	3	10	59	135
Financial institutions	1,542	10.9	1	13	-	976	10	542
Total^(*)	14,156	100.0	2,408	2,255	1,818	2,238	1,177	4,260
% per maturity term			17.0	15.9	12.8	15.8	8.3	30.1

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ 8,719 refers to current and R\$ 5,437 to non-current.

Derivative financial instruments

See below the composition of the Derivative Financial Instruments portfolio (assets and liabilities) by type of instrument, stated fair value and by maturity.

	12/31/2013							
	FAIR VALUE	%	0-30 DAYS	31-90 DAYS	91-180 DAYS	181-365 DAYS	366-720 DAYS	OVER 720 DAYS
Assets								
Swaps – difference receivable	4,442	39.1	396	242	168	335	865	2,436
BM&FBOVESPA	350	3.1	2	46	63	19	41	179
Companies	2,692	23.7	168	187	102	260	448	1,527
Financial institutions	1,141	10.0	225	5	3	47	180	681
Individuals	259	2.3	1	4	-	9	196	49
Option premiums	1,717	15.1	423	130	149	698	187	130
BM&FBOVESPA	1,052	9.3	336	40	16	536	124	-
Companies	219	1.9	9	28	58	45	-	79
Financial institutions	446	3.9	78	62	75	117	63	51
Forwards (onshore)	3,315	29.1	2,018	455	361	232	184	65
BM&FBOVESPA	1,195	10.5	424	381	273	117	-	-
Companies	1,261	11.1	868	71	82	113	63	64
Financial institutions	857	7.5	726	2	6	2	120	1
Individuals	2	-	-	1	-	-	1	-
Credit derivatives – financial institutions	686	6.0	-	658	1	1	4	22
Forwards (offshore)	555	4.9	96	186	65	73	84	51
Companies	126	1.1	16	37	34	19	14	6
Financial institutions	427	3.8	80	149	31	52	70	45
Individuals	2	-	-	-	-	2	-	-
Check of swap – companies	88	0.8	-	-	-	1	7	80
Other	563	5.0	-	-	4	335	79	145
Companies	43	0.4	-	-	3	1	24	15
Financial institutions	520	4.6	-	-	1	334	55	130
Total^(*)	11,366	100.0	2,933	1,671	748	1,675	1,410	2,929
% per maturity term			25.8	14.7	6.6	14.7	12.4	25.8

(*) Of the total asset portfolio of Derivative Financial Instruments, R\$ 7,027 refers to current and R\$ 4,339 to non-current.

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments		
12/31/2014								
	FAIR VALUE	%	0-30 DAYS	31-90 DAYS	91-180 DAYS	181-365 DAYS	366-720 DAYS	OVER 720 DAYS
Liabilities								
Futures – BM&FBOVESPA	(354)	2.0	29	150	(192)	(207)	(63)	(71)
Swaps – Difference payable	(9,534)	55.0	(241)	(335)	(706)	(720)	(778)	(6,754)
BM&FBOVESPA	(367)	2.1	(2)	(20)	(144)	(8)	(15)	(178)
Companies	(3,825)	22.1	(209)	(247)	(355)	(536)	(520)	(1,958)
Financial institutions	(1,552)	9.0	(27)	(40)	(47)	(161)	(155)	(1,122)
Individuals	(3,790)	21.8	(3)	(28)	(160)	(15)	(88)	(3,496)
Option premiums	(3,057)	17.6	(431)	(761)	(534)	(558)	(353)	(420)
BM&FBOVESPA	(545)	3.1	(121)	(194)	(127)	(60)	(43)	-
Companies	(378)	2.2	(9)	(27)	(19)	(55)	(100)	(168)
Financial institutions	(2,133)	12.3	(300)	(540)	(388)	(443)	(210)	(252)
Individuals	(1)	-	(1)	-	-	-	-	-
Forwards (onshore)	(682)	4.0	(681)	(1)	-	-	-	-
BM&FBOVESPA	(8)	0.1	(7)	(1)	-	-	-	-
Companies	(332)	1.9	(332)	-	-	-	-	-
Financial institutions	(342)	2.0	(342)	-	-	-	-	-
Credit derivatives	(179)	1.1	-	(1)	-	(14)	(39)	(125)
Companies	(13)	0.1	-	-	-	(13)	-	-
Financial institutions	(166)	1.0	-	(1)	-	(1)	(39)	(125)
Forwards (offshore)	(1,693)	9.7	(404)	(472)	(352)	(343)	(78)	(44)
Companies	(867)	5.0	(146)	(272)	(139)	(214)	(62)	(34)
Financial institutions	(823)	4.7	(258)	(199)	(211)	(129)	(16)	(10)
Individuals	(3)	-	-	(1)	(2)	-	-	-
Swaps with USD check – Companies	(229)	1.3	-	-	-	(36)	-	(193)
Other	(1,622)	9.3	-	-	(1)	(1,002)	(17)	(602)
Companies	(278)	1.6	-	-	(1)	(2)	(7)	(268)
Financial institutions	(1,344)	7.7	-	-	-	(1,000)	(10)	(334)
Total ^(*)	(17,350)	100.0	(1,728)	(1,420)	(1,785)	(2,880)	(1,328)	(8,209)
% per maturity term			10.0	8.2	10.3	16.6	7.7	47.3

(*) Of the total liability portfolio of Derivative Financial Instruments, R\$ (7,813) refers to current and R\$ (9,537) to non-current.

12/31/2013								
	FAIR VALUE	%	0-30 DAYS	31-90 DAYS	91-180 DAYS	181-365 DAYS	366-720 DAYS	OVER 720 DAYS
Liabilities								
Futures – BM&FBOVESPA	(33)	0.3	-	-	-	-	-	(33)
Swaps – difference payable	(6,111)	53.6	(361)	(123)	(300)	(662)	(1,076)	(3,589)
BM&FBOVESPA	(514)	4.5	(81)	(1)	(10)	(74)	(150)	(198)
Financial institutions	(903)	7.9	(72)	(22)	(13)	(67)	(253)	(476)
Companies	(3,305)	29.0	(207)	(100)	(276)	(520)	(541)	(1,661)
Individuals	(1,389)	12.2	(1)	-	(1)	(1)	(132)	(1,254)
Option premiums	(1,921)	16.8	(406)	(124)	(201)	(733)	(316)	(141)
BM&FBOVESPA	(1,086)	9.5	(328)	(48)	(54)	(560)	(95)	(1)
Financial institutions	(640)	5.6	(76)	(55)	(107)	(136)	(176)	(90)
Companies	(195)	1.7	(2)	(21)	(40)	(37)	(45)	(50)
Forwards (onshore)	(1,862)	16.3	(1,482)	(94)	(72)	(63)	(116)	(35)
BM&FBOVESPA	(1)	-	-	(1)	-	-	-	-
Financial institutions	(696)	6.1	(694)	-	(2)	-	-	-
Companies	(1,165)	10.2	(788)	(93)	(70)	(63)	(116)	(35)
Credit derivatives – financial institutions	(391)	3.5	(6)	(253)	-	(3)	(24)	(105)
Financial institutions	(373)	3.3	(6)	(253)	-	(3)	(13)	(98)
Companies	(18)	0.2	-	-	-	-	(11)	(7)
Forwards (offshore)	(560)	4.9	(166)	(139)	(86)	(100)	(46)	(23)
Financial institutions	(339)	3.0	(125)	(100)	(44)	(52)	(18)	-
Companies	(219)	1.9	(40)	(39)	(41)	(48)	(28)	(23)
Individuals	(2)	-	(1)	-	(1)	-	-	-
Swaps with USD check – companies	(145)	1.3	-	-	-	(1)	(22)	(122)
Other	(382)	3.3	-	-	(1)	(330)	(7)	(44)
Financial institutions	(333)	2.9	-	-	-	(329)	(2)	(2)
Companies	(49)	0.4	-	-	(1)	(1)	(5)	(42)
Total ^(*)	(11,405)	100.0	(2,421)	(733)	(660)	(1,892)	(1,607)	(4,092)
% per maturity term			21.2	6.4	5.8	16.6	14.1	35.8

(*) Of the total liability portfolio of Derivative Financial Instruments, R\$ (5,706) refers to current and R\$ (5,699) to non-current.

a) Information on credit derivatives

ITAÚ UNIBANCO HOLDING buys and sells credit protection mainly related to securities of Brazilian listed companies in order to meet the needs of its customers. When ITAÚ UNIBANCO HOLDING sells contracts for credit protection, the exposure for a given reference entity may be partially or totally offset by a credit protection purchase contract of another counterparty for the same reference entity or similar entity. The credit derivatives for which ITAÚ UNIBANCO HOLDING is protection seller are credit default swaps, total return swaps and credit-linked notes.

Credit Default Swaps – CDS

CDS are credit derivatives in which, upon a credit event related to the reference entity pursuant to the terms of the contract, the protection buyer is entitled to receive, from the protection seller, the amount equivalent to the difference between the face value

of the CDS contract and the fair value of the liability on the date the contract was settled, also known as the recovered amount. The protection buyer does not need to hold the debt instrument of the reference entity for it to receive the amounts due pursuant to the CDS contract terms when a credit event occurs.

Total Return Swap – TRS

TRS is a transaction in which a party swaps the total return of a reference entity or of a basket of assets for regular cash flows, usually interest and a guarantee against capital loss. In a TRS contract, the parties do not transfer the ownership of the assets.

The table below presents the portfolio of credit derivatives in which ITAÚ UNIBANCO HOLDING sells protection to third parties, by maturity, and the maximum potential of future payments, gross of any guarantees, as well as its classification by instrument, risk and reference entity.

12/31/2014					
	MAXIMUM POTENTIAL OF FUTURE PAYMENTS, GROSS	BEFORE 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	OVER 5 YEARS
By instrument					
CDS	6,829	1,578	2,341	2,644	266
TRS	1,671	1,671	-	-	-
Total by instrument	8,500	3,249	2,341	2,644	266
By risk rating					
Investment grade	8,500	3,249	2,341	2,644	266
Total by risk	8,500	3,249	2,341	2,644	266
By reference entity					
Private entities	8,500	3,249	2,341	2,644	266
Total by entity	8,500	3,249	2,341	2,644	266

12/31/2013					
	MAXIMUM POTENTIAL OF FUTURE PAYMENTS, GROSS	BEFORE 1 YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	OVER 5 YEARS
By instrument					
CDS	12,249	1,012	2,375	8,463	399
TRS	1,473	1,462	11	-	-
Total by instrument	13,722	2,474	2,386	8,463	399
By risk rating					
Investment grade	13,722	2,474	2,386	8,463	399
Total by risk	13,722	2,474	2,386	8,463	399
By reference entity					
Private entities	13,722	2,474	2,386	8,463	399
Total by entity	13,722	2,474	2,386	8,463	399

ITAÚ UNIBANCO HOLDING assesses the risk of a credit derivative based on the credit ratings attributed to the reference entity by independent credit rating agencies. Investment grade are those entities for which credit risk is rated as Baa3 or higher, as rated by Moody's, and BBB- or higher, according to the ratings of Standard & Poor's and Fitch Ratings. The maximum potential loss that may be incurred with the credit derivative is based on the notional amount of the derivative. ITAÚ UNIBANCO HOLDING believes, based on its historical experience, that the amount of the maximum potential loss does not represent the actual level of loss. This is so because, should there be an event of loss, the amount of maximum potential loss should be reduced from the notional amount by the recoverable amount.

The credit derivatives sold are not covered by guarantees, and during this period, ITAÚ UNIBANCO HOLDING has not incurred any loss related to credit derivative contracts.

The following table presents the notional amount of purchased credit derivatives whose underlying amounts are identical to those for which ITAÚ UNIBANCO HOLDING operates as seller of the credit protection.

12/31/2014			
	NOTIONAL AMOUNT OF CREDIT PROTECTION SOLD	NOTIONAL AMOUNT OF CREDIT PROTECTION PURCHASED WITH IDENTICAL UNDERLYING AMOUNT	NET POSITION
CDS	(6,829)	2,661	(4,168)
TRS	(1,671)	-	(1,671)
Total	(8,500)	2,661	(5,839)

12/31/2013			
	NOTIONAL AMOUNT OF CREDIT PROTECTION SOLD	NOTIONAL AMOUNT OF CREDIT PROTECTION PURCHASED WITH IDENTICAL UNDERLYING AMOUNT	NET POSITION
CDS	(12,249)	11,578	(671)
TRS	(1,473)	-	(1,473)
Total	(13,722)	11,578	(2,144)

b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The following tables set forth the financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements, as well as how these financial assets and liabilities have been presented in ITAÚ UNIBANCO HOLDING's financial statements. These tables also

reflect the amounts of collateral pledged or received in relation to financial assets and liabilities subject to enforceable arrangements that have not been presented on a net basis in accordance with IAS 32.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

12/31/2014						
	GROSS AMOUNT OF RECOGNIZED FINANCIAL ASSETS ⁽¹⁾	GROSS AMOUNT OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE STATEMENT OF FINANCIAL POSITION ⁽²⁾		NET AMOUNT
				FINANCIAL INSTRUMENTS ⁽³⁾	CASH COLLATERAL RECEIVED	
Securities purchased under agreements to resell	208,918	-	208,918	-	-	208,918
Derivatives	15,039	(883)	14,156	(4,059)	-	10,097

12/31/2013						
	GROSS AMOUNT OF RECOGNIZED FINANCIAL ASSETS ⁽¹⁾	GROSS AMOUNT OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL ASSETS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE STATEMENT OF FINANCIAL POSITION ⁽²⁾		NET AMOUNT
				FINANCIAL INSTRUMENTS ⁽³⁾	CASH COLLATERAL RECEIVED	
Securities purchased under agreements to resell	138,455	-	138,455	(957)	(3)	137,495
Derivatives	12,149	(783)	11,366	(3,599)	(429)	7,338

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

12/31/2014						
	GROSS AMOUNT OF RECOGNIZED FINANCIAL LIABILITIES ⁽¹⁾	GROSS AMOUNT OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE STATEMENT OF FINANCIAL POSITION ⁽²⁾		NET AMOUNT
				FINANCIAL INSTRUMENTS ⁽³⁾	CASH COLLATERAL PLEDGED	
Securities sold under repurchase agreements	288,683	-	288,683	(14,382)	-	274,301
Derivatives	17,350	-	17,350	(4,059)	(55)	13,236

12/31/2013						
	GROSS AMOUNT OF RECOGNIZED FINANCIAL LIABILITIES ⁽¹⁾	GROSS AMOUNT OFFSET IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL LIABILITIES PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE STATEMENT OF FINANCIAL POSITION ⁽²⁾		NET AMOUNT
				FINANCIAL INSTRUMENTS ⁽³⁾	CASH COLLATERAL PLEDGED	
Securities sold under repurchase agreements	266,682	-	266,682	(12,707)	(35)	253,940
Derivatives	11,405	-	11,405	(2,258)	(686)	8,461

(1) Includes amounts of master offset agreements and other such agreements, both enforceable and unenforceable.

(2) Limited to amounts subject to enforceable master offset agreements and other such agreements.

(3) Includes amounts subject to enforceable master offset agreements and other such agreements, and guarantees in financial instruments.

Financial assets and financial liabilities are offset in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Derivatives and repurchase agreements not set off in the balance sheet relate to transactions in which there are enforceable master netting agreements or similar agreements, but the offset criteria have not been met in accordance with paragraph 42 of IAS 32 mainly because ITAÚ UNIBANCO HOLDING has no intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Note 9 – Hedge accounting

Hedge accounting varies depending on the nature of the hedged item and of the transaction. Derivatives may qualify for hedging instrument for accounting purposes if they are designated as hedging instruments under fair value hedges, cash flow hedge or hedge of net investment in foreign operations.

Cash flow hedge

In order to hedge the variability of future cash flows of interest payments and the exposure to future foreign exchange rate, ITAÚ UNIBANCO HOLDING uses Futures contracts, traded on BM&FBovespa and the Chicago Stock Exchange with respect to certain real – denominated variable-interest liabilities and US dollar – denominated variable-interest liabilities, Euro Dollar futures and interest rate swaps with respect to US dollar-denominated redeemable preferred shares issued by one of our subsidiaries, and

DDI Future contracts traded on BM&FBOVESPA with respect to US dollar denominated highly probable expected transactions.

Under a DI Futures contract, a net payment (receipt) is made for the difference between a normal amount multiplied by the CDI rate and an amount computed and multiplied by a fixed rate. Under interest rate swap and Euro Dollar futures, a net payment (receipt) is made for the difference between an amount computed and multiplied by LIBOR and a notional amount computed and multiplied by a fixed rate. The gain (loss) from foreign exchange variation in Future DDI, NDF and Forward contracts is calculated by the difference between two periods of the market quotation between the US dollar and local currency.

ITAÚ UNIBANCO HOLDING cash flow hedge strategies consist of the hedge of the exposure to the variability in cash flows and in the foreign exchange on interest payments that are attributable to changes in interest rates with respect to recognized liabilities and changes in the foreign exchange rates of liabilities not recognized.

ITAÚ UNIBANCO HOLDING has applied cash flow hedge strategies as follows:

- Hedge of time deposits and repurchase agreements: hedge of the variability in cash flows of interest payments resulting from changes in the CDI interest rate;
- Hedge of redeemable preferred shares: hedge of the variability in cash flows of interest payments resulting from changes in the LIBOR interest rate;
- Hedge of subordinated certificates of deposit (CDB): hedge of the variability in the cash flows of interest payments resulting from changes in the CDI interest rate;
- Hedge of Highly probable anticipated transaction: Protecting the risk associated to variation in the amount of commitments, when measured in Reais (parent company's functional currency) arising from variations in foreign exchange rates.
- Hedge of Syndicated Loan: hedge the variability in cash flow of interest payments resulting from changes in the LIBOR interest rate.

To evaluate the effectiveness and to measure the ineffectiveness of such strategies, ITAÚ UNIBANCO HOLDING uses the hypothetical derivative method. The hypothetical derivative method is based on a comparison of the change in the fair value of a hypothetical derivative with terms identical to the critical terms of the variable-rate liability, and this change in the fair value of a hypothetical derivative is considered a proxy of the present value of the cumulative change in the future cash flow expected for the hedged liability.

Hedge relationships were designated in 2008, 2009, 2010, 2013 and 2014, and related derivatives will mature between 2015 and 2018. Periods in which expected cash flows should be paid and affect the income statement are as follows:

- Hedge of time deposits and agreements to resell: interest paid/received daily;
- Hedge of redeemable preferred shares: interest paid/received every half year;
- Hedge of Highly probable anticipated transaction: foreign exchange amount paid / received on future dates.
- Hedge of Syndicated Loan: interest paid/received daily.

Hedge of net investment in foreign operations

ITAÚ UNIBANCO HOLDING strategies of net investments in foreign operations consist of a hedge of the exposure in foreign currency arising from the functional currency of the foreign operation, with respect to the functional currency of the head office.

To hedge the changes of future cash flows of exchange variation of net investments in foreign operations, ITAÚ UNIBANCO HOLDING uses DDI Futures contracts traded at BM&FBOVESPA, Financial Assets and Forward contracts or NDF contracts entered into by our subsidiaries abroad.

In DDI Future contracts, the gain (loss) from exchange variation is computed as the difference between two periods of market quotation between the US dollar and *Real*. In the Forward or NDF contracts and Financial Assets, the gain (loss) from exchange variation is computed as the difference between two periods of market quotation between the functional currency and the US dollar.

ITAÚ UNIBANCO HOLDING applies the hedge of net investment in foreign operations as follows:

- To hedge the risk of variation in the investment amount, when measured in Brazilian *Reais* (the head office's functional currency), arising from changes in exchange rates between the functional currency of the investment abroad and the Brazilian *Real*.

To evaluate the effectiveness and to measure the ineffectiveness of such strategies, ITAÚ UNIBANCO HOLDING uses the Dollar Offset Method. The Dollar Offset Method is based on a comparison of the change in fair value (cash flow) of the hedge instrument, attributable to changes in exchange rate and gain (loss) arising from the variation in exchange rates, on the amount of investment abroad designated as a hedged item.

Hedge relationships were designated in 2011 and 2012 and the hedge instruments will mature on the sale of investments abroad, which will be in the period when the cash flows of exchange variation are expected to occur and affect the statement of income.

Fair value hedge

The fair value hedge strategy of ITAÚ UNIBANCO HOLDING consists of hedging the exposure to variation of the fair value, of interest receipts, which is attributable to changes in interest rates related to recognized assets and liabilities.

To hedge the variation in market risk in the receipt of interest, ITAÚ UNIBANCO HOLDING uses interest rate swap contracts related to fixed-rate assets and liabilities expressed in *unidad de fomento* (CLF) and expressed in euros and U.S. dollars, issued by subsidiaries in Chile and London, respectively.

Under an interest rate swap contract, net receipt (payment) is made for the difference between the amount computed and multiplied by variable rate and an amount computed and multiplied by a fixed rate.

ITAÚ UNIBANCO HOLDING has applied fair value hedge as follows:

- to protect the risk of variation in the fair value of receipt of interest resulting from variations in the fair value of variable rates involved.

To evaluate the effectiveness and to measure the ineffectiveness of such strategy, ITAÚ UNIBANCO HOLDING uses the percentage approach and dollar offset method:

- the percentage approach is based on the calculation of change in the fair value of the reviewed estimate for the hedged position (hedge item) attributable to the protected risk versus the change in the fair value of the hedged derivative instrument.
- the dollar offset method is calculated based on the difference between the variation of the fair value of the hedging instrument and the variation in the fair value of the hedged item attributed to changes in the interest rate.

Hedge relationships were designated in 2012, 2013 and 2014 and the respective swaps will mature between 2016 and 2029. Receipts (payments) of interest flows are expected to occur on a monthly basis, and they will affect the statement of income.

Following we present gains (or losses) of the effective and ineffective portions of the strategies of cash flow hedge, hedge of net investment in foreign operations and fair value hedge.

a) Cash flow hedge

HEDGE INSTRUMENTS	12/31/2014		12/31/2013	
	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION
Interest rate futures	793	45	193	8
Interest rate swap	66	-	22	-
Total	859	45	215	8

The effective portion is recognized in the stockholders' equity, under other comprehensive income and the ineffective portion is recognized in the statement of income under net gain (loss) from investment securities and derivatives.

There was no reclassification from other comprehensive income and inclusion in the initial cost of assets related to highly probable anticipated transaction for the period.

At December 31, 2014, the gain (loss) related to the cash flow hedge expected to be reclassified from Comprehensive Income to

Income in the following 12 months is R\$ (213) (R\$ (117) at 01/01 to 12/31/2013 and R\$ 376 at 01/01 to 12/31/2012).

b) Hedge of a net investment in foreign operations

HEDGE INSTRUMENTS	12/31/2014		12/31/2013	
	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION
DDI futures	(4,641)	25	(2,974)	19
Forward	297	22	(15)	15
NDF	1,280	5	751	5
Financial assets	(14)	-	(10)	-
Total	(3,078)	52	(2,248)	39

The effective portion is recognized in the stockholders' equity, under other comprehensive income and the ineffective portion is recognized in the statement of income under net gain (loss) from investment securities and derivatives.

DDI Futures is a futures contract in which participants may trade a clean coupon for any period between the first maturity of the futures contract of foreign currency coupon (DDI) and a later maturity.

NDF (Non Deliverable Forward), or Forward Contract of Currency without Physical Delivery is a derivative traded on over-the-counter market, which has the foreign exchange rate of a given currency as its subject.

c) Fair value hedge

HEDGE INSTRUMENT USED	12/31/2014		12/31/2013	
	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION	ACCUMULATED EFFECTIVE PORTION	INEFFECTIVE PORTION
Interest rate swap	(60)	-	(15)	-
Total	(60)	-	(15)	-

The effective and ineffective portion are recognized in the statement of income under net gain (loss) from investment securities and derivatives.

The tables below present, for each strategy, the notional amount and the fair value of hedge instruments and the carrying amount of the hedged item:

STRATEGIES	12/31/2014			12/31/2013		
	HEDGE INSTRUMENTS		HEDGED ITEM	HEDGE INSTRUMENTS		HEDGED ITEM
	NOTIONAL AMOUNT	FAIR VALUE		NOTIONAL AMOUNT	FAIR VALUE	
Hedge of deposits and repurchase agreements	53,198	(92)	53,198	57,414	(12)	57,414
Hedge of redeemable preferred shares	1,044	66	1,044	921	22	921
Hedge of subordinated CDB	-	-	-	162	-	140
Hedge of syndicated loan	5,578	(15)	5,578	-	-	-
Hedge of highly probable anticipated transaction	81	-	83	314	-	313
Hedge of net investment in foreign operations ^(*)	14,764	296	8,858	11,438	(78)	6,863
Hedge of fixed rate loan operations	2,612	40	2,612	1,683	(15)	1,683
Hedge of structured funding	531	-	531	-	-	-
Total	77,808	295	71,904	71,932	(83)	67,334

(*) Hedge instruments include the overhedge rate of 40.0% regarding taxes.

The table below shows the breakdown by maturity of the hedging strategies.

MATURITY	STRATEGIES							TOTAL
	HEDGE OF DEPOSITS AND REPURCHASE AGREEMENTS	HEDGE OF REDEEMABLE PREFERRED SHARES	HEDGE OF HIGHLY PROBABLE ANTICIPATED TRANSACTION	HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS ^(*)	HEDGE OF FIXED RATE LOAN OPERATIONS	HEDGE OF STRUCTURED FUNDING	HEDGE OF SYNDICATED LOAN	
2015	12,542	1,044	81	14,764	-	-	-	28,431
2016	6,278	-	-	-	257	531	-	7,066
2017	14,719	-	-	-	209	-	5,578	20,506
2018	18,082	-	-	-	161	-	-	18,243
2019	1,500	-	-	-	575	-	-	2,075
2020	-	-	-	-	36	-	-	36
2021	78	-	-	-	-	-	-	78
2022	-	-	-	-	177	-	-	177
2023	-	-	-	-	169	-	-	169
2025	-	-	-	-	42	-	-	42
2027	-	-	-	-	152	-	-	152
2028	-	-	-	-	462	-	-	462
2029	-	-	-	-	372	-	-	372
Total	53,198	1,044	81	14,764	2,612	531	5,578	77,808

(*) Classified as current, since instruments are frequently renewed.

Note 10 – Available-for-sale financial assets

The fair value and corresponding cost of available-for-sale financial assets are as follows:

	12/31/2014			12/31/2013		
	COST	ACCUMULATED GAIN / (LOSS) REFLECTED IN OTHER COMPREHENSIVE INCOME	FAIR VALUE	COST	ACCUMULATED GAIN / (LOSS) REFLECTED IN OTHER COMPREHENSIVE INCOME	FAIR VALUE
Investment funds	136	5	141	202	9	211
Brazilian external debt bonds ^(1b)	11,247	(13)	11,234	12,545	(836)	11,709
Brazilian government securities ^(1a)	14,791	(400)	14,391	28,751	(812)	27,939
Government securities – abroad^(1c)	8,692	(73)	8,619	8,737	(79)	8,658
Belgium	57	-	57	51	-	51
Chile	1,128	(9)	1,119	1,043	4	1,047
Korea	1,782	-	1,782	2,455	-	2,455
Denmark	2,699	-	2,699	2,631	-	2,631
Spain	783	-	783	-	-	-
United States	726	-	726	1,111	(10)	1,101
France	131	2	133	88	-	88
Netherlands	149	2	151	127	(1)	126
Italy	70	-	70	94	-	94
Paraguay	911	(62)	849	690	(52)	638
Uruguay	249	(6)	243	440	(20)	420
Other	7	-	7	7	-	7
Corporate securities^(1d)	43,917	58	43,975	48,208	(99)	48,109
Shares	1,982	17	1,999	1,930	95	2,025
Rural product note	1,431	(23)	1,408	647	(22)	625
Bank deposit certificates	1,281	-	1,281	2,181	-	2,181
Securitized real estate loans	2,489	33	2,522	12,663	(388)	12,275
Debentures	20,187	58	20,245	15,404	103	15,507
Eurobonds and others	6,672	35	6,707	4,768	128	4,896
Financial bills	8,063	(58)	8,005	8,810	(6)	8,804
Promissory notes	1,398	(1)	1,397	1,231	(4)	1,227
Other	414	(3)	411	574	(5)	569
Total⁽²⁾	78,783	(423)	78,360	98,443	(1,817)	96,626

(1) Available-for-sale assets pledged as collateral of funding of financial institutions and Clients were: a) R\$ 10,321 (R\$ 9,291 at December 31, 2013), b) R\$ 2,081 (R\$ 7,259 at December 31, 2013), c) R\$ 8 (R\$ 586 at December 31, 2013) and d) R\$ 9,840 (R\$ 1,715 at December 31, 2013), totaling R\$ 22,250 (R\$ 18,851 at December 31, 2013).

(2) In the period, there were reclassifications from Available-for-Sale to Held-to-Maturity category in the amount of R\$ 12,157 related to the Brazilian Debt Bonds held in Subsidiaries Abroad and Securitized Real Estate Loans, without effects on income, since the unrealized loss (impairment loss) of R\$ 499 will be deferred over the maturity period of the instruments. This reclassification was determined as a result of the risk management strategy by which the Institution noted that it has the financial condition and the intention to hold these securities to maturity.

The cost and fair value of available-for-sale financial assets by maturity are as follows:

	12/31/2014		12/31/2013	
	COST	FAIR VALUE	COST	FAIR VALUE
Current	22,176	22,220	38,219	38,267
Non-stated maturity	2,118	2,141	2,129	2,231
Up to one year	20,058	20,079	36,090	36,036
Non-current	56,607	56,140	60,224	58,359
From one to five years	29,853	29,743	26,089	26,430
From five to ten years	12,779	12,650	15,525	14,792
After ten years	13,975	13,747	18,610	17,137
Total	78,783	78,360	98,443	96,626

Note 11 – Held-to maturity financial assets

The amortized cost of held-to-maturity financial assets is as follows:

	12/31/2014	12/31/2013
	AMORTIZED COST	AMORTIZED COST
Corporate securities	13,549	1
Brazilian external debt bonds ⁽¹⁾	10,304	6,314
Brazilian government securities	10,555	3,778
Government securities – abroad	26	23
Total⁽²⁾	34,434	10,116

(1) Held-to-maturity financial assets pledged as collateral of funding transactions of financial institutions and clients were a) R\$ 6,102 (R\$ 5,095 at December 31, 2013).

(2) In the period, there were reclassifications from Available-for-Sale to Held-to-Maturity category, in the amount of R\$ 12,157, related to the Brazilian Debt Bonds held in Subsidiaries Abroad, without effects on income, since the unrealized loss (impairment loss) of R\$ 499 will be amortized over the maturity period of the instruments. This reclassification was determined as a result of the risk management strategy by which the Institution noted that it has the financial condition and the intention to hold these securities to maturity.

The interest income from held-to-maturity financial assets was R\$ 2,347 (R\$ 486 from 01/01 to 12/31/2013).

The fair value of held-to-maturity financial assets is disclosed in Note 31.

The amortized cost of held-to-maturity financial assets by maturity is as follows:

	12/31/2014	12/31/2013
	AMORTIZED COST	AMORTIZED COST
Current	980	99
Up to one year	980	99
Non-current	33,454	10,017
From one to five years	13,609	158
From five to ten years	11,582	5,498
After ten years	8,263	4,361
Total	34,434	10,116

Note 12 – Loan operations and lease operations portfolio

a) Composition of loan operations and lease operations

Below is the composition of the carrying amount of loan operations and lease operations by type, sector of debtor, maturity and concentration:

LOAN OPERATIONS AND LEASE OPERATIONS BY TYPE	12/31/2014	12/31/2013
Individuals	185,953	167,431
Credit card	59,321	53,149
Personal loan	27,953	26,635
Payroll loans	40,525	22,571
Vehicles	29,047	40,584
Mortgage loans	29,107	24,492
Corporate	144,910	126,413
Small and medium businesses	79,912	81,601
Foreign loans – Latin America	41,656	36,257
Total loan operations and lease operations	452,431	411,702
Allowance for loan and lease losses	(22,392)	(22,235)
Total loan operations and lease operations, net of allowance for loan and lease losses	430,039	389,467

BY MATURITY	12/31/2014	12/31/2013
Overdue as from 1 day	13,074	12,239
Falling due up to 3 months	128,365	111,254
Falling due more than 3 months but less than 1 year	111,092	101,716
Falling due after 1 year	199,900	186,493
Total loan operations and lease operations	452,431	411,702

BY CONCENTRATION	12/31/2014	12/31/2013
Largest debtor	4,032	4,358
10 largest debtors	23,646	19,778
20 largest debtors	35,325	29,935
50 largest debtors	58,180	50,131
100 largest debtors	79,617	69,210

The breakdown of the Loan and Lease Operations Portfolio by debtor's industry is evidenced in Note 36 item 5.1. Maximum exposure of Financial Assets segregated by business sector.

The accretion of the net present value of impaired loan operations and lease operations and the respective allowance for loan and lease losses are not presented using their gross amounts in the statement of income but on a net basis within interest and similar income. If they were presented at gross amounts, there would be an increase of R\$ 1,623; R\$ 1,681 and R\$ 1,852 in interest and similar income as of December 31, 2014; December 31, 2013 and December 31, 2012, respectively, with the same impact on the allowance for loan and lease losses expenses.

b) Allowance for loan and lease losses

The changes in the allowance for loan and lease losses are shown in the table below:

COMPOSITION OF THE CARRYING AMOUNT BY CLASS OF ASSETS	OPENING BALANCE 12/31/2013	BALANCE ARISING FROM THE ACQUISITION OF COMPANIES (NOTE 2.4A I)	WRITE-OFFS 01/01 TO 12/31/2014	NET INCREASE/ (REVERSAL) 01/01 TO 12/31/2014	CLOSING BALANCE 12/31/2014
Individuals	13,853	-	(12,668)	12,200	13,385
Credit card	2,952	-	(3,784)	4,572	3,740
Personal loans	6,488	-	(5,150)	5,686	7,024
Payroll loans	1,133	-	(429)	403	1,107
Vehicles	3,245	-	(3,254)	1,478	1,469
Mortgage loans	35	-	(51)	61	45
Corporate	1,783	-	(672)	1,815	2,926
Small and medium businesses	6,085	-	(4,992)	4,280	5,373
Foreign loans – Latin America	514	-	(343)	537	708
Total	22,235	-	(18,675)	18,832	22,392

COMPOSITION OF THE CARRYING AMOUNT BY CLASS OF ASSETS	OPENING BALANCE 12/31/2012	BALANCE ARISING FROM THE ACQUISITION OF COMPANIES (NOTE 2.4A I)	WRITE-OFFS 01/01 TO 12/31/2013	NET INCREASE/ (REVERSAL) 01/01 TO 12/31/2013	CLOSING BALANCE 12/31/2013
Individuals	14,844	435	(13,541)	12,115	13,853
Credit card	2,863	357	(3,513)	3,245	2,952
Personal loans	6,841	78	(6,247)	5,816	6,488
Payroll loans	867	-	(480)	746	1,133
Vehicles	4,227	-	(3,263)	2,281	3,245
Mortgage loans	46	-	(38)	27	35
Corporate	1,362	-	(478)	899	1,783
Small and medium businesses	9,091	-	(7,573)	4,567	6,085
Foreign loans – Latin America	416	-	(177)	275	514
Total	25,713	435	(21,769)	17,856	22,235

COMPOSITION OF THE CARRYING AMOUNT BY CLASS OF ASSETS	OPENING BALANCE 12/31/2011	WRITE-OFFS 01/01 TO 12/31/2012	NET INCREASE/ (REVERSAL) 01/01 TO 12/31/2012	CLOSING BALANCE 12/31/2012
Individuals	13,684	(12,317)	13,477	14,844
Credit card	3,825	(4,073)	3,111	2,863
Personal loans	4,842	(4,895)	6,894	6,841
Payroll loans	556	(472)	783	867
Vehicles	4,415	(2,840)	2,652	4,227
Mortgage loans	46	(37)	37	46
Corporate	703	(556)	1,215	1,362
Small and medium businesses	9,197	(9,209)	9,103	9,091
Foreign loans – Latin America	289	(60)	187	416
Total	23,873	(22,142)	23,982	25,713

The composition of the allowance for loan and lease losses by customers sector is shown in the following table:

	12/31/2014	12/31/2013
Public sector	6	2
Industry and commerce	4,146	4,630
Services	3,682	3,012
Natural resources	391	251
Other sectors	16	12
Individuals	14,151	14,328
Total	22,392	22,235

ITAÚ UNIBANCO HOLDING assesses the objective evidence of impairment for loan operations and lease operations on an individual basis for financial assets that are individually significant and, in aggregate, for financial assets that are not individually significant. (Note 2.4g VIII)

The composition of the allowance for loan and lease losses by type of assessment for objective evidence of impairment is shown in the following table:

	12/31/2014						12/31/2013					
	IMPAIRED		NOT IMPAIRED		TOTAL		IMPAIRED		NOT IMPAIRED		TOTAL	
	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE	LOAN	ALLOWANCE
I – Individually evaluated												
Corporate ^(*)	3,749	1,731	141,161	1,195	144,910	2,926	1,584	1,019	124,829	764	126,413	1,783
II – Collectively evaluated												
Individuals	9,727	5,641	176,226	7,744	185,953	13,385	10,371	6,289	157,060	7,564	167,431	13,853
Credit card	3,332	1,944	55,989	1,796	59,321	3,740	2,520	1,493	50,629	1,459	53,149	2,952
Personal loans	3,886	2,619	24,067	4,405	27,953	7,024	3,574	2,404	23,061	4,084	26,635	6,488
Payroll loans	626	163	39,899	944	40,525	1,107	370	157	22,201	976	22,571	1,133
Vehicles	1,633	897	27,414	572	29,047	1,469	3,701	2,219	36,883	1,026	40,584	3,245
Mortgage loans	250	18	28,857	27	29,107	45	206	16	24,286	19	24,492	35
Small and medium businesses	3,225	2,640	76,687	2,733	79,912	5,373	4,165	3,165	77,436	2,920	81,601	6,085
Foreign loans – Latin America	505	267	41,151	441	41,656	708	185	95	36,072	420	36,257	514
Total	17,206	10,279	435,225	12,113	452,431	22,392	16,305	10,568	395,397	11,668	411,702	22,235

(*) As detailed in Note 2.4.g.VIII, corporate loans are first evaluated on an individual basis. In the event there is no objective indication of impairment, these are subsequently evaluated on an aggregate basis in accordance with the characteristics of the operation. As a result, an allowance for loan and lease losses for corporate loans is recognized, both in the individual and the aggregate evaluation.

c) Present value of lease operations

Below is the analysis of the present value of minimum future payments receivable from finance leases by maturity basically composed of individual operations – vehicles:

	12/31/2014				12/31/2013		
	MINIMUM FUTURE PAYMENTS	FUTURE FINANCIAL INCOME	PRESENT VALUE		MINIMUM FUTURE PAYMENTS	FUTURE FINANCIAL INCOME	PRESENT VALUE
Current	4,109	(713)	3,396	Current	6,587	(792)	5,795
Up to 1 year	4,109	(713)	3,396	Up to 1 year	6,587	(792)	5,795
Non-current	4,133	(1,089)	3,044	Non-current	6,149	(1,597)	4,552
From 1 to 5 years	3,947	(1,061)	2,886	From 1 to 5 years	5,950	(1,559)	4,391
Over 5 years	186	(28)	158	Over 5 years	199	(38)	161
Total	8,242	(1,802)	6,440	Total	12,736	(2,389)	10,347

The allowance for loan and lease losses related to the lease portfolio amounts to: R\$ 302 (R\$ 816 at December 31, 2013).

d) Sale or transfer of financial assets

ITAÚ UNIBANCO HOLDING carried out operations related to the sale or transfer of financial assets in which there was the retention of credit risks of the financial assets transferred, through joint obligation clauses. Therefore, such operations remained recorded as loan operations and represent the following amounts at December 31, 2014 and December 31, 2013:

NATURE OF OPERATION	12/31/2014				12/31/2013			
	ASSETS		LIABILITIES ^(*)		ASSETS		LIABILITIES ^(*)	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Companies – working capital	1,106	1,106	1,106	1,106	-	-	-	-
Individuals – mortgage loan	3,439	3,433	3,438	3,418	4,514	4,497	4,514	4,476
Total	4,545	4,539	4,544	4,524	4,514	4,497	4,514	4,476

(*) Under Interbank Market Debt

Note 13 – Investments in associates and joint ventures

a) The following table shows the main investments of ITAÚ UNIBANCO HOLDING:

	INTEREST % AT 12/31/2014			12/31/2014				
	TOTAL	VOTING	STOCKHOLDERS' EQUITY	OTHER COMPREHENSIVE INCOME	NET INCOME	INVESTMENT	EQUITY IN EARNINGS	MARKET VALUE ⁽¹⁾
Associates								
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	3,647	7	492	2,357	196	2,988
BSF Holding S.A. ^(c)	49.00	49.00	1,232	-	413	1,187	202	-
IRB-Brasil Resseguros S.A. ^{(a) (d)}	15.01	15.01	3,016	-	890	445	134	-
Other ^(e)	-	-	-	-	-	97	36	-
Joint Ventures - Other ^(f)	-	-	-	-	-	4	(3)	-
Total	-	-	-	-	-	4,090	565	

	INTEREST % AT 12/31/2013		12/31/2013					12/31/2012	
	TOTAL	VOTING	STOCKHOLDERS' EQUITY	OTHER COMPREHENSIVE INCOME	NET INCOME	INVESTMENT	EQUITY IN EARNINGS	MARKET VALUE ⁽¹⁾	EQUITY IN EARNINGS
Associates									
Porto Seguro Itaú Unibanco Participações S.A. ^{(a) (b)}	42.93	42.93	3,787	(2)	1,146	2,432	466	2,924	157
BSF Holding S.A. ^(c)	49.00	49.00	819	-	212	984	104	-	64
IRB-Brasil Resseguros S.A. ^{(a) (c)}	15.00	15.00	2,432	(16)	102	358	12	-	-
Banco BPI S.A. ^(g)			-	-	-	-	-	-	(102)
Serasa S.A. ^(h)			-	-	-	-	-	-	70
Other ^(e)	-	-	-	-	-	64	15	-	(14)
Joint Ventures									
MCC Securities Inc. ⁽ⁱ⁾	50.00	50.00	21	-	6	76	2	-	-
Other ^(f)	-	-	-	-	-	17	4	-	-
Total	-	-	-	-		3,931	603	-	175

(a) For purpose of recording the participation in earnings, at 12/31/2014 the position at 11/30/2014 was used and at 12/31/2013 the position at 11/30/2013 was used, in accordance with IAS 27.

(b) For purposes of market value, the quoted share price of Porto Seguro S.A. was taken into account. The investment included the amounts of R\$ 791 at 12/31/2014 and R\$ 806 at 12/31/2013 that correspond to the difference between the interest in the net assets at fair value of Porto Seguro Itaú Unibanco Participações S.A. and the investment book value.

(c) In May 2012 Itaú Unibanco S.A. acquired 137,004,000 common shares of BSF Holding S.A. (parent company of Banco Carrefour) for R\$ 816 which corresponds to 49.00% of interest in its capital. The investment amount includes R\$ 583 at 12/31/2014, which correspond to goodwill.

(d) Previously accounted for as a financial instrument. As from the 4th quarter of 2013, after completing the privatization process, ITAÚ UNIBANCO HOLDING started to exercise a significant influence over IRB. Accordingly, as from this date, the investment has been accounted for under the equity method.

(e) At 12/31/2014, includes interest in total capital and voting capital of the following companies: Companhia Uruguaya de Medios de Procesamiento S.A. (38.39% total and voting capital and 31.84% total and voting capital at 12/31/2013), Rias Redbanc S.A. (20.00% total and voting capital), Tecnologia Bancária S.A. (24.91% total capital and voting capital) and Latosol Empreendimentos e Participação Ltda (32.11% total and voting capital) company settled in December 30, 2014.

(f) At 12/31/2014, includes interest in total capital and voting capital of the following companies: Olimpia Promoção e Serviços S.A. (50.00% total and voting capital) and includes income not arising from profit subsidiaries and, only at 12/31/2013 MCC Corredora de Bolsa S.A. (50.05% total and voting capital), note 2c, and Rosefield Finance Ltd. (50.00% total and voting capital) company settled in July 30, 2014.

(g) Investments disposed of in 04/20/2012.

(h) Indirect investment of ITAÚ UNIBANCO HOLDING as a result of its 66% interest in subsidiary company BIU Participações S.A. which holds 24% of Serasa S.A.'s voting capital. Investments disposed of in 11/23/2012.

(i) The total investment was purchased in August 2014. – Note 3l.

(j) Disclosed only to public companies.

At December 31, 2014, ITAÚ UNIBANCO HOLDING received/recognized dividends and interest on capital of the unconsolidated companies being the main Porto Seguro Itaú Unibanco Participações S.A. in the amount of R\$336 (R\$ 175 at 12/31/2013 and R\$ 161 at 12/31/2012) and IRB – Brasil Resseguros S.A. in the amount of R\$ 46.

b) Other information

The table below shows the summary of the proportional interest in the aggregate financial information of the investees under the equity method of accounting.

	12/31/2014	12/31/2013	12/31/2012
Total assets ^(*)	17,812	17,131	3,505
Total liabilities ^(*)	9,917	10,072	-
Total income ^(*)	6,907	3,860	567
Total expenses ^(*)	(5,112)	(2,394)	-

(*) Represented by IRB-Brasil Resseguros S.A., in the amount of R\$ 12,933 (R\$ 12,503 at 12/31/2013) related to assets, R\$ 9,917 (R\$ 10,071 at 12/31/2013) related to liabilities, R\$ 5,852 (R\$ 2,455 at 12/31/2013) related to income and of R\$ 4,962 (R\$ 2,353 at 12/31/2013) related to expenses.

The investees do not have contingent liabilities to which ITAÚ UNIBANCO HOLDING is significantly exposed.

Note 14 – Lease commitments as lease

a) Finance lease

ITAÚ UNIBANCO HOLDING is the lessee in finance lease contracts of data processing equipment, with the option of purchase or extension, without contingent rental payments or imposed restrictions. The net carrying amount of these assets is R\$ 804 (R\$ 338 at 12/31/2013).

The table below shows the total future minimum payments:

	12/31/2014	12/31/2013
Current	394	162
Up to 1 year	394	162
Non-current	410	176
From 1 to 5 years	410	176
Total future minimum payments	804	338
(-) Future interest	-	-
Present value	804	338

b) Operating leases

ITAÚ UNIBANCO HOLDING leases many properties, for use in its operations, under standard real estate leases that normally can be cancelled at its option and include renewal options and escalations clauses. No lease agreement imposes any restriction on our ability to pay dividends, enter into further lease agreements or engage in debt or equity financing transactions, and there is no contingent payments related to the agreements.

The expenses related to operating lease agreements recognized under General and Administrative Expenses total R\$ 1,018 from 01/01 to 12/31/2014 (R\$ 933 from 01/01 to 12/31/2013 and R\$ 868 from 01/01 to 12/31/2012).

ITAÚ UNIBANCO HOLDING has no relevant sublease contracts.

Minimum payments of initiated and remaining lease agreements with non-cancelable clauses are as follows:

	12/31/2014	12/31/2013
Current	1,199	1,093
Up to 1 year	1,199	1,093
Non-current	4,213	3,638
From 1 to 5 years	3,539	3,091
Over 5 years	674	547
Total future minimum payments	5,412	4,731

Note 15 – Fixed assets

FIXED ASSETS ⁽¹⁾	REAL ESTATE IN USE ⁽²⁾				OTHER FIXED ASSETS ⁽²⁾			TOTAL
	LAND	BUILDINGS	IMPROVEMENTS	INSTALLATIONS	FURNITURE AND EQUIPMENT	EDP SYSTEMS ⁽³⁾	OTHER (COMMUNICATION, SECURITY AND TRANSPORTATION)	
Annual depreciation rates		4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost								
Balance at 12/31/2013	1,019	2,999	1,298	1,043	1,095	6,279	725	14,458
Acquisitions	3	563	230	117	946	2,045	62	3,966
Disposal	(1)	(6)	(163)	(9)	(89)	(829)	(5)	(1,102)
Exchange variation	-	(7)	22	4	(12)	4	(11)	-
Other	(10)	29	125	(39)	(149)	(80)	2	(122)
Balance at 12/31/2014	1,011	3,578	1,512	1,116	1,791	7,419	773	17,200
Depreciation								
Balance at 12/31/2013	-	(1,651)	(667)	(439)	(487)	(4,230)	(411)	(7,885)
Accumulated depreciation	-	(58)	(247)	(85)	(79)	(1,098)	(74)	(1,641)
Disposal	-	3	162	2	60	768	4	999
Exchange variation	-	-	1	2	12	(13)	-	2
Other	-	11	(3)	1	(10)	35	2	36
Balance at 12/31/2014	-	(1,695)	(754)	(519)	(504)	(4,538)	(479)	(8,489)
Impairment								
Balance at 12/31/2013	-	-	-	-	(9)	-	-	(9)
Additions/assumptions	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	9	-	-	9
Balance at 12/31/2014	-	-	-	-	-	-	-	-
Book value								
Balance at 12/31/2014	1,011	1,883	758	597	1,287	2,881	294	8,711

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 67, achievable by 2016 (Note 36 – Off balance sheet).

(2) Includes the amount of R\$ 4 related to attached real estate; fixed assets under construction in the amount of R\$ 2,277, consisting of R\$ 1,358 in real estate in use, R\$ 45 in improvements, and R\$ 874 in equipment.

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the Financial Statements.

FIXED ASSETS ⁽¹⁾	REAL ESTATE IN USE ⁽²⁾				OTHER FIXED ASSETS ^{(2) (3)}			TOTAL
	LAND	BUILDINGS	IMPROVEMENTS	INSTALLATIONS	FURNITURE AND EQUIPMENT	EDP SYSTEMS ⁽³⁾	OTHER (COMMUNICATION, SECURITY AND TRANSPORTATION)	
Annual depreciation rates		4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost								
Balance at 12/31/2012	1,029	2,472	1,253	872	931	5,480	606	12,643
Acquisitions	-	554	207	183	210	1,262	118	2,534
Disposal	(8)	(13)	(211)	(11)	(15)	(474)	(3)	(735)
Exchange variation	-	2	5	4	(8)	9	3	15
Other	(2)	(16)	44	(5)	(23)	2	1	1
Balance at 12/31/2013	1,019	2,999	1,298	1,043	1,095	6,279	725	14,458
Depreciation								
Balance at 12/31/2012	-	(1,607)	(613)	(358)	(417)	(3,664)	(347)	(7,006)
Accumulated depreciation	-	(70)	(235)	(80)	(83)	(987)	(67)	(1,522)
Disposal	-	10	209	7	7	430	2	665
Exchange variation	-	-	(2)	3	9	(11)	-	(1)
Other	-	16	(26)	(11)	(3)	2	1	(21)
Balance at 12/31/2013	-	(1,651)	(667)	(439)	(487)	(4,230)	(411)	(7,885)
Impairment								
Balance at 12/31/2012	-	-	-	-	(9)	-	-	(9)
Additions/assumptions	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-
Balance at 12/31/2013	-	-	-	-	(9)	-	-	(9)
Book value								
Balance at 12/31/2013	1,019	1,348	631	604	599	2,049	314	6,564

(1) The contractual commitments for purchase of the fixed assets totaled R\$ 1,212, achievable by 2016 (Note 36 – Off balance sheet).

(2) Includes the amount of R\$ 4 related to attached real estate; fixed assets under construction in the amount of R\$ 949, consisting of R\$ 763 in real estate in use, R\$ 16 in improvements and R\$ 170 in equipment;

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the Financial Statements.

FIXED ASSETS ⁽¹⁾	REAL ESTATE IN USE ⁽²⁾				OTHER FIXED ASSETS			TOTAL
	LAND	BUILDINGS	IMPROVEMENTS	INSTALLATIONS	FURNITURE AND EQUIPMENT	EDP SYSTEMS ⁽³⁾	OTHER (COMMUNICATION, SECURITY AND TRANSPORTATION)	
Annual depreciation rates		4%	10%	10 to 20%	10 to 20%	20 to 50%	10 to 20%	
Cost								
Balance at 12/31/2011	1,184	2,340	1,245	937	848	4,988	548	12,090
Acquisitions	53	225	226	202	139	1,008	61	1,914
Disposal	(173)	(15)	(251)	(10)	(38)	(504)	(7)	(998)
Exchange variation	2	4	10	6	(14)	2	-	10
Other	(37)	(82)	23	(263)	(13)	(14)	4	(382)
Balance at 12/31/2012	1,029	2,472	1,253	872	922	5,480	606	12,634
Depreciation								
Balance at 12/31/2011	-	(1,583)	(607)	(547)	(360)	(3,344)	(291)	(6,732)
Accumulated depreciation	-	(78)	(263)	(68)	(77)	(801)	(59)	(1,346)
Disposal	-	6	251	10	15	466	4	752
Exchange variation	-	(2)	3	4	3	9	(1)	16
Other	-	50	3	243	2	6	-	304
Balance at 12/31/2012	-	(1,607)	(613)	(358)	(417)	(3,664)	(347)	(7,006)
Impairment								
Balance at 12/31/2011	-	-	-	-	-	-	-	-
Additions/assumptions	-	-	-	-	-	-	-	-
Reversals	-	-	-	-	-	-	-	-
Balance at 12/31/2012	-	-	-	-	-	-	-	-
Book value								
Balance at 12/31/2011	1,029	865	640	514	505	1,816	259	5,628

(1) There are no contractual commitments for purchase of the fixed assets.

(2) Includes the amount of R\$ 2 related to attached real estate; fixed assets under construction in the amount of R\$ 349, consisting of R\$ 235 in real estate in use, R\$ 65 in improvements and R\$ 49 in equipment;

(3) Includes lease contracts, mainly related to data processing equipment, which are accounted for as lease operations. The asset and the liability are recognized in the Financial Statements.

Note 16 – Intangible assets

INTANGIBLE ASSETS ⁽¹⁾	OTHER INTANGIBLE ASSETS					TOTAL
	ACQUISITION OF RIGHTS TO CREDIT PAYROLL	ASSOCIATION FOR THE PROMOTION AND OFFER OF FINANCIAL PRODUCTS AND SERVICES	ACQUISITION OF SOFTWARE	DEVELOPMENT OF SOFTWARE	OTHER INTANGIBLE ASSETS	
Amortization rates p.a.	20%	8%	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2013	1,165	1,688	1,839	2,195	1,019	7,906
Acquisitions	109	36	393	651	10	1,199
Terminated agreements/write off	(214)	(104)	(201)	(10)	(300)	(829)
Exchange variation	-	(2)	(23)	-	43	18
Other	7	(36)	(43)	-	19	(53)
Balance at 12/31/2014	1,067	1,582	1,965	2,836	791	8,241
Amortization ⁽²⁾						
Balance at 12/31/2013	(535)	(256)	(868)	(47)	(352)	(2,058)
Amortization expense	(225)	(157)	(324)	(66)	(131)	(903)
Terminated agreements/write off	204	81	201	-	119	605
Exchange variation	-	-	10	-	(34)	(24)
Other	-	(5)	63	-	249	307
Balance at 12/31/2014	(556)	(337)	(918)	(113)	(149)	(2,073)
Impairment ⁽³⁾						
Balance at 12/31/2013	(18)	(27)	-	(6)	-	(51)
Additions/assumptions	-	-	-	(8)	-	(8)
Write off	-	25	-	-	-	25
Balance at 12/31/2014	(18)	(2)	-	(14)	-	(34)
Book value						
Balance at 12/31/2014	493	1,243	1,047	2,709	642	6,134

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 508, achievable by 2016 (Note 36 – Off balance sheet).

(2) All intangible assets have a defined useful life.

(3) Note 2.4I.

INTANGIBLE ASSETS ⁽¹⁾	OTHER INTANGIBLE ASSETS					TOTAL
	ACQUISITION OF RIGHTS TO CREDIT PAYROLL	ASSOCIATION FOR THE PROMOTION AND OFFER OF FINANCIAL PRODUCTS AND SERVICES	ACQUISITION OF SOFTWARE	DEVELOPMENT OF SOFTWARE	OTHER INTANGIBLE ASSETS	
Amortization rates p.a.	20.0%	8.0%	20.0%	20.0%	10.0 to 20.0%	
Cost						
Balance at 12/31/2012	1,497	1,333	1,736	1,553	688	6,807
Acquisitions ⁽²⁾	195	340	382	820	298	2,035
Terminated agreements/write off	(527)	(83)	(161)	(178)	(1)	(950)
Exchange variation	-	1	(10)	-	39	30
Other	-	97	(108)	-	(5)	(16)
Balance at 12/31/2013	1,165	1,688	1,839	2,195	1,019	7,906
Amortization ⁽³⁾						
Balance at 12/31/2012	(781)	(178)	(881)	(11)	(264)	(2,115)
Amortization expense	(273)	(137)	(291)	(36)	(74)	(811)
Terminated agreements/write off	519	68	158	-	1	746
Exchange variation	-	-	14	-	(25)	(11)
Other	-	(9)	132	-	10	133
Balance at 12/31/2013	(535)	(256)	(868)	(47)	(352)	(2,058)
Impairment ⁽⁴⁾						
Balance at 12/31/2012	(18)	(3)	-	-	-	(21)
Additions/assumptions	-	(27)	-	(6)	-	(33)
Reversals	-	3	-	-	-	3
Balance at 12/31/2013	(18)	(27)	-	(6)	-	(51)
Book value						
Balance at 12/31/2013	612	1,405	971	2,142	667	5,797

(1) The contractual commitments for the purchase of new intangible assets totaled R\$ 760, achievable by 2016 (Note 36 – Off balance sheet).

(2) Contemplates acquisition of Credicard (Note 3d).

(3) All intangible assets have a defined useful life.

(4) Note 2.4I.

INTANGIBLE ASSETS ⁽¹⁾	OTHER INTANGIBLE ASSETS					TOTAL
	ACQUISITION OF RIGHTS TO CREDIT PAYROLL	ASSOCIATION FOR THE PROMOTION AND OFFER OF FINANCIAL PRODUCTS AND SERVICES	ACQUISITION OF SOFTWARE	DEVELOPMENT OF SOFTWARE	OTHER INTANGIBLE ASSETS	
Amortization rates p.a.	Up to 9	Up to 5	20%	20%	10 to 20%	
Cost						
Balance at 12/31/2011	1,663	1,400	1,520	613	621	5,817
Acquisitions	320	12	376	919	111	1,738
Terminated agreements/write off	(500)	(95)	-	-	(1)	(596)
Exchange variation	-	6	8	-	23	37
Other	14	10	(168)	21	(66)	(189)
Balance at 12/31/2012	1,497	1,333	1,736	1,553	688	6,807
Amortization ⁽²⁾						
Balance at 12/31/2011	(897)	(111)	(795)	-	(174)	(1,977)
Amortization expense	(369)	(135)	(258)	(11)	(71)	(844)
Terminated agreements/write off	499	71	-	-	1	571
Exchange variation	-	(1)	1	-	(12)	(12)
Other	(14)	(2)	171	-	(8)	147
Balance at 12/31/2012	(781)	(178)	(881)	(11)	(264)	(2,115)
Impairment ⁽³⁾						
Balance at 12/31/2011	(15)	-	-	-	-	(15)
Additions/assumptions	(3)	(3)	-	-	-	(6)
Reversals	-	-	-	-	-	-
Balance at 12/31/2012	(18)	(3)	-	-	-	(21)
Book value						
Balance at 12/31/2012	698	1,152	855	1,542	424	4,671

(1) There are no contractual commitments for the purchase of new intangible assets.

(2) All intangible assets have a defined useful life.

(3) Note 2.4I.

Note 17 – Deposits

The table below shows the breakdown of deposits:

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Interest-bearing deposits	180,207	65,833	246,040	165,646	65,845	231,491
Time deposits	43,136	65,330	108,466	51,657	65,474	117,131
Interbank deposits	18,622	503	19,125	7,823	371	8,194
Savings deposits	118,449	-	118,449	106,166	-	106,166
Non-interest bearing deposits	48,733	-	48,733	42,892	-	42,892
Demand deposits	48,733	-	48,733	42,892	-	42,892
Total	228,940	65,833	294,773	208,538	65,845	274,383

Note 18 – Financial liabilities held for trading

Financial liabilities held for trading are presented in the following table:

	12/31/2014	12/31/2013
Structured notes		
Shares	73	147
Debt securities	447	224
Total	520	371

The effect of the changes in credit risk of these instruments is not significant at 12/31/2014 and 12/31/2013.

For shares, in view of the characteristics of the instrument, there is no definite value to be paid at the maturity date. For debt securities, the amount to be paid at maturity comprises several exchange rates and indices, and there is no contractual amount for settlement.

The fair value of financial liabilities held for trading by maturity is as follows:

	12/31/2014 COST/FAIR VALUE	12/31/2013 COST/FAIR VALUE
Current – up to one year	220	87
Non-current	300	284
From one to five years	122	233
From five to ten years	149	22
After ten years	29	29
Total	520	371

Note 19 – Securities sold under repurchase agreements and interbank and institucional market debts

a) Securities sold under repurchase agreements and interbank market debt

The table below shows the breakdown of funds:

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Securities sold under repurchase agreements	152,093	136,590	288,683	148,598	118,084	266,682
Transactions backed by own financial assets ^(*)	76,343	136,590	212,933	80,319	118,084	198,403
Transactions backed by third-party financial assets	75,750	-	75,750	68,279	-	68,279
Interbank market debt	68,818	53,768	122,586	55,777	55,599	111,376
Mortgage notes	32	111	143	39	142	181
Real estate credit bills	10,395	437	10,832	6,634	2,285	8,919
Agribusiness credit bills	5,229	2,582	7,811	4,176	3,097	7,273
Financial credit bills	6,284	4,361	10,645	6,369	7,454	13,823
Import and export financing	27,916	15,465	43,381	25,780	7,834	33,614
On-lending – domestic	18,942	26,288	45,230	12,772	30,243	43,015
Liabilities from transactions related to credit assignments (Note 12d)	20	4,524	4,544	3	4,511	4,514
Other	-	-	-	4	33	37

(*) It includes R\$ 139,910 (R\$ 123,922 at 12/31/2013) related to Debentures of own issue.

Funding for import and export financing represents credit facilities available for financing of imports and exports of Brazilian companies, in general denominated in foreign currency. The interest rate for each one of the operations (p.a.) is presented in the table below:

	BRAZIL	FOREIGN
Securities sold under repurchase agreements	75% of CDI to 13.2%	0.18% to 3.6%
Mortgage notes	-	2.7% to 7.5%
Real estate credit bills	84% to 100% of CDI	-
Financial credit bills	IGPM to 13.44%	-
Agribusiness credit bills	85% to 96% of CDI	-
Import and export financing	2.5% to 6.75%	0.13% to 16%
On-lending – domestic	0.83% to 14.5%	-
Liabilities from transactions related to credit assignments	6.38% to 16.66%	1.85% to 12.73%

In “Securities sold under repurchase agreements”, we present the liabilities in transactions in which ITAÚ UNIBANCO HOLDING sells to customers in exchange for cash debt securities issued by its consolidated subsidiaries previously held in treasury, and where it undertakes to repurchase them at any time after the sale up to a repurchase deadline, at which time they must be repurchased by ITAÚ UNIBANCO HOLDING. The repurchase price is computed as the price paid on the sale date plus interest at rates ranging from 75.0% CDI to 13.23%. The deadline for repurchase expires in January 2027.

b) Institutional market debt

The table below presents the breakdown of funds obtained in Institutional markets:

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Subordinated debt ⁽¹⁾	2,832	52,785	55,617	6,138	50,426	56,564
Foreign borrowings through securities	3,142	12,250	15,392	5,358	10,133	15,491
Structured Operations Certificates ⁽²⁾	1,080	1,153	2,233	-	-	-
Total	7,054	66,188	73,242	11,496	60,559	72,055

(1) At December 31, 2014, the amount of R\$ 53,865 (R\$ 55,186 at 12/31/2013) is included in the Reference Equity, under the proportion defined by CMN Resolution No. 3,444, of February 28, 2007, as amended by CMN Resolution No. 3,532, of January 31, 2008.

(2) As at December 31, 2014, the market value of the funding from Structured Operations Certificates issued is R\$ 2,372

The interest rate for each one of the operations (p.a.) is presented in the table below.

	BRAZIL	FOREIGN
Subordinated debt	CDI+ 0.35% to IGPM + 7.6%	5.1% to 6.2%
Foreign borrowings through securities	0.89% to 12.75%	0.03% to 20%
Structured Operations Certificates	8.6% to 12.67%	-

Note 20 – Other assets and liabilities

a) Other assets

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Financial ⁽¹⁾	40,984	12,665	53,649	34,285	13,307	47,592
Receivables from credit card issuers	24,203	-	24,203	22,138	-	22,138
Insurance and reinsurance operations	1,388	-	1,388	5,192	-	5,192
Deposits in guarantee for contingent liabilities (Note 32)	2,128	11,478	13,606	2,172	11,818	13,990
Deposits in guarantee for foreign borrowing program	624	-	624	731	-	731
Negotiation and intermediation of securities	3,964	-	3,964	2,144	72	2,216
Receivables from reimbursement of contingent liabilities (Note 32c)	53	623	676	41	692	733
Receivables from services provided	2,394	81	2,475	1,729	-	1,729
Rights receivable from sales operations or transfer of financial assets	5,894	-	5,894	-	-	-
Amounts receivable from FCVS – Salary Variations Compensation Fund ⁽²⁾	-	483	483	-	725	725
Operations without credit granting characteristics	336	-	336	138	-	138
Non-financial	10,906	3,015	13,921	9,318	2,824	12,142
Prepaid expenses ⁽³⁾	3,594	434	4,028	4,232	420	4,652
Retirement plan assets (Notes 29c and d)	-	2,456	2,456	-	2,308	2,308
Sundry domestic	1,862	-	1,862	2,389	-	2,389
Premiums from loan operations	2,371	-	2,371	710	-	710
Sundry foreign	2,058	125	2,183	405	96	501
Other	1,021	-	1,021	1,582	-	1,582

(1) There were no impairment losses for other financial assets in these periods.

(2) The Salary Variation Compensation Fund – FCVS was established through Resolution No. 25, of June 16, 1967, of the Board of the former BNH (National Housing Bank), and its purpose is to settle balances remaining after the end of real estate financing contracted up to March 1990, relating to agreements financed under the SFH (National Housing System), and provided that they are covered by FCVS.

(3) In September 2014 the balance was reduced in view of the early termination of the agreement between Itaú Seguros and Via Varejo.

b) Other liabilities

	12/31/2014			12/31/2013		
	CURRENT	NON-CURRENT	TOTAL	CURRENT	NON-CURRENT	TOTAL
Financial	69,610	1,882	71,492	60,582	692	61,274
Credit card operations	58,596	-	58,596	54,263	-	54,263
Foreign exchange portfolio	784	-	784	259	-	259
Negotiation and intermediation of securities	5,749	1,439	7,188	5,230	516	5,746
Finance leases (Note 14a)	394	410	804	162	176	338
Funds from consortia participants	30	-	30	28	-	28
Liabilities from sales operations or transfer of financial assets	3,477	33	3,510	-	-	-
Other	580	-	580	640	-	640
Non-financial	23,128	532	23,660	20,173	675	20,848
Collection and payment of taxes and contributions	226	-	226	205	-	205
Sundry creditors – domestic	1,680	48	1,728	1,071	46	1,117
Funds for clients in transit	8,906	-	8,906	8,132	-	8,132
Provision for sundry payments	2,161	378	2,539	2,027	511	2,538
Social and statutory	4,678	41	4,719	3,172	37	3,209
Related to insurance operations	260	-	260	1,200	-	1,200
Liabilities for official agreements and rendering of payment services	933	-	933	440	-	440
Provision for retirement plan benefits (Note 29c and e)	516	-	516	699	27	726
Personnel provision	1,317	65	1,382	1,251	54	1,305
Provision for health insurance	685	-	685	655	-	655
Deferred income	1,386	-	1,386	1,099	-	1,099
Other	380	-	380	222	-	222

Note 21 – Stockholders' equity

a) Capital

The Extraordinary Stockholders' Meeting held on April 23, 2014 approved the increase of subscribed and paid-up capital by R\$ 15,000, with the capitalization of the amounts recorded in Revenue Reserve – Statutory Reserve, with a 10.0% bonus shares. Bonus shares started being traded on June 6, 2014 and the process was approved by the Central Bank on May 19, 2014. Accordingly, capital stock was increased by 502,802,971 shares.

Capital comprises 5,530,832,681 book-entry shares with no par value, of which 2,770,036,544 are common and 2,760,796,137 are preferred shares without voting rights; preferred shares have tag-along rights, in the event of a possible change in control, at a price equal to 80% of the amount per share paid for the controlling common shares. Capital stock amounts to R\$ 75,000 (R\$ 60,000 at December 31, 2013), of which R\$ 51,563 (R\$ 41,602 at December 31, 2013) refers to stockholders resident in Brazil and R\$ 23,437 (R\$ 18,398 at December 31, 2013) refers to stockholders resident abroad.

The table below shows the breakdown of and change in shares of paid-in capital and the reconciliation of balances at the beginning and end of the period:

	12/31/2014			AMOUNT
	NUMBER			
	COMMON	PREFERRED	TOTAL	
Residents in Brazil at 12/31/2013	2,502,311,972	983,934,784	3,486,246,756	
Residents abroad at 12/31/2013	15,903,068	1,525,879,886	1,541,782,954	
Shares of capital stock at 12/31/2013	2,518,215,040	2,509,814,670	5,028,029,710	
Bonus shares – Extraordinary Stockholders’ Meeting of April 23, 2014 – made effective on June 6, 2014	251,821,504	250,981,467	502,802,971	
Shares of capital stock at 12/31/2014	2,770,036,544	2,760,796,137	5,530,832,681	
Residents in Brazil at 12/31/2014	2,757,605,774	1,048,004,507	3,805,610,281	
Residents abroad at 12/31/2014	12,430,770	1,712,791,630	1,725,222,400	
Treasury shares at 12/31/2013 ⁽¹⁾	2,310	68,867,010	68,869,320	(1,854)
Purchase of shares	-	1,000,000	1,000,000	(35)
Exercised options – granting of stock options	-	(17,275,835)	(17,275,835)	413
Disposals – Stock option plan	-	(4,525,951)	(4,525,951)	148
Bonus shares – Extraordinary Stockholders’ Meeting of April 23, 2014 – made effective on June 06, 2014	231	5,763,327	5,763,558	-
Treasury shares at 12/31/2014 ⁽¹⁾	2,541	53,828,551	53,831,092	(1,328)
Outstanding shares at 12/31/2014	2,770,034,003	2,706,967,586	5,477,001,589	
Outstanding shares at 12/31/2013 ⁽²⁾	2,770,034,003	2,685,042,426	5,455,076,429	

	12/31/2014			AMOUNT
	NUMBER			
	COMMON	PREFERRED	TOTAL	
Residents in Brazil at 12/31/2012	2,508,440,062	973,114,385	3,481,554,447	
Residents abroad at 12/31/2012	9,774,978	1,536,700,285	1,546,475,263	
Shares of capital stock at 12/31/2012	2,518,215,040	2,509,814,670	5,028,029,710	
Bonus shares – Extraordinary Stockholders’ Meeting of April 19, 2013 – made effective on May 21, 2013	251,821,504	250,981,467	502,802,971	
Shares of capital stock at 12/31/2013	2,770,036,544	2,760,796,137	5,530,832,681	
Residents in Brazil at 12/31/2013	2,752,543,169	1,082,328,262	3,834,871,431	
Residents abroad at 12/31/2013	17,493,375	1,678,467,875	1,695,961,250	
Treasury shares at 12/31/2012 ⁽¹⁾	2,310	57,809,663	57,811,973	(1,523)
Purchase of shares	-	25,850,000	25,850,000	(662)
Exercised options – granting of stock options	-	(8,158,717)	(8,158,717)	107
Disposals – stock option plan	-	(4,924,833)	(4,924,833)	224
Bonus shares – Extraordinary Stockholders’ Meeting of April 19, 2013 – made effective on May 21, 2013	231	5,177,598	5,177,829	-
Treasury shares at 12/31/2013 ⁽¹⁾	2,541	75,753,711	75,756,252	(1,854)
Outstanding shares at 12/31/2013 ⁽²⁾	2,770,034,003	2,685,042,426	5,455,076,429	
Outstanding shares at 12/31/2012 ⁽²⁾	2,770,034,003	2,697,205,508	5,467,239,511	

(1) Own shares, purchased based on authorization of the Board of Directors, to be held in Treasury for subsequent cancellation or replacement in the market.

(2) For better comparability, outstanding shares were adjusted for the bonus of June 6, 2014.

We detail below of the cost of shares purchased in the period, as well the average cost of treasury shares and their market price (in Brazilian *reais* per share):

COST/MARKET VALUE	01/01 TO 12/31/2014	
	COMMON	PREFERRED
Minimum	-	34.13
Weighted average	-	34.75
Maximum	-	35.07
Treasury shares		
Average cost	7.97	24.67
Market value at 12/31/2014	32.30	34.60

COST/MARKET VALUE	01/01 TO 12/31/2013	
	COMMON	PREFERRED
Minimum	-	26.36
Weighted average	-	28.18
Maximum	-	29.24
Treasury shares		
Average cost	8.77	26.93
Market value at 12/31/2013	29.45	31.35

b) Dividends

Stockholders are entitled to an annual mandatory dividend of not less than 25.0% of adjusted profit, pursuant to the provisions of the Brazilian Corporate Law. Both common and preferred shares participate equally, after common shares have received dividends equal to the annual minimum priority dividend of R\$ 0.022 per share non-cumulative to be paid to preferred shares.

The calculation of the monthly advance of the mandatory minimum dividend is based on the share position on the last day of the prior month, with payment being made on the first business day of the subsequent month, in the amount of R\$ 0.015 per share.

Below is a statement from dividends and interest on equity and the calculation of the minimum mandatory dividend:

CALCULATION OF DIVIDENDS AND INTEREST ON CAPITAL	12/31/2014	12/31/2013	12/31/2012
Statutory net income – Itaú Unibanco Holding Individual	17,392	11,661	10,800
Adjustments:			
(-) Legal reserve	(870)	(583)	(540)
Dividend calculation basis	16,522	11,078	10,260
Mandatory dividend – 25.0%	4,130	2,769	2,565
Dividends and interest on capital – paid/provisioned for	6,635	5,095	4,518

Payments/provision for interest on capital and dividends

	12/31/2014		
	GROSS	WHT	NET
Paid/prepaid	2,637	(267)	2,370
Dividends – 11 monthly installments of R\$ 0.015 per share paid from February to December 2014	857	-	857
Interest on capital – R\$ 0.3256 per share paid on August 25, 2014	1,780	(267)	1,513
Declared until 12/31/2014 (recorded in other liabilities)	1,760	-	1,760
Dividends – 1 monthly installment of R\$ 0.015 per share paid on 01/02/2015	82	-	82
Dividends – R\$ 0.3063 per share	1,678	-	1,678
Declared after 12/31/2014 (Recorded in Revenue Reserves – Dividends equalization)	2,947	(442)	2,505
Interest on capital – R\$ 0.5380 per share	2,947	(442)	2,505
Total from 01/01 to 12/31/2014 – R\$ 1.2204 net per share	7,344	(709)	6,635

	12/31/2013		
	GROSS	WHT	NET
Paid/prepaid	2,162	(206)	1,956
Dividends – 11 monthly installments of R\$ 0.015 per share paid from February to December 2013	786	-	786
Interest on capital – R\$ 0.2774 per share paid on August 21, 2013	1,376	(206)	1,170
Declared until 12/31/2013 (recorded in other liabilities)	1,084	(152)	933
Dividends – 1 monthly installment of R\$ 0.015 per share paid on 01/02/2014	74	-	74
Interest on capital – R\$ 0.2036 per share, credited on December 30, 2013 to be paid until February 28, 2014	1,010	(152)	859
Declared after 12/31/2013 (Recorded in Revenue Reserves – Unrealized Profits Reserve)	2,596	(389)	2,207
Interest on capital – R\$ 0.5236 per share	2,596	(389)	2,207
Total from 01/01 to 12/31/2013 – R\$ 1.0340 net per share	5,842	(747)	5,095

Payments/provision for interest on capital and dividends

	12/31/2012		
	GROSS	WHT	NET
Paid/prepaid	1,971	(188)	1,783
Dividends – 02 monthly installments of R\$ 0.012 per share paid from February to March 2012	108	-	108
Dividends – 09 monthly installments of R\$ 0.015 per share paid from April to December 2012	610	-	610
Interest on capital – R\$ 0.2774 per share paid on August 15, 2012	1,253	(188)	1,065
Declared until 12/31/2012 (recorded in other liabilities)	1,387	(200)	1,187
Dividends – 1 monthly installment of R\$ 0.012 per share paid on 02/01/2013	68	-	68
Interest on capital – R\$ 0.3120 per share, credited on December 28, 2012, paid until April 30, 2013	1,410	(212)	1,199
Declared after 12/31/2012 (Recorded in Revenue Reserves – Unrealized Profits Reserve)	1,728	(259)	1,468
Interest on capital – R\$ 0.3824 per share paid until April 30, 2013	1,728	(259)	1,468
Total de 01/01 a 12/31/2012 – R\$ 1.0000 net per share	5,177	(658)	4,518

c) Additional paid-in capital

Additional paid-in capital corresponds to: (i) the difference between the proceeds from the sale of treasury shares and the average cost of such shares, and (ii) the compensation expenses recognized in accordance with the stock option plan and variable compensation.

d) Appropriated reserves

	12/31/2014	12/31/2013	12/31/2012
Capital reserves ⁽¹⁾	285	285	285
Premium on subscription of shares	284	284	284
Reserves from tax incentives and restatement of equity securities and other	1	1	1
Revenue reserves	7,925	13,183	22,138
Legal ⁽²⁾	5,841	4,971	4,388
Statutory	7,775	13,615	23,382
Dividends equalization ⁽³⁾	2,885	3,901	6,291
Working capital increase ⁽⁴⁾	1,162	3,003	6,274
Increase in capital of investees ⁽⁵⁾	3,728	6,711	10,817
Corporate reorganizations (Note 3b)	(8,638)	(7,999)	(7,360)
Unrealized profits ⁽⁶⁾	2,947	2,596	1,728
Total reserves at parent company	8,210	13,468	22,423

(1) Refers to amounts received by Itaú Unibanco Holding that were not included in the statement of income, since they do not refer to compensation for the provision of goods or services.

(2) Legal reserve – may be used to increase capital or to absorb losses, but it cannot be distributed as dividends.

(3) Reserve for dividends equalization – its purpose is to reserve funds for the payment or advances of dividends, including interest on capital, to maintain the flow of the stockholders' compensation.

(4) Reserve for working capital – its purpose is to guarantee funds for operations.

(5) Reserve for increase in capital of investees – its purpose is to guarantee the preemptive right in the capital increases of investees.

(6) Refers to interest on capital declared after December 31 of each period.

e) Unappropriated reserves

Refers to balance of profit remaining after the distribution of dividends and appropriations to statutory reserves in the statutory accounts of ITAÚ UNIBANCO HOLDING.

Note 22 – Share-based payment

a) Stock option plan

ITAÚ UNIBANCO HOLDING has a stock option plan for its executives. This program aims at involving the members of management in the medium and long-term corporate development process, by granting simple stock options or options which are partner options (these are personal, not pledgeable and nontransferable), entitling the holder to subscribe one authorized capital share or, at the discretion of the management, one treasury share which has been acquired for the purpose of reselling.

Such options may only be granted in years in which there are sufficient profits to enable the distribution of mandatory dividends to stockholders and at a quantity that does not exceed the limit of 0.5% of the total shares held by the stockholders at the base date of the year-end balance sheet. ITAÚ UNIBANCO HOLDING's Personnel Committee is responsible for defining the quantity, the beneficiaries, the type of option, the life of the option under each series, which may vary between a minimum of 5 years and a maximum of 10 years, and the vesting and lockup periods for exercising the options. The executive officers and members of the Board of Directors of ITAÚ UNIBANCO HOLDING and of its subsidiaries, as well as employees may participate in this program, based on assessment of potential and performance.

ITAÚ UNIBANCO HOLDING settles the benefits under this plan solely by delivering its own shares, which are held in treasury until the effective exercise of the options by the beneficiaries.

Characteristics of the Programs

I – Simple Options

Prior programs

Before the merger, both Itaú and Unibanco each had Stock Option Plans (Prior Programs). The eligible beneficiaries of the program

were granted simple options, depending upon the individual performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA trading sessions over the period of at least one (1) and at the most three (3) months prior to the option issue date; the price is subject to a positive or negative adjustment of up to 20.0%, and restated until the last business day of the month prior to the option exercise date based either on the IGP-M or IPCA; in its absence, based on the index determined by the Committee. Options are no longer granted under this model.

Post-merger program

The eligible beneficiaries of the program are granted simple options, depending upon the individual employee performance. The exercise price is calculated based on the average prices of preferred shares at the BM&FBOVESPA in the last three months of the year prior to the granting date or alternatively subject to the positive or negative adjustments of up to 20.0% in the period. The exercise price is adjusted based on the IGPM or, in its absence, based on the index determined by the committee.

The vesting period is from one (1) to seven (7) years, counted from the issue date.

The ESM of April 19, 2013 approved the conversion of the Stock Option Plan of REDE by ITAÚ UNIBANCO HOLDING, with the exchange of RDCD3 shares to ITUB4 shares with no significant financial impacts.

II – Partner Plan

Executives selected to participate in the program may invest a percentage of their bonus to acquire shares or they have the right to receive shares ("Share-Based Instrument"). Title to the shares acquired, as well as the share-based instruments, should be held by the executives for a period from three (3) to five (5) years and they are subject to market fluctuation. At the times they acquire own shares and/or share-based instruments, partner options are granted in accordance with the classification of executives. Vesting periods of partner options or share-based instruments are from one (1) to seven (7) years. Share-based instruments and partner options are converted into shares of ITAÚ UNIBANCO HOLDING in the ratio of one preferred share for each instrument after the respective vesting period, with no payment of exercise price in cash.

The acquisition price of own shares and Share-Based Instruments is established every six months and is equivalent to the average preferred share quotation at the BM&FBOVESPA trading sessions in the 30 days prior to the determination of the acquisition price.

Title to the shares received after the vesting period of the Partner Options should be held, without any liens or encumbrances, for periods from five (5) to eight (8) years, as from the acquisition date of the shares.

The weighted average of the fair value of share-based instruments on the grant date was estimated for shares purchased in the fiscal year ended December 31, 2014 – R\$ 31.43 per share (R\$ 34.66 per share at December 31, 2013).

The fair value of Share-Based Instruments is the market price at the grant date for the preferred shares of ITAÚ UNIBANCO HOLDING, less the cash price paid by the beneficiaries. The amount received for the purchase of Share-Based Instruments was R\$ 8 at December 31, 2014 (R\$ 15 at December 31, 2013).

Summary of changes in the plan

	SIMPLE OPTIONS			PARTNER OPTIONS		TOTAL
	QUANTITY	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE MARKET VALUE	QUANTITY	WEIGHTED AVERAGE MARKET VALUE	
Opening balance 12/31/2013	65,316,846	32.85		18,351,820		83,668,666
Options exercisable at the end of the period	32,734,794	30.42		-		32,734,794
Options outstanding not exercisable	32,582,052	36.25		18,351,820		50,933,872
Options:						
Granted	-	-		11,007,189		11,007,189
Canceled/Forfeited ^(*)	(1,392,222)	34.98		(1,556,399)		(2,948,621)
Exercised	(13,777,250)	30.01	36.73	(3,498,585)	32.61	(17,275,835)
Balance at 12/31/2014	50,147,374	35.67		24,304,025		74,451,399
Options exercisable at the end of the period	26,247,536	35.37		-		26,247,536
Options outstanding not exercisable	23,899,838	36.00		24,304,025		48,203,863
Range of exercise prices						
Granting 2006-2009		26.18 - 43.86				
Granting 2010-2012		26.27 - 41.54				
Weighted average of the remaining contractual life (in years)	2.56			2.05		

(*) Refers to non-exercise due to the beneficiary's option.

Summary of changes in the plan

	SIMPLE OPTIONS			PARTNER OPTIONS		TOTAL
	QUANTITY	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE MARKET VALUE	QUANTITY	WEIGHTED AVERAGE MARKET VALUE	
Opening balance 12/31/2012	71,677,920	31.30		17,274,588		88,952,508
Options exercisable at the end of the period	23,610,501	31.68		40,503		23,651,004
Options outstanding not exercisable	48,067,419	31.12		17,234,085		65,301,504
Options:						
Granted	560,271	26.27		5,715,608		6,275,879
Canceled/Forfeited ^(*)	(2,747,498)	35.83		(653,506)		(3,401,004)
Exercised	(4,173,847)	28.25	33.44	(3,984,870)	28.20	(8,158,717)
Balance at 12/31/2013	65,316,846	33.33		18,351,820		83,668,666
Options exercisable at the end of the period	32,734,794	30.42		-		32,734,794
Options outstanding not exercisable	32,582,052	36.25		18,351,820		50,933,872
Range of exercise prices						
Granting 2006-2009		25.25 - 42.42				
Granting 2010-2012		26.27 - 41.03				
Weighted average of the remaining contractual life (in years)	3.57			2.05		

(*) Refers to non-exercise due to the beneficiary's option.

Summary of changes in the plan

	SIMPLE OPTIONS			PARTNER OPTIONS		TOTAL
	QUANTITY	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE MARKET VALUE	QUANTITY	WEIGHTED AVERAGE MARKET VALUE	
Balance at 12/31/2011	69,419,922	29.39		15,092,652		84,512,574
Options exercisable at the end of the period	20,215,627	26.08		104,806		20,320,433
Options outstanding not exercisable	49,204,295	30.75		14,987,846		64,192,141
Options:						
Granted	12,589,030	28.40		4,043,009		16,632,039
Canceled	(4,627,466)	34.84		(566,094)		(5,193,560)
Exercised	(5,703,566)	22.13	29.64	(1,294,979)	28.75	(6,998,545)
Balance at 12/31/2012	71,677,920	31.30		17,274,588		88,952,508
Options exercisable at the end of the period	23,610,501	31.68		40,503		23,651,004
Options outstanding not exercisable	48,067,419	31.12		17,234,085		65,301,504
Range of exercise prices						
Granting 2004-2009		16.75 - 40.05				
Granting 2010-2011		28.39 - 38.86				
Weighted average of the remaining contractual life (in years)	3.49			2.13		

Summary of changes in Share-Based Instruments (SBI)

	QUANTITY
Opening balance 12/31/2013	2,183,769
Instruments:	
New SBI's	286,466
Converted into shares	(1,266,324)
Canceled	(351,765)
Balance at 12/31/2014	852,146
Weighted average of the remaining contractual life (in years)	0.48

	QUANTITY
Opening balance 12/31/2012	3,384,440
Instruments:	
New SBI's	533,763
Converted into shares	(1,732,831)
Canceled	(1,586)
Balance at 12/31/2013	2,183,786
Weighted average of the remaining contractual life (in years)	0.62

b) Variable compensation

Resolution No. 3,921, of November 25, 2010, of the National Monetary Council, sets forth that the management's variable compensation should be consistent with the institution's risk management policies, and at least fifty percent (50%) should be mandatory paid in shares or share-based instruments, and at least forty percent (40%) of this amount should be deferred for payment in at least three (3) years.

The policy established by ITAÚ UNIBANCO HOLDING in compliance with Resolution No. 3,921, sets forth that fifty percent (50%) of the management's and employee's variable compensation should be mandatory paid in cash and fifty percent (50%) should be paid in shares for a period of three (3) years. Shares are delivered on an indirect basis, of one-third (1/3) per year, subject to the executive's remaining with the institution.

To comply with the Resolution on compensation, ITAÚ UNIBANCO HOLDING was authorized by CVM to transfer, on a private basis, shares of its own issue held in treasury to its management members and the management members of its subsidiaries.

In the period from January 1 to December 31, 2014, the accounting effect of the variable compensation is recorded in

Personnel Expenses, in the amount of R\$ 301, in compliance with statutory limits.

The fair value of shares intended for variable compensation is the market price at the granting date with respect to ITAÚ UNIBANCO HOLDING's preferred shares.

CHANGE IN VARIABLE COMPENSATION IN SHARES	2014 QUANTITY
Opening balance 12/31/2013	5,214,388
New	6,552,973
Delivered	(1,850,290)
Cancelled	(146,879)
Balance at 12/31/2014	9,770,192

CHANGE IN VARIABLE COMPENSATION IN SHARES	2013 QUANTITY
Opening balance 12/31/2012	-
New	5,270,677
Delivered	(35,790)
Cancelled	(20,499)
Balance at 12/31/2013	5,214,388

c) Fair value and economic assumptions for cost recognition

ITAÚ UNIBANCO HOLDING recognizes, at the grant date, the fair value of options through the Binomial method for simple options and the Black & Scholes method for partner options. Economic assumptions used are as follows:

Exercise price: for the option exercise price, the exercise price previously agreed-upon at the time the option was issued is adopted, adjusted by the IGP-M variation.

Price of the underlying asset: the share price of ITAÚ UNIBANCO HOLDING (ITUB4) used for calculation is the closing price at BM&FBOVESPA on the calculation base date.

Expected dividends: is the average annual return rate for the last three years, of the dividends, plus interest on capital of the ITUB4 share.

Risk-free interest rate: the risk-free rate used is the IGP-M coupon rate at the expiration date of the option plan.

Expected volatility: calculated based on the standard deviation from the history of the last 84 monthly returns of closing prices of the ITUB4 share, released by BM&FBOVESPA, adjusted by the IGP-M variation.

Nº	GRANTING DATE	VESTING PERIOD	EXERCISE PERIOD UNTIL	PRICE OF THE UNDERLYING ASSET	FAIR VALUE	EXPECTED DIVIDENDS	RISK-FREE INTEREST RATE	EXPECTED VOLATILITY
Partner options^(*)								
19ª	02/27/2014	02/27/2017	-	28.57	25.85	3.35%	-	-
19ª	02/27/2014	02/27/2019	-	28.57	24.18	3.35%	-	-

(*) The fair value of partner options is measured based on the fair value of ITAÚ UNIBANCO HOLDING share at the granting date.

d) Accounting effects arising from options

The exercise of stock options, pursuant to the plan's regulation, resulted in the sale of preferred shares held in treasury. The accounting entries related to the plan are recorded during the vesting period, at the portion of the fair value of options granted with effect on income, and during the exercise of options, at the amount received from the option exercise price, reflected in stockholders' equity.

The effect of Income for the period from January 1 to December 31, 2014 was R\$ (231) (R\$ (188) from January 1 to December 31, 2013 and R\$ (177) from January 1 to December 31, 2012) as a contra-entry to Capital Reserve – Granted Options Recognized – Law No. 11,638 (Note 21 d).

In the stockholders' equity, the effect was as follows:

	12/31/2014	12/31/2013	12/31/2012
Amount received for the sale of shares – exercised options	535	215	209
(-) Cost of treasury shares sold	(561)	(331)	(262)
Effect of sale ^(*)	(26)	(116)	(53)

(*) Recorded in Additional paid-in capital.

Note 23 – Interest and similar income and expense and net gain (loss) from investment securities and derivatives

a) Interest and similar income

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Central Bank compulsory deposits	5,904	4,314	5,334
Interbank deposits	1,286	583	1,042
Securities purchased under agreements to resell	17,929	12,630	10,096
Financial assets held for trading	15,128	10,860	13,324
Available-for-sale financial assets	7,272	5,067	3,771
Held-to-maturity financial assets	2,347	486	471
Loan and lease operations	69,248	59,546	61,139
Other financial assets	1,001	641	1,187
Total	120,115	94,127	96,364

b) Interest and similar expense

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Deposits	(12,064)	(9,802)	(10,544)
Securities sold under repurchase agreements	(26,771)	(16,865)	(17,539)
Interbank market debt	(14,404)	(6,245)	(5,747)
Institutional market debt	(10,695)	(9,971)	(7,693)
Financial expense from technical reserves for insurance and private pension plans	(8,987)	(3,436)	(6,513)
Other	(56)	(42)	(31)
Total	(72,977)	(46,361)	(48,067)

c) Net gain (loss) from investment securities and derivatives

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Financial assets held for trading	41	(2,736)	3,159
Derivatives ^(*)	119	(2,517)	(2,458)
Financial assets designated at fair value through profit or loss	32	15	17
Available-for-sale financial assets	(915)	(839)	705
Financial liabilities held for trading	(1)	153	40
Total	(724)	(5,924)	1,463

(*) Includes the ineffective derivatives portion related to hedge accounting.

During the periods ended December 31, 2014 and December 31, 2013 ITAÚ UNIBANCO HOLDING has not recognized any impairment losses on held-to-maturity financial assets.

During the period ended December 31, 2014, ITAÚ UNIBANCO HOLDING has recognized impairment losses on available-for-sale financial assets R\$ 174 (R\$ 3 on December 31, 2013).

Note 24 – Banking service fees

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Current account services	7,725	6,450	5,272
Asset management fees	2,660	2,501	2,159
Collection commissions	1,279	1,213	1,176
Fees from credit card services	11,507	9,701	7,888
Fees for guarantees issued and credit lines	1,407	1,240	1,135
Brokerage commission	262	337	243
Other	1,502	1,270	1,071
Total	26,342	22,712	18,944

Note 25 – Other income

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Gains on sale of assets held for sale, fixed assets and investments in associates and joint ventures ^(*)	1,194	131	1,684
Recovery of expenses	207	110	121
Reversal of provisions	179	119	234
Program for ash or Installment Payment of Federal Taxes (Note 32e)	158	624	-
Other	416	411	243
Total	2,154	1,395	2,282

(*) From 01/01 to 12/31/2014 refers basically to the profit on disposal of investment due from ISSC in the amount of R\$ 1,151 (Basically composed of the result of the full disposal of investment in Serasa S.A. in the amount of R\$ 1,542 from 01/01 to 12/31/2012).

Note 26 – General and administrative expenses

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Personnel expenses	(17,071)	(15,860)	(14,332)
Compensation	(7,046)	(6,503)	(5,961)
Payroll taxes	(2,364)	(2,181)	(2,109)
Welfare benefits	(2,133)	(1,983)	(1,845)
Retirement plans and post-employment benefits (Note 29)	33	7	760
Defined benefit	(30)	(37)	(125)
Defined contribution	63	44	885
Stock option plan (Note 22d)	(231)	(188)	(177)
Training	(186)	(185)	(242)
Employee profit sharing	(3,324)	(2,850)	(2,560)
Dismissals	(377)	(327)	(462)
Provision for labor claims (Note 32)	(1,443)	(1,650)	(1,736)
Administrative expenses	(14,325)	(13,257)	(12,665)
Data processing and telecommunications	(3,870)	(3,700)	(3,523)
Third-party services	(4,189)	(3,215)	(3,255)
Installations	(924)	(964)	(962)
Advertising, promotions and publications	(972)	(1,361)	(942)
Rent	(1,216)	(1,100)	(974)
Transportation	(432)	(454)	(500)
Materials	(365)	(356)	(386)
Financial services	(544)	(496)	(512)
Security	(627)	(549)	(511)
Utilities	(289)	(248)	(290)
Travel	(204)	(194)	(188)
Other	(693)	(620)	(622)
Depreciation	(1,641)	(1,522)	(1,346)
Amortization	(827)	(808)	(844)
Insurance acquisition expenses	(1,214)	(1,147)	(1,253)
Other expenses	(7,472)	(7,320)	(7,640)
Expenses related to credit cards	(2,691)	(1,874)	(2,108)
Reimbursement related to acquisitions	(68)	38	(51)
Losses with third-party frauds	(472)	(566)	(734)
Loss on sale of assets held for sale, fixed assets and investments in associates and joint ventures	(133)	(132)	(458)
Provision for civil lawsuits (Note 32)	(1,708)	(2,274)	(2,329)
Provision for tax and social security lawsuits	(971)	(1,311)	(1,004)
Refund of interbank costs	(229)	(227)	(215)
Other	(1,200)	(974)	(741)
Total	(42,550)	(39,914)	(38,080)

(*) From 01/01 to 12/31/2012 basically composed of the result of the full disposal of investment in Banco BPI S.A. in the amount of R\$ (302).

Note 27 – Income tax and social contribution

ITAÚ UNIBANCO HOLDING and each of its subsidiaries file separate, for each fiscal year, corporate income tax returns and social contribution on net income.

a) Composition of income tax and social contribution expenses

I – Demonstration of Income tax and social contribution expense:

DUE ON OPERATIONS FOR THE PERIOD	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Income before income tax and social contribution	28,808	20,865	17,416
Charges (income tax and social contribution) at the rates in effect (Note 2.4 n)	(11,523)	(8,346)	(6,966)
Increase/decrease to income tax and social contribution charges arising from:			
Share of profit or (loss) of associates and joint ventures net	109	243	68
Foreign exchange variation on assets and liabilities abroad	1,471	1,054	447
Interest on capital	1,738	1,619	1,789
Corporate reorganizations (Note 3b)	639	639	-
Dividends and interest on external debt bonds	311	172	188
Other nondeductible expenses net of non taxable income ^(*)	46	(2,884)	(3,242)
Income tax and social contribution expenses	(7,209)	(7,503)	(7,716)
Related to temporary differences			
Increase (reversal) for the period	1,341	3,617	3,325
Increase (reversal) of prior periods	(1,079)	(457)	166
(Expenses)/Income from deferred taxes	262	3,160	3,491
Total income tax and social contribution expenses	(6,947)	(4,343)	(4,225)

(*) Includes temporary (additions) and exclusions.

b) Deferred taxes

I – The deferred tax asset balance and respective changes are as follows:

	12/31/2013	REALIZATION/ REVERSAL	EFFECT OF CHANGE IN CONSOLIDATION	INCREASE	12/31/2014
Reflected in income	35,043	(12,477)	-	9,947	32,513
Allowance for loan and lease losses	17,896	(4,889)	-	5,902	18,909
Related to income tax and social contribution tax carryforwards	6,137	(714)	-	7	5,430
Provision for contingent liabilities	3,973	(1,515)	=	1,840	4,298
Civil lawsuits	1,706	(435)	-	547	1,818
Labor claims	1,400	(894)	-	954	1,460
Tax and social security	849	(179)	-	339	1,009
Other	18	(7)	-	-	11
Goodwill on purchase of investments	1,515	(794)	-	-	721
Legal liabilities – tax and social security	1,479	(1,389)	-	304	394
Adjustments of operations carried out in futures settlement market	653	(662)	-	12	3
Adjustment to market value of financial assets held for trading and derivatives	439	(439)	-	109	109
Provision related to health insurance operations	262	-	-	12	274
Other	2,689	(2,075)	-	1,761	2,375
Reflected in stockholders' equity	4,502	(915)	-	519	4,106
Corporate reorganizations (Note 3b)	3,153	(639)	-	-	2,514
Adjustment to market value of available-for-sale securities	814	(275)	-	-	539
Cash flow hedge and hedge of net investment in foreign operation	426	-	-	376	802
Other	109	(1)	-	143	251
Total^(*)	39,545	(13,392)	-	10,466	36,619

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 31,129 (R\$ 31,886 at December 31, 2013) and R\$ 201 (R\$ 328 at December 31, 2013).

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
	12/31/2012	REALIZATION/ REVERSAL	EFFECT OF CHANGE IN CONSOLIDATION	INCREASE	12/31/2013	
Reflected in income	31,060	(11,076)	1,062	13,997	35,043	
Related to income tax and social contribution tax carryforwards	3,955	(1,336)	59	3,459	6,137	
Allowance for loan and lease losses	16,275	(4,438)	479	5,580	17,896	
Adjustment to market value of financial assets held for trading and derivatives	229	(229)	-	439	439	
Goodwill on purchase of investments	2,761	(1,657)	31	380	1,515	
Legal liabilities – tax and social security	1,645	(665)	215	284	1,479	
Provision for contingent liabilities	<u>3,487</u>	<u>(1,421)</u>	<u>167</u>	<u>1,740</u>	<u>3,973</u>	
Civil lawsuits	1,422	(516)	43	757	1,706	
Labor claims	1,224	(565)	80	661	1,400	
Tax and social security	822	(339)	44	322	849	
Other	19	(1)	-	-	18	
Adjustments of operations carried out in futures settlement market	8	(13)	-	658	653	
Provision related to health insurance operations	254	-	-	8	262	
Other	2,446	(1,317)	111	1,449	2,689	
Reflected in stockholders' equity	3,943	(638)	1	1,196	4,502	
Corporate reorganizations (Note 3b)	3,791	(638)	-	-	3,153	
Adjustment to market value of available-for-sale securities	26	-	-	788	814	
Cash flow hedge and hedge of net investment in foreign operation	126	-	-	300	426	
Other	-	-	1	108	109	
Total^(*)	35,003	(11,714)	1,063	15,193	39,545	

(*) Deferred income tax and social contribution assets and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 31,886 and R\$ 328.

II – The provision for deferred tax liability balance and respective changes are as follows:

	12/31/2013	REALIZATION/ REVERSAL	INCREASE	12/31/2014
Reflected in income	7,527	(3,289)	497	4,735
Depreciation in excess – finance lease	4,165	(1,657)	-	2,508
Restatement of escrow deposits and contingent liabilities	981	(155)	50	876
Pension plans	355	(118)	99	336
Adjustments of operations carried out in futures settlement market	392	(388)	-	4
Adjustment to market value of financial assets held for trading and derivatives	157	(157)	6	6
Taxation of results abroad – capital gains	267	-	296	563
Other	1,210	(814)	46	442
Reflected in stockholders' equity accounts	460	-	496	956
Adjustment to market value of available-for-sale securities	64	-	68	132
Cash flow hedge and hedge of net investment in foreign operation	84	-	289	373
Provision for pension plan benefits	311	-	131	442
Other	1	-	8	9
Total^(*)	7,987	(3,289)	993	5,691

(*) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 31,129 (R\$ 31,886 at December 31, 2013) and R\$ 201 (R\$ 328 at December 31, 2013).

	12/31/2012	REALIZATION/ REVERSAL	INCREASE	12/31/2013
Reflected in income	7,812	(2,959)	2,674	7,527
Depreciation in excess – finance lease	5,453	(2,527)	1,239	4,165
Restatement of escrow deposits and contingent liabilities	911	(130)	200	981
Pension plans	355	-	-	355
Adjustments of operations carried out in futures settlement market	117	-	275	392
Adjustment to market value of financial assets held for trading and derivatives	234	(234)	157	157
Taxation of results abroad – capital gains	167	-	100	267
Other	575	(68)	703	1,210
Reflected in stockholders' equity accounts	1,848	(1,473)	85	460
Adjustment to market value of available-for-sale securities	1,288	(1,224)	-	64
Cash flow hedge and hedge of net investment in foreign operation	-	-	84	84
Provision for pension plan benefits ⁽¹⁾	560	(249)	-	311
Other	-	-	1	1
Total ⁽²⁾	9,660	(4,432)	2,759	7,987

(1) On March 31, 2013 was reclassified to stockholders' equity, pursuant to IAS 19 (R1).

(2) Deferred income tax and social contribution asset and liabilities are recorded in the balance sheet offset by a taxable entity and total R\$ 31,886 and R\$ 328.

III – The estimate of realization and present value of deferred tax assets and from the Provision for Deferred Income Tax and Social Contribution existing at December 31, 2014, in accordance with the expected generation of future taxable income, based on the history of profitability and technical feasibility studies, are:

	DEFERRED TAX ASSETS						DEFERRED TAX LIABILITIES	NET DEFERRED TAXES		
	TEMPORARY DIFFERENCES	%	TAX LOSS/SOCIAL CONTRIBUTION LOSS CARRYFORWARDS	%	TOTAL	%		%	%	
2015	11,771	37%	345	6%	12,116	33%	(1,587)	28%	10,529	34%
2016	3,983	13%	1,166	22%	5,149	14%	(1,040)	19%	4,109	13%
2017	4,701	15%	1,177	22%	5,878	16%	(1,069)	19%	4,809	16%
2018	2,531	8%	1,899	35%	4,430	12%	(252)	4%	4,178	14%
2019	2,690	9%	405	7%	3,095	9%	(253)	4%	2,842	9%
After 2019	5,513	18%	438	8%	5,951	16%	(1,490)	26%	4,461	14%
Total	31,189	100%	5,430	100%	36,619	100%	(5,691)	100%	30,928	100%
Present value ^(*)	26,791		4,656		31,447		(4,791)		26,656	

(*) The average funding rate, net of tax effects, was used to determine the present value.

The projections of future taxable income include estimates related to macroeconomic variables, exchange rates, interest rates, volume of financial operations and services fees and others which can vary in relation to actual data and amounts.

Net income in the financial statements is not directly related to taxable income, due to differences between accounting criteria and tax legislation, besides corporate aspects. Accordingly, it is recommended that the trend of the realization of deferred tax assets arising from temporary differences, and tax loss carry forwards should not be used as an indication of future net income.

At 12/31/2014 and 12/31/2013 there are no deferred tax assets and liabilities which have not been recognized.

Note 28 – Earnings per share

Basic and diluted earnings per share were computed as shown in the table below for the periods indicated. Basic earnings per share are computed by dividing the net income attributable to the stockholder of ITAÚ UNIBANCO HOLDING by the average number of shares for the period, and by excluding the number of shares purchased and held as treasury shares by the company. Diluted earnings per share are computed on a similar way, but with the adjustment made in the denominator when assuming the conversion of all shares that may be diluted.

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY – BASIC EARNINGS PER SHARE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Net income	21,555	16,424	12,634
Minimum non-cumulative dividend on preferred shares in accordance with our bylaws	(59)	(59)	(59)
Subtotal	21,496	16,365	12,575
Retained earnings to be distributed to common equity owners in an amount per share equal to the minimum dividend payable to preferred equity owners	(61)	(61)	(61)
Subtotal	21,435	16,304	12,514
Retained earnings to be distributed to common and preferred equity owners on a pro-rata basis			
To common equity owners	10,856	8,268	6,341
To preferred equity owners	10,579	8,036	6,173
Total net income available to common equity owners	10,917	8,329	6,402
Total net income available to preferred equity owners	10,638	8,095	6,232
Weighted average number of shares outstanding (Note 21a)			
Common shares	2,770,034,003	2,770,034,003	2,770,034,003
Preferred shares	2,699,460,382	2,692,213,780	2,696,697,363
Earnings per share – basic – R\$			
Common shares	3.94	3.01	2.31
Preferred shares	3.94	3.01	2.31

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY – DILUTED EARNINGS PER SHARE	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Total net income available to preferred equity owners	10,638	8,095	6,232
Dividend on preferred shares after dilution effects	49	33	22
Net income available to preferred equity owners considering preferred shares after the dilution effect	10,687	8,128	6,254
Total net income available to ordinary equity owners	10,917	8,329	6,402
Dividend on preferred shares after dilution effects	(49)	(33)	(22)
Net income available to ordinary equity owners considering preferred shares after the dilution effect	10,868	8,296	6,380
Adjusted weighted average of shares (Note 21a)			
Common shares	2,770,034,003	2,770,034,003	2,770,034,003
Preferred shares	2,724,080,698	2,713,733,080	2,715,295,033
Preferred shares	2,699,460,382	2,692,213,780	2,696,697,363
Incremental shares from stock options granted under our Stock Option Plan	24,620,316	21,519,300	18,597,670
Earnings per share – diluted – R\$			
Common shares	3.92	3.00	2.30
Preferred shares	3.92	3.00	2.30

Potential anti-dilution effects of shares under our stock option plan, which were excluded from the calculation of diluted earnings per share, totaled 5,885,956 preferred shares at 12/31/2014, 8,960,620 preferred shares at 12/31/2013 and 8,116,424 preferred shares at 12/31/2012.

Note 29 – Post-employment benefits

As prescribed in IAS 19 (R1), we present the policies of ITAÚ UNIBANCO HOLDING and its subsidiaries regarding employee benefits, as well as the accounting procedures adopted.

The total amounts recognized in Income for the Period and Stockholders' Equity – Other comprehensive income were as follows:

Total amounts recognized in Income for the period

	DEFINED BENEFIT				DEFINED CONTRIBUTION				OTHER BENEFITS				TOTAL			
	01/01 TO 12/31/2013	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2013	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2012 ⁽¹⁾	01/01 TO 12/31/2013	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾	01/01 TO 12/31/2012 ⁽²⁾
Cost of current service	(74)	(103)	(85)	(85)	-	-	-	-	-	-	-	(74)	(103)	(85)	(85)	(85)
Net interest	(32)	2	11	317	196	180	137	-	(14)	(12)	(11)	150	170	137	306	306
Effects on asset ceiling	-	-	-	(874)	-	-	(5)	-	-	-	-	-	-	-	-	(879)
Contribution	-	-	-	-	(133)	(136)	(146)	(146)	-	-	-	(133)	(136)	(146)	(146)	(146)
Benefits paid	-	-	-	-	-	-	-	9	7	6	6	9	7	6	6	6
Remeasurements	-	-	-	517	-	-	-	1,036	-	-	-	(23)	-	-	-	1,530
Total Amounts Recognized	(106)	(101)	(74)	(125)	63	44	(9)	885	(5)	(5)	(5)	(48)	(62)	(88)	732	732

(1) Corresponds to the amounts under IAS 19 (R1), stated for comparison purposes only, in accordance with IAS & not accounted for in the Financial Statements of December 31, 2012, and December 31, 2011, due to immateriality.

(2) In conformity with IAS 19, the activities up to 12/31/2012 passed through income, without impact on Stockholders' Equity – Other Comprehensive Income.

Total amounts recognized in Stockholders' Equity – Other comprehensive income

	DEFINED BENEFIT		DEFINED CONTRIBUTION		OTHER BENEFITS		TOTAL	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
At the beginning of the period	(354)	-	(286)	-	7	-	(633)	-
Effects on asset ceiling	(453)	1,036	77	43	-	-	(376)	1,079
Remeasurements	732	(1,390)	(12)	(329)	(15)	7	705	(1,712)
Total Amounts Recognized	(75)	(354)	(221)	(286)	(8)	7	(304)	(633)

a) Retirement plans

ITAÚ UNIBANCO HOLDING and some of its subsidiaries sponsor defined benefit plans, including variable contribution plans, whose basic purpose of which is to provide benefits that, in general, represent a life annuity benefit, and may be converted into survivorship annuities, according to the plan's regulation. They also sponsor defined contribution plans, the benefit of which is calculated based on the accumulated balance of individual accounts at the eligibility date, according to the plan's regulation, which does not require actuarial calculation, except as described in Note 29c.

Employees hired up to July 31, 2002, whom came from Itaú, and up to February 27, 2009, whom came from Unibanco, are beneficiaries of the above-mentioned plans. As regards the new employees hired after these dates, they have the option to voluntarily participate in a variable contribution plan (PGBL), managed by Itaú Vida e Previdência S.A.

Retirement plans are managed by closed-end private pension entities (EFPC), with independent legal structures, as detailed below:

ENTITY	BENEFIT PLAN
Fundação Itaúbanco – Previdência Complementar	Supplementary retirement plan – PAC ⁽¹⁾
	Franprev benefit plan – PBF ⁽¹⁾
	002 benefit plan – PB002 ⁽¹⁾
	Itaúlam basic plan – PBI ⁽¹⁾
	Itaúlam Supplementary Plan – PSI ⁽²⁾
	Itaúbanco Defined Contribution Plan ⁽³⁾
	Itaúbank Retirement Plan ⁽³⁾
	Itaú Defined Benefit Plan ⁽¹⁾
	Itaú Defined Contribution Plan ⁽²⁾
	Unibanco Pension Plan ⁽³⁾
Fundação Bemgeprev	Prebeg benefit plan ⁽¹⁾
	UBB PREV defined benefit plan ⁽¹⁾
	Supplementary Retirement Plan – Flexible Premium Annuity (ACMV) ⁽¹⁾
Funbep Fundo de Pensão Multipatrocinado	Funbep I Benefit Plan ⁽¹⁾
	Funbep II Benefit Plan ⁽²⁾
Múltipla – Multiempresas de Previdência Complementar	REDECARD Basic Retirement Plan ⁽¹⁾
	REDECARD Supplementary Retirement Plan ⁽²⁾
	REDECARD Supplementary Plan ⁽³⁾
UBB-PREV – Previdência Complementar	UBB PREV Defined Benefit Plan ⁽¹⁾
Banorte Fundação Manoel Baptista da Silva de Seguridade Social	Benefit Plan II ⁽¹⁾

(1) Defined benefit plan;

(2) Variable contribution plan;

(3) Defined contribution plan.

b) Governance

The closed-end private pension entities (EFPC) and the benefit plans they manage are regulated in conformity with the related specific legislation. The EFPC are managed by the Executive Board, Advisory Council and Fiscal Council, with some members appointed by the sponsors and others appointed as representatives of active and other participants, pursuant to the respective Entity's by laws. The main purpose of the EFPC is to pay benefits to eligible

participants, pursuant to the Plan Regulation, maintaining the plans assets invested separately and independently from ITAÚ UNIBANCO HOLDING.

c) Defined benefit plans

I – Main assumptions used in actuarial valuation of retirement plans

	12/31/2014	12/31/2013	12/31/2012
Discount rate ⁽¹⁾	10.24% a.a.	9.72% a.a.	8.16% a.a.
Mortality table ⁽²⁾	AT-2000	AT-2000	AT-2002
Turnover ⁽³⁾	Exp.Itaú 2008/2010	Exp.Itaú 2008/2010	Exp.Itaú 2008/2010
Future salary growth	7.12% a.a.	7.12% a.a.	7.12% a.a.
Growth of the pension fund and social security benefits	4.00% a.a.	4.00% a.a.	4.00% a.a.
Inflation	4.00% a.a.	4.00% a.a.	4.00% a.a.
Actuarial method ⁽⁴⁾	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit

(1) The adoption of this assumption is based on interest rates obtained from the actual interest curve in IPCA, for medium-term liabilities of retirement plans sponsored by ITAÚ UNIBANCO HOLDING CONSOLIDATED. At 12/31/2013 was adopted a consistent with the economic scenario at the balance sheet date rate, considering the volatility of the interest markets and the models adopted.

(2) The mortality tables adopted correspond to those disclosed by SOA – Society of Actuaries, the North-American entity which corresponds to IBA – Brazilian Institute of Actuarial Science, which reflects a 10.0% increase in the probabilities of survival compared to the respective basic tables. The life expectancy in years per the AT-2000 mortality table for participants of 55 years of age is 27 and 31 years for men and women, respectively.

(3) The turnover assumption is based on the effective experience of active participants linked to ITAÚ UNIBANCO HOLDING, resulting in the average of 2.4 % p.a. based on the 2008/2010 experience.

(4) Using the Projected Unit Credit method, the mathematical reserve is calculated as the current projected benefit amount multiplied by the ratio between the length of service at the assessment date and the length of service that will be reached at the date when the benefit is granted. The cost is determined taking into account the current projected benefit amount distributed over the years that each participant is employed.

Biometric/demographic assumptions adopted are consistent with the group of participants of each benefit plan, pursuant to the studies carried out by an independent external actuarial consulting company.

II – Risk Exposure – Through its defined benefit plans, ITAÚ UNIBANCO HOLDING is exposed to a number of risks, the most significant ones are:

- Volatility of Assets – The actuarial liability is calculated by adopting a discount rate defined on the income from securities issued by the Brazilian treasury (government securities). If the actual income from plan assets is lower than expected, this may give rise to a deficit. The plans have a significant percentage of fixed-income securities pegged to the plan commitments, aiming at minimizing volatility and the short and medium-term risk.

- Changes in Investment Income – A decrease in income from public securities will imply a decrease in discount rate and, therefore, will increase the actuarial liability. The effect will be partially offset by the recognition of these securities at market value.

- Inflation Risk – Most of the employee benefit plans are pegged to the inflation rates, and a higher inflation will lead to higher obligations. The effect will also be partially offset because a significant portion of the plan assets is pegged to government securities restated by the inflation rate.

- Life Expectancy – Most of the plan obligations are to provide life benefits and therefore a increase in life expectancy will result in increased plan liabilities.

III – Management of defined benefit plan assets

The general purpose of managing EFPCs funds is to search for a long-term balance between assets and obligations with payment of retirement benefits, by exceeding the actuarial targets (discount rate plus benefit adjustment index, established in the plan regulations).

Regarding the assets guaranteeing the actuarial liability reserves, management should ensure the payment capacity of retirement benefits in the long-term by avoiding the risk of mismatching assets and liabilities in each pension plan.

The allocation of plan assets and the allocation target by type of asset are as follows:

TYPES	FAIR VALUE			% ALLOCATION			
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012	2015 TARGET
Fixed income securities	12,250	11,251	13,736	91.16%	89.92%	91.14%	53% to 100%
Variable income securities	641	709	763	4.77%	5.67%	5.06%	0% to 20%
Structured investments	22	18	16	0.17%	0.14%	0.11%	0% to 10%
Real estate	488	508	532	3.63%	4.06%	3.53%	0% to 7%
Loans to participants	37	26	25	0.27%	0.21%	0.17%	0% to 5%
Total	13,438	12,512	15,072	100.00%	100.00%	100.00%	

The defined benefit plan assets include shares of ITAÚ UNIBANCO HOLDING, its main parent company (ITAÚSA) and of subsidiaries of the latter, with a fair value of R\$ 554 (R\$ 596 at 12/31/2013 and R\$ 589 at 12/31/2012), and real estate rented to Group companies, with a fair value of R\$ 455 (R\$ 474 at 12/31/2013 and R\$ 498 at 12/31/2012).

Fair Value

The fair value of the plan assets is adjusted up to the report date, as follows

Fixed-Income Securities and Structured Investments –

accounted for at market value, considering the average trading price on the calculation date, net realizable value obtained upon the technical addition of pricing, considering, at least, the payment terms and maturity, credit risk and the indexing unit.

Variable income securities – accounted for at market value, being so understood the share average quotation at the last day of the month or at the closest date on the stock exchange on which the share has posted the highest liquidity rate.

Real Estate – stated at acquisition or construction cost, adjusted to market value upon reappraisals made in 2012, supported by technical appraisal reports. Depreciation is calculated under the straight line method, considering the useful life of the real estate.

Loans to participants – adjusted up to the report date, in compliance with the respective agreements.

Fund Allocation Target

The fund allocation target is based on Investment Policies that are currently revised and approved by the Advisory Council of each EFPC, considering a five-year period, which establishes guidelines for investing funds guaranteeing Actuarial Liability and for classifying securities.

IV – Net amount recognized in the balance sheet

Following is the calculation of the net amount recognized in the balance sheet, corresponding to the defined benefit plan:

	12/31/2014	12/31/2013	12/31/2012
1- Net assets of the plans	13,438	12,512	15,072
2- Actuarial liabilities	(11,695)	(11,577)	(12,906)
3- Surplus (1-2)	1,743	935	2,166
4- Asset ceiling ^(*)	(1,847)	(1,293)	(2,137)
5- Net amount recognized in the balance sheet (3-4)	(104)	(358)	29
Amount recognized in assets (Note 20a)	242	222	487
Amount recognized in liabilities (Note 20b)	(346)	(580)	(458)

(*) Corresponds to the excess of the present value of the available economic benefit, in conformity with paragraph 58 of IAS 19.

V – Change in the net amount recognized in the balance sheet:

	12/31/2014				
	PLAN NET ASSETS	DEFINED BENEFIT OBLIGATION	SURPLUS	ASSET CEILING	RECOGNIZED AMOUNT
Value beginning of the period	12,512	(11,577)	935	(1,293)	(358)
Cost of current service	-	(74)	(74)	-	(74)
Net interest ⁽¹⁾	1,178	(1,087)	91	(123)	(32)
Benefits paid	(780)	780	-	-	-
Contributions of sponsors	81	-	81	-	81
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(453)	(453)
Remeasurements ^{(2) (3)}	432	263	695	22	717
Value end of the period	13,438	(11,695)	1,743	(1,847)	(104)

	12/31/2013				
	PLAN NET ASSETS	DEFINED BENEFIT OBLIGATION	SURPLUS	ASSET CEILING	RECOGNIZED AMOUNT
Value beginning of the period	15,072	(12,906)	2,166	(2,137)	29
Cost of current service	-	(103)	(103)	-	(103)
Net interest ⁽¹⁾	1,202	(1,025)	177	(175)	2
Benefits paid	(739)	739	-	-	-
Contributions of sponsors	68	-	68	-	68
Contributions of participants	16	-	16	-	16
Effects on asset ceiling	-	-	-	1,036	1,036
Remeasurements ^{(2) (3)}	(3,107)	1,718	(1,389)	(17)	(1,406)
Value end of the period	12,512	(11,577)	935	(1,293)	(358)

	12/31/2012				
	PLAN NET ASSETS	DEFINED BENEFIT OBLIGATION	SURPLUS	ASSET CEILING	RECOGNIZED AMOUNT
Value beginning of the period	11,773	(10,413)	1,360	(1,263)	97
Cost of current service	-	(85)	(85)	-	(85)
Net interest ⁽¹⁾	1,118	(985)	133	(122)	11
Benefits paid	(671)	671	-	-	-
Contributions of sponsors	57	-	57	-	57
Contributions of participants	15	-	15	-	15
Effects on asset ceiling	-	-	-	(874)	(874)
Remeasurements ^{(2) (3)}	2,780	(2,094)	686	122	808
Value end of the period	15,072	(12,906)	2,166	(2,137)	29

(1) Corresponds to the amount calculated on 01/01/2014 based on the beginning amount (Net Assets, Actuarial Liabilities and Restriction of Assets), taking into account the estimated amount of payments/receipts of benefits/contributions, multiplied by the discount rate of 9.72% p.a. (At 01/01/2013 used by the discount rate of 8.16% p.a.).

(2) Remeasurements recorded in net assets and asset ceiling correspond to the income earned above/below the expected return rate.

(3) The actual return on assets amounted to R\$ 1,611 (R\$ (1,905) at 12/31/2013 and R\$ 3,898 at 12/31/2012).

During the period, the contributions made totaled R\$ 81 (R\$ 68 from 01/01 to 12/31/2013 and R\$ 57 from 01/01 to 12/31/2012). The contribution rate increases based on the beneficiary's salary.

In 2014, contribution to the retirement plans sponsored by ITAÚ UNIBANCO HOLDING is expected to amount to R\$ 58.

The estimate for payment of benefits for the next 10 years is as follows:

PERIOD	PAYMENT ESTIMATE
2015	845
2016	867
2017	889
2018	915
2019	942
2020 to 2024	4,812

VI – Sensitivity of defined benefit obligation

The impact, due to the change in the assumption – discount rate by 0.5%, which would be recognized in Actuarial liabilities of the plans, as well as in Stockholders' Equity – Other Comprehensive Income of the sponsor (before taxes) would amount to:

CHANGE IN ASSUMPTION	EFFECT ON ACTUARIAL LIABILITY		EFFECT WHICH WOULD BE RECOGNIZED IN STOCKHOLDERS' EQUITY ^(*)	
	VALUE	PERCENTAGE OF ACTUARIAL LIABILITIES	VALUE	VALUE
- Decrease by 0.5%	668	5.73%	(315)	
- Increase by 0.5%	(578)	(5.22%)	331	

^(*) Net of effects of asset ceiling.

d) Defined contribution plans

The defined contribution plans have assets relating to sponsors' contributions not yet included in the participant's account balance due to loss of eligibility to a plan benefit, as well as resources from the migration from the defined benefit plans. The fund will be used for future contributions to the individual participants' accounts, according to the rules of the respective benefit plan regulation.

I – Change in the net amount recognized in the Balance sheet:

	12/31/2014			12/31/2013			12/31/2012		
	PENSION PLAN FUND	ASSET CEILING	RECOGNIZED AMOUNT	PENSION PLAN FUND	ASSET CEILING	RECOGNIZED AMOUNT	PENSION PLAN FUND	ASSET CEILING	RECOGNIZED AMOUNT
Amount – beginning of the period	2,361	(275)	2,086	2,646	(318)	2,328	1,756	(313)	1,443
Net interest	223	(27)	196	206	(26)	180	167	(30)	137
Contribution	(133)	-	(133)	(136)	-	(136)	(146)	-	(146)
Effects on asset ceiling	-	77	77	-	43	43	-	(5)	(5)
Remeasurements	(13)	1	(12)	(355)	26	(329)	869	30	899
Amount – end of the period (Note 20a)	2,438	(224)	2,214	2,361	(275)	2,086	2,646	(318)	2,328

During the period, the contributions to the defined contribution plans, including PGBL, totaled R\$ 190 (R\$ 183 from 01/01 at 12/31/2013 and R\$ 196 from 01/01 to 12/31/2012), of which R\$ 133 (R\$ 136 from 01/01 at 12/31/2013 and R\$ 146 from 01/01 to 12/31/2012) were pension funds.

e) Other post-employment benefits

ITAÚ UNIBANCO HOLDING and its subsidiaries do not offer other post-employment benefits, except in those cases arising from obligations under acquisition agreements signed by ITAÚ UNIBANCO HOLDING, as well as in relation to the benefits granted due to a judicial sentence, in accordance with the terms and conditions established, in which health plans are totally or partially sponsored for specific groups of former workers and beneficiaries.

Based on the report prepared by an independent actuary, the changes in obligations for these other projected benefits and the amounts recognized in the balance sheet, under liabilities, of ITAÚ UNIBANCO HOLDING are as follows:

I – Change in the net amount recognized in the balance sheet:

	12/31/2014	12/31/2013	12/31/2012
At the beginning of the period	(146)	(148)	(120)
Interest cost	(14)	(12)	(11)
Benefits paid	9	7	6
Remeasurements	(19)	7	(23)
At the end of the period (Note 20b)	(170)	(146)	(148)

The estimate for payment of benefits for the next 10 years is as follows:

PERIOD	PAYMENT ESTIMATE
2015	9
2016	10
2017	11
2018	11
2019	12
2020 to 2024	73

II – Assumptions and sensitivity – medical care cost

For calculation of projected benefits obligations in addition to the assumptions used for the defined benefit plans (Note 29c I), an 9.72% p.a. increase in medical costs assumption is assumed.

Assumptions about medical care cost trends have a significant impact on the amounts recognized in income. A change of one percentage point in the medical care cost rates would have the following effects:

RECOGNITION		1.0% INCREASE	1.0% DECREASE
Service cost and interest cost	Income	2	(2)
Present value of obligation	Other comprehensive income	21	(18)

Note 30 – Insurance contracts

a) Insurance contracts

ITAÚ UNIBANCO HOLDING, through its subsidiaries, offers to the market Insurance and private pension products, with the purpose of assuming risks and restoring the economic balance of the assets of the policyholder if damaged. Products are offered through insurance brokers (third parties operating in the market and its own brokers), Itaú Unibanco branches and electronic channels, according to their characteristics and regulatory requirements.

b) Main products

I. Insurance

The contract entered into between the parties aims at guaranteeing the protection of the client's assets. Upon payment of a premium, the policyholder is protected through previously-agreed replacement or indemnification clauses for damages. ITAÚ UNIBANCO HOLDING insurance companies then recognize technical reserves administered by themselves, through specialized areas within the conglomerate, with the objective of indemnifying the policyholder's loss in the event of claims of insured risks.

The insurance risks sold by insurance companies of ITAÚ UNIBANCO HOLDING are divided into property and casualty, that covers losses, damages or liabilities for assets or persons, and life insurance, that includes coverage for death and personal accidents.

MAIN INSURANCE LINES	LOSS RATIO %		SALES RATIO %	
	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2014	01/01 TO 12/31/2013
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	87.1	87.5	1.4	1.4
Petroleum risks	77.2	12.2	11.8	16.6
Specified and all risks	57.8	41.3	4.1	2.5
Group life	52.9	49.5	13.9	11.6
Commercial multiple peril	46.2	54.8	17.5	14.6
Individual accident	17.8	19.3	10.6	10.2
Extended warranty – assets	16.8	17.1	64.0	63.9
Credit life	14.8	16.7	21.1	20.6
Serious or terminal diseases	13.6	10.2	10.7	10.5
Group accident insurance	7.0	7.1	39.0	35.8
Multiple risks	5.2	4.0	57.3	56.6

II. Private pension

Developed as a solution to ensure the maintenance of the quality of life of participants, as a supplement to the government plans, through long-term investments, private pension products are divided into three major groups:

- **PGBL – Plan Generator of Benefits:** The main objective of this plan is the accumulation of financial resources, but it can be purchased with additional risk coverage. Recommended for clients that file the full version of income tax return (rather than the simplified version), because they can deduct contributions paid for tax purposes up to 12.0% of the annual taxable gross income.

- **VGBL – Redeemable Life Insurance:** This is an insurance structured as a pension plan. Its taxation differs from the PGBL; in this case, the tax basis is the earned income.

- **FGB – Fund Generator of Benefits:** This is a pension plan with minimum income guarantee, and possibility of receiving earnings from asset performance. Once recognized the distribution of earnings at a certain percentage, as established by the FGB policy, it is not at management's discretion, but instead represents an obligation to ITAÚ UNIBANCO HOLDING. Although there are plans still in existence, they are no longer sold.

III – Income from insurance and private pension

The revenue from the main insurance and private pension products is as follows:

	PREMIUMS AND CONTRIBUTIONS DIRECT ISSUED			REINSURANCE		RETAINED PREMIUMS AND CONTRIBUTIONS			
	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
VGBL	13,532	13,675	15,890	-	-	-	13,532	13,675	15,890
PGBL	1,665	1,532	1,554	-	-	-	1,665	1,532	1,554
Group life	1,414	1,392	1,299	(28)	(25)	(41)	1,386	1,367	1,258
Warranty extension - assets	1,202	1,293	1,368	-	-	-	1,202	1,293	1,368
Credit life	802	726	460	-	-	(2)	802	726	458
Group accident insurance	796	698	642	(2)	(2)	-	794	696	642
Specified and all risks	501	606	479	(393)	(487)	(361)	108	119	118
Petroleum risks	284	471	282	(252)	(408)	(237)	32	63	45
Mandatory insurance for personal injury caused by motor vehicles (DPVAT)	243	366	404	-	-	-	243	366	404
Multiple risks	223	231	221	(53)	(69)	(54)	170	162	167
Individual accident	186	155	104	(2)	(3)	(2)	184	152	102
Traditional	174	180	278	-	-	-	174	180	278
Serious or terminal diseases	159	139	130	(1)	(1)	-	158	138	130
Commercial multiple peril	139	199	204	(25)	(45)	(49)	114	154	155
Other lines	1,477	1,664	1,433	(275)	(483)	(420)	1,202	1,181	1,013
Total	22,797	23,327	24,748	(1,031)	(1,523)	(1,166)	21,766	21,804	23,582

c) Technical reserves for insurance and private pension

The technical provisions of insurance and pension plan are recognized according to the technical notes approved by SUSEP and criteria established by current legislation.

I. Insurance and private pension:

- **Provision for unearned premiums** – it is recognized, based on insurance premiums, for the coverage of amounts payable related to claims and expenses to be incurred, throughout the terms to be elapsed, in connection with the risks assumed at the calculation base date. The calculation is performed on the level of policies or endorsement of agreements in force, under the *pro rata-die* criterion. The provision includes an estimate for effective and not issued risks (PPNG-RVNE).
- **Provision for unsettled claims** – it is recognized for the coverage of amounts payable related to lump-sum payments and income overdue of claims reported up to the calculation base date, but not paid yet. The provision covers administrative and legal claims, gross of accepted coinsurance operations and reinsurance operations and net of ceded coinsurance operations. The provision should include, whenever required, IBNER (claims incurred but not sufficiently reported) for the aggregate development of claims reported but not paid, which amounts may be changed throughout the process up to the final settlement.
- **Provision for claims incurred and not reported – IBNR** – it is recognized for the coverage of expected unsettled amounts related to claims incurred but not reported up to the calculation base date, gross of accepted coinsurance operations and reinsurance operations, and net of ceded coinsurance operations.
- **Mathematical provisions for benefits to be granted** – it is recognized for the coverage of commitments assumed with

participants or insured, based on the assumptions established in the agreement, while the triggering event of the benefit and/or indemnity does not occur. The provision is calculated in accordance with methodologies approved in the technical actuarial note of the product.

- **Mathematical provisions for granted benefits** – it is recognized after the event triggering the benefit occurs, for coverage of the commitments assumed with the participants or insured, based on the assumptions established in the agreement. The provision is calculated in accordance with methodologies approved in the technical actuarial note of the plan or product.
- **Provision for financial surplus** – it is recognized to ensure the amounts intended for distribution of financial surplus, in accordance with regulation in force, in the event it is stated in the agreement. Corresponds to the financial income exceeding the minimum return guaranteed in the product.
- **Other technical provisions** – it is recognized when insufficiency of premiums or contributions are identified related to payments of claims, benefits and indemnities.
- **Provision for redemptions and other amounts to regularize** – it comprises the amounts related to redemptions to regularize, returns of premiums or funds, portability requested but, for any reason, not yet transferred to the insurance company or open private pension entity beneficiary, and premiums received but not quoted.
- **Provision for related expenses** – It is recognized for the coverage of expected amounts related to expenses with claims, benefits and indemnities, due to events incurred and to be incurred.

II. Change in reserves for insurance and private pension

The details about the changes in balances of reserves for insurance and private pension operations are as follows:

II.I – Change in technical provisions

	12/31/2014				12/31/2013			
	PROPERTY, INDIVIDUALS AND LIFE INSURANCE	PRIVATE PENSION	LIFE WITH SURVIVOR BENEFITS	TOTAL	PROPERTY, INDIVIDUALS AND LIFE INSURANCE	PRIVATE PENSION	LIFE WITH SURVIVOR BENEFITS	TOTAL
Opening balance	10,275	25,252	63,496	99,023	9,120	23,729	57,469	90,318
(+) Additions arising from premiums / contribution	7,267	2,034	13,541	22,842	7,810	1,849	13,585	23,244
(-) Deferral of risk	(7,154)	(192)	-	(7,346)	(7,226)	(147)	-	(7,373)
(-) Payment of claims / benefits	(2,395)	(204)	(10)	(2,609)	(2,341)	(141)	(13)	(2,495)
(+) Reported claims	2,219	-	-	2,219	2,523	-	-	2,523
(-) Redemptions	(1)	(1,249)	(7,929)	(9,179)	(2)	(1,129)	(9,479)	(10,610)
(+/-) Net portability	-	266	347	613	-	(20)	(152)	(172)
(+) Adjustment of reserves and financial surplus	7	2,249	6,319	8,575	3	1,103	2,103	3,209
(+/-) Business development (Notes 3e and i)	(4,402)	-	-	(4,402)	-	-	-	-
(+/-) Other (recognition/reversal)	56	72	(86)	42	388	8	(17)	379
Reserves for insurance and private pension	5,872	28,228	75,678	109,778	10,275	25,252	63,496	99,023

II.II – Technical provisions balances

	INSURANCE		PRIVATE PENSION		TOTAL	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Unearned premiums	4,015	5,274	12	10	4,027	5,284
Mathematical reserve for benefits to be granted and benefits granted	13	19	102,311	87,239	102,324	87,258
Redemptions and Other Unsettled Amounts	21	20	168	139	189	159
Financial surplus	1	1	519	490	520	491
Unsettled claims ⁽¹⁾	760	3,631	15	19	775	3,650
IBNR	635	799	19	12	654	811
Administrative and Related Expenses	42	188	70	46	112	234
Other	385	343	792	793	1,177	1,136
Total ⁽²⁾	5,872	10,275	103,906	88,748	109,778	99,023

(1) The provision for unsettled claims and IBNR is detailed in Note 30e.

(2) This table covers the amendments established by Susep Circular No. 462, of 03/01/2013, also for comparison purposes.

d) Deferred selling expenses

Deferred acquisition costs of insurance are direct and indirect costs incurred to sell, underwrite and originate a new insurance contract.

Direct costs are basically commissions paid for brokerage services, agency and prospecting efforts and are deferred for amortization in proportion to the recognition of revenue from earned premiums, that is, over the coverage period, for the term of effectiveness of contracts, according to the calculation rules in force.

Balances are recorded under gross reinsurance assets and changes are shown in the table below:

Balance at 01/01/2014	2,205
Increase	1,747
Amortization	(2,263)
Corporate reorganizations	31
Sale of Major Risk Portfolio	(73)
Balance at 12/31/2014	1,647
Balance to be amortized in up to 12 months	972
Balance to be amortized after 12 months	675

Balance at 01/01/2013	2,231
Increase	15
Amortization	(37)
Impairment	(4)
Balance at 12/31/2013	2,205
Balance to be amortized in up to 12 months	983
Balance to be amortized after 12 months	1,222

The amounts of deferred selling expenses from reinsurance are stated in Note 30I.

e) Table of loss development

Changes in the amount of obligations of the ITAÚ UNIBANCO HOLDING may occur at the end of each annual reporting period. The table below shows the development by the claims incurred method. The first part of the table shows how the final loss estimate changes through time. The second part of the table reconciles the amounts pending payment and the liability disclosed in the balance sheet.

I – Gross of reinsurance

Reserve for unsettled claims^(*)	775
(-) DPVAT operations	148
(-) IBNER (claims incurred but not sufficiently reported)	126
(-) Retrocession and other estimates	3
Liability claims presented in the development table (Ia + Ib)	498

(*) Provision for unsettled claims stated in Note 30c II.II of 12/31/2014.

Ia – Administratives claims – gross of reinsurance

OCCURRENCE DATE	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	TOTAL
At the end of reporting period	965	931	1,065	1,144	1,187	
After 1 year	931	937	1,058	1,221	-	
After 2 years	934	938	1,063	-	-	
After 3 years	937	940	-	-	-	
After 4 years	938	-	-	-	-	
Current estimate	938	940	1,063	1,221	1,187	
Accumulated payments through base date	934	931	1,057	1,210	973	5,105
Liabilities recognized in the balance sheet	4	9	6	11	214	244
Liabilities in relation to prior years						16
Total administratives claims included in balance sheet						260

Ib – Judicial claims – gross of reinsurance

OCCURRENCE DATE	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	TOTAL
At the end of reporting period	19	26	47	23	22	
After 1 year	33	52	54	47	-	
After 2 years	45	59	63	-	-	
After 3 years	50	66	-	-	-	
After 4 years	54	-	-	-	-	
Current estimate	54	66	63	47	22	
Accumulated payments through base date	33	36	43	31	10	153
Liabilities recognized in the balance sheet	21	30	20	16	12	99
Liabilities in relation to prior years						139
Total judicial claims included in balance sheet						238

II – Net of reinsurance

Reserve for unsettled claims ⁽¹⁾	775
(-) DPVAT operations	148
(-) IBNER	126
(-) Reinsurance ⁽²⁾	27
(-) Retrocession and other estimates	3
Liability claims presented in the development table (IIa + IIb)	471

(1) Provision refers to provision for unsettled claims stated in Note 30c II.III of 12/31/2014.

(2) Reinsurance operations stated in Note 30I III of 12/31/2014.

IIa – Administratives claims – net of reinsurance

OCCURRENCE DATE	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	TOTAL
At the end of reporting period	949	917	1,022	1,112	1,165	
After 1 year	915	917	1,012	1,188	-	
After 2 years	922	918	1,017	-	-	
After 3 years	925	920	-	-	-	
After 4 years	925	-	-	-	-	
Current estimate	925	920	1,017	1,188	1,165	
Accumulated payments through base date	921	914	1,011	1,177	956	4,979
Liabilities recognized in the balance sheet	4	6	6	11	209	236
Liabilities in relation to prior years						9
Total administratives claims included in balance sheet						245

IIb – Judicial claims – net of reinsurance

OCCURRENCE DATE	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	TOTAL
At the end of reporting period	19	26	46	23	22	
After 1 year	32	51	53	47	-	
After 2 years	45	58	62	-	-	
After 3 years	50	65	-	-	-	
After 4 years	53	-	-	-	-	
Current estimate	53	65	62	47	22	
Accumulated payments through base date	32	36	43	31	10	152
Liabilities recognized in the balance sheet	21	29	19	16	12	97
Liabilities in relation to prior years						129
Total judicial claims included in balance sheet						226

In the breakdown of the table on change of claims, historic claims were excluded from major risk insurance operations, as informed in Note 3i.

The breakdown of the table development of claims between administrative and legal evidences the reallocation of claims up to a certain base date and that become legal ones afterwards, which may give the wrong impression of need for adjusting the provisions in each breakdown.

f) Liability adequacy test

As established in IFRS 4 – “Insurance contracts”, an insurance company must carry out the Liability Adequacy Test, comparing the amount recognized for its technical reserves with the current estimate of cash flow of its future obligations. The estimate should consider all cash flows related to the business, which is the minimum requirement for carrying out the adequacy test.

The Liability adequacy test did not show any deficiency in this period.

The assumptions used in the test are periodically reviewed and are based on the best practices and the analysis of subsidiaries’ experience, therefore representing the best estimates for cash flow projections.

Methodology and Test Grouping

The methodology for testing all products is based on the projection of cash flows. Specifically for insurance products, cash flows were projected using the method known as run-off triangle of quarterly frequency. Cash flows for the deferral and the assignment phases are tested on a separate basis for social security products.

The risk grouping criteria are Insurance plans consider groups subject to similar risks jointly managed as a single portfolio.

Biometric Tables

Biometric tables are instruments to measure the biometric risk represented by the probability of death, survival or disability of a participant.

For death and survival estimates biometric tables broken down by gender are used, adjusted according to life expectancy development (improvement), and the Álvaro Vindas table is adopted to estimate benefit requests for disability.

Risk-free Interest Rate

The relevant risk-free forward interest-rate structure is an indicator of the pure time value of money used to price the set of projected cash flows.

The relevant structure of risk-free interest rate was obtained from the curve of securities deemed to be credit risk free, available in the Brazilian financial market and determined pursuant to an internal policy of ITAÚ UNIBANCO HOLDING, considering the addition of spread, which took into account the impact of the market result of held-to-maturity securities of the guarantee assets portfolio.

Income conversion rate

The income conversion rate represents the expected conversion of balances accumulated by participants in retirement benefits. The decision of conversion into income by participants is influenced by behavioral, economic and tax factors.

Other Assumptions

Related expenses, cancellations and partial redemptions, future increases and contributions, among others, are assumptions that affect the estimate of projected cash flows since they represent expenses and income arising from insurance agreements assumed.

g) Insurance risk – effect of changes on actuarial assumptions

Property insurance is a short-lived insurance, and the main actuarial assumptions involved in the management and pricing of the associated risks are claims frequency and severity. Volatility above the expected number of claims and/or amount of claim indemnities may result in unexpected losses.

Life insurance and pension plans are, in general, medium or long-lived products and the main risks involved in the business may be classified as biometric risk, financial risk and behavioral risk.

Biometric risk relates to: i) more than expected increase in life expectancies for products with survivorship coverage (mostly

pension plans); ii) more than expected decrease in mortality rates for products with survivorship coverage (mostly life insurance).

Products offering financial guarantee predetermined under contract involve financial risk inherent in the underwriting risk, with such risk being considered insurance risk.

Behavioral risk relates to a more than expected increase in the rates of conversion into annuity income, resulting in increased payments of retirement benefits.

The estimated actuarial assumptions are based on the historical evaluation of ITAÚ UNIBANCO HOLDING, on benchmarks and the experience of the actuaries.

To measure the effects of changes in the key actuarial assumptions, sensitivity tests were conducted in the amounts of current estimates of future liability cash flows. The sensitivity analysis considers a vision of the impacts caused by changes in assumptions, which could affect the income for the period and stockholders' equity at the balance sheet date. This type of analysis is usually conducted under the *ceteris paribus* condition, in which the sensitivity of a system is measured when one variable of interest is changed and all the others remain unchanged. The results obtained are shown in the table below:

The sensitivity analysis considers a vision of the impacts caused by changes in assumptions, which could affect the income for the period and stockholders' equity at the balance sheet date. Results were as follows:

SENSITIVITY ANALYSIS	IMPACT IN RESULTS AND STOCKHOLDERS' EQUITY ⁽¹⁾			IMPACT IN RESULTS AND STOCKHOLDERS' EQUITY ⁽¹⁾		
	12/31/2014			12/31/2013		
	SUPPLEMENTARY RETIREMENT PLANS AND LIFE WITH LIVING BENEFITS	INSURANCE GROSS OF REINSURANCE	NET OF REINSURANCE	SUPPLEMENTARY RETIREMENT PLANS AND LIFE WITH LIVING BENEFITS	INSURANCE GROSS OF REINSURANCE	NET OF REINSURANCE
5.0% increase in mortality rates	3	(5)	(5)	2	(5)	(5)
5.0% decrease in mortality rates	(3)	5	5	(2)	5	5
0.1% increase in risk-free interest rates	30	7	7	27	10	7
0.1% decrease in risk-free interest rates	(31)	(7)	(7)	(27)	(10)	(7)
5.0% increase in conversion in income rates	(11)	-	-	(9)	-	-
5.0% decrease in conversion in income rates	11	-	-	9	-	-
5.0% increase in claims	-	(62)	(59)	-	(180)	(88)
5.0% decrease in claims	-	62	59	-	180	89

(1) Amounts net of tax effects.

h) Risks of insurance and private pension

ITAÚ UNIBANCO HOLDING has specific committees to define the management of funds from the technical reserves for insurance and private pension, issue guidelines for managing these funds with the objective of achieving long-term return, and define evaluation models, risk limits and strategies on allocation of funds to defined financial assets. Such committees are comprised not only of executives and those directly responsible for the business management process, but also for an equal number of professionals that head up or coordinate the commercial and financial areas.

Large risks products are distributed by brokers. In the case of the extended warranty product, this is marketed by the retail company that sells the product to consumer. The DPVAT production results from the participation that the insurance companies of ITAÚ UNIBANCO HOLDING have in the Leading Insurance Company of the DPVAT consortium.

There is no product concentration in relation to insurance premiums, reducing the concentration risk of products and distribution channels. For large risks products, the strategy of lower retention is adopted, in accordance with certain lines shown below:

	01/01 TO 12/31/2014			01/01 TO 12/31/2013			01/01 TO 12/31/2012		
	INSURANCE PREMIUMS	RETAINED PREMIUM	RETENTION (%)	INSURANCE PREMIUMS	RETAINED PREMIUM	RETENTION (%)	INSURANCE PREMIUMS	RETAINED PREMIUM	RETENTION (%)
Property and casualty									
Extended warranty	1,202	1,202	100.00	1,293	1,293	100.00	1,368	1,368	100.00
Credit life	802	802	100.00	726	726	100.00	460	458	99.60
Mandatory personal injury caused by motor vehicle (DPVAT)	243	243	100.00	366	366	100.00	404	404	100.00
Individuals									
Group life	1,414	1,386	98.20	1,392	1,367	98.20	1,299	1,258	96.80
Group accident insurance	796	794	99.80	698	696	99.70	642	642	100.00
Individual accident	186	184	98.90	155	152	98.10	104	102	98.10
Large risks									
Specified and operational risks	501	108	21.60	606	119	19.60	479	118	24.60
Petroleum risks	284	32	11.30	471	63	13.40	282	45	16.00
Engineering	46	8	17.40	120	16	13.30	104	16	15.40

i) Insurance, pension plan and capitalization management structure

The products that make up the portfolios of ITAÚ UNIBANCO HOLDING's insurance companies are related to the life insurance and elementary, pension plan and capitalization lines. Therefore, we understand that the major risks inherent in these products are as follows:

- Subscription risk is the possibility of losses arising from operations of insurance, pension plan and capitalization that go against the organization's expectations, directly or indirectly associated with the technical and actuarial bases adopted to calculate premiums, contributions and provisions.
- Market risk is the possibility of incurring losses due to fluctuations in the market values of assets and liabilities comprising the actuarial technical reserves,
- Credit risk is the possibility of a certain debtor failing to meet any obligations in connection with the settlement of operations involving the trade of financial assets or reinsurance;
- Operational risk is the possibility of incurring losses arising from the failure, deficiency or inadequacy or internal processes, personnel and systems, or external events impacting the achievement of strategic, tactical or operational purposes of the insurance, pension plan and capitalization operations;
- Liquidity risk in insurance operations is the possibility of the institution's failure to timely meet its obligations with insured and pension plan beneficiaries in view of lack of liquidity of the assets comprising the actuarial technical reserves.

j) Duties and responsibilities

In line with good national and international practices and to ensure that the risks arising from insurance, pension plan and capitalization products are properly identified, measured, assessed, reported and approved in proper bodies, the ITAÚ UNIBANCO HOLDING has a risk management structure which guidelines are established in an internal policy, approved by its Board of Directors, applicable to the companies and subsidiaries exposed to insurance, pension plan and capitalization risks in Brazil and abroad.

The process of managing insurance, pension plan and capitalization risks is based on responsibilities established and distributed between control and business areas, ensuring independence between them.

Also, as part of the risk management process, there is a structure of panels where, decisions may be escalated to superior committees, ensuring compliance with a number of internal and regulatory requirements, as well as balanced decisions regarding risks.

Management works together with the investment manager to ensure that assets backing long-term products, with guaranteed minimum returns, are managed according to the characteristics of liabilities aiming at actuarial balance and long-term solvency.

A detailed mapping of the liabilities of long-term products that result in payment flows of projected future benefits is performed annually. This mapping is prepared based on actuarial assumptions.

The investment manager, having this information, uses Asset Liability Management models to find the best asset portfolio composition that enables the outweighing of risks entailed in this type of product, considering its long-term economic and financial feasibility. The portfolio of backing assets is periodically rebalanced based on the fluctuations in market prices of assets, liquidity needs, and changes in characteristics of liabilities.

k) Market, credit and liquidity risk

Market risk

Market risk is analyzed, in relation to insurance operations, based on the following metrics and sensitivity and loss control measures: Value at Risk (*VaR*), Losses in Stress Scenarios (Stress Test), Sensitivity (*DV01 – Delta Variation Risk*) and Concentration. For a detailed description of metrics, see Note 36 – Market risk. In the table, the sensitivity analysis (*DV 01 – Delta Variation*) is presented in relation to insurance operations that demonstrate the impact on the cash flows market value when submitted to a 1 annual

basis point increase in the current interest rates or index rate and 1 percentage point in the share price and currency.

(R\$ million)

CLASS	12/31/2014		12/31/2013	
	ACCOUNT BALANCE	DV01	ACCOUNT BALANCE	DV01
Government securities				
NTN-C	4,299	(3.39)	4,114	(3.47)
NTN-B	1,950	(2.17)	1,719	(1.92)
NTN-F	-	-	7	-
LTN	0	(0.00)	-	-
Private securities				
Indexed to IGPM	-	-	14	(0.00)
Indexed to IPCA	337	(0.22)	309	(0.22)
Indexed to PRE	64	(0.01)	14	(0.00)
Shares	2	0.02	39	0.39
Floating assets	8,177	-	7,301	-
Under agreements to resell	7,746	-	7,567	-

Liquidity Risk

Liquidity risk is the risk that ITAÚ UNIBANCO HOLDING may have insufficient net funds available to honor its current obligations at a given moment. The liquidity risk is managed, for insurance operation, continuously based on the monitoring of payment flows related to its liabilities vis a vis the inflows generated by its operations and financial assets portfolio.

Financial assets are managed in order to optimize the risk-return ratio of investments, considering, on a careful basis, the characteristics of their liabilities. The risk integrated control considers the concentration limits by issuer and credit risk, sensitivities and market risk limits and control over asset liquidity risk. Thus, investments are concentrated in government and private securities with good credit quality in active and liquid markets, keeping a considerable amount invested in short-term assets, available on demand, to cover regular needs and any liquidity contingencies. Additionally, ITAÚ UNIBANCO HOLDING constantly monitors the solvency conditions of its insurance operations.

LIABILITIES		ASSETS		12/31/2014			12/31/2013		
Insurance operations	Backing asset	Liabilities amounts ⁽¹⁾	Liabilities DU ⁽²⁾	Assets DU ⁽²⁾	Liabilities amounts ⁽¹⁾	Liabilities DU ⁽²⁾	Assets DU ⁽²⁾		
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	4,014	15.77	12.05	5,272	17.96	2.40		
IBNR, PDR e PSL	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	1,435	15.76	14.90	4,616	17.15	7.18		
Other provisions	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	388	108.69	21.80	345	118.25	24.97		
Subtotal	Subtotal	5,837			10,233				
Pension plan, VGBL and individual life operations									
Related expenses	LFT, repurchase agreements, NTN-B, CDB, LF and debentures	70	91.97	94.12	46	95.58	173.97		
Unearned premiums	LFT, repurchase agreements, NTN-B, CDB and debentures	14	-	12.18	11	-	1.93		
Unsettled claims	LFT, repurchase agreements, NTN-B, CDB and debentures	17	-	12.16	21	-	1.93		
IBNR	LFT, repurchase agreements, NTN-B, CDB and debentures	20	12.07	12.18	13	9.83	1.92		
Redemptions and Other Unsettled Amounts	LFT, repurchase agreements, NTN-B, CDB and debentures	188	-	12.16	158	-	1.94		
Mathematical reserve for benefits granted	LFT, repurchase agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and debentures	1,254	92.02	94.41	1,152	95.66	174.76		
Mathematical reserve for benefits to be granted – PGBL/ VGBL	LFT, repurchase agreements, LTN, NTN-B, NTN-C, NTN-F, CDB, LF and debentures ⁽³⁾	97,141	169.57	14.79	82,279	133.15	10.94		
Mathematical reserve for benefits to be granted – traditional	LFT, Repurchase Agreements, NTN-B, NTN-C, Debentures	3,926	187.72	86.61	3,825	175.92	83.53		
Other provisions	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	791	187.69	86.59	793	175.57	83.28		
Financial surplus	LFT, repurchase agreements, NTN-B, NTN-C, CDB, LF and debentures	520	187.40	86.40	492	175.63	83.33		
Subtotal	Subtotal	103,941			88,790				
Total technical reserves	Total backing assets	109,778			99,023				

(1) Gross amounts of Credit Rights, Escrow Deposits and Reinsurance.

(2) DU – Duration in months

(3) Excluding PGBL / VGBL reserves allocated in variable income.

Credit Risk

I – Reinsurers – Breakdown

The division of risks assigned to reinsurance companies and their rating according the Standard & Poor's is presented below:

- **Insurance Operations:** reinsurance premium operations are basically represented by: IRB Brasil Resseguros with 38.57% (38.55% at 12/31/2013), Lloyd's (A+) with 17.48% (16.92% at 12/31/2013), Munich Re do Brasil with 5.34% (6.15% at 12/31/2013), Mapfre Re, Cia de Resseguros, S.A. (A) with 4.21%

(2.50% at 12/31/2013) and American Home Assurance Company (A) with 4,01% (8.64% at 12/31/2013).

- Social Security Operations: social security operations related to reinsurance premiums are entirely represented by General Reinsurance AG with 50.00% (48.84% at 12/31/2013) and Munich Re do Brasil with 50.00% (51.16% at 12/31/2013). For insurance

operations, transfers of reinsurance premiums are deployed between Munich Re do Brasil with 55.46% (49.60% at 12/31/2013) and IRB Brasil Resseguros with 44.54% (49.40% at 12/31/2013).

II – Risk level of financial assets

The table below shows insurance financial assets, individually evaluated, classified by rating:

INTERNAL RATING ^(*)	12/31/2014						TOTAL
	INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	HELD-FOR-TRADING FINANCIAL ASSETS	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY FINANCIAL ASSETS	
Lower risk	9,721	66,781	-	105	2,389	3,958	82,954
Satisfactory	-	3	-	-	-	-	3
Higher Risk	-	3	-	-	-	-	3
Total	9,721	66,787	-	105	2,389	3,958	82,960
%	11.72	80.51	-	0.13	2.88	4.77	100.00

(*) Internal risk level ratings, with due associated probability of default, are detailed in Note 36.

INTERNAL RATING ^(*)	12/31/2013						TOTAL
	INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	HELD-FOR-TRADING FINANCIAL ASSETS	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSETS	HELD-TO-MATURITY FINANCIAL ASSETS	
Lower risk	11,895	49,125	-	60	1,955	3,779	66,814
Satisfactory	-	10,885	-	64	49	-	10,998
Higher Risk	-	78	-	-	-	-	78
Total	11,895	60,088	-	124	2,004	3,779	77,890
%	15.20	77.10	-	0.20	2.60	4.90	100.00

(*) Internal risk level ratings, with due associated probability of default, are detailed in Note 36.

I) Reinsurance

Expenses and revenues from reinsurance premiums ceded are recognized in the period when they occur, according to the accrual basis, with no offset of assets and liabilities related to reinsurance except in the event there is a contractual provision for the offset of accounts between the parties. Analyses of reinsurance required are made to meet the current needs of ITAÚ UNIBANCO HOLDING, maintaining the necessary flexibility to comply with changes in management strategy in response to the various scenarios to which it may be exposed.

Reinsurance assets

Reinsurance assets represent the estimated amounts recoverable from reinsurers in connection with losses incurred. Such assets are evaluated based on risk assignment contracts, and for cases of losses effectively paid, they are reassessed after 365 days as to the possibility of impairment; in case of doubts, such assets are reduced by recognizing an allowance for losses on reinsurance.

Reinsurance transferred

ITAÚ UNIBANCO HOLDING transfers, in the normal course of its businesses, reinsurance premiums to cover losses on underwriting risks to its policyholders and is in compliance with the operational limits established by the regulating authority. In addition to proportional contracts, non-proportional contracts are also entered into in order to transfer a portion of the responsibility to the reinsurance company for losses that exceed a certain level of losses in the portfolio. Non-

proportional reinsurance premiums are included in Other assets – prepaid expenses and amortized to Other operating expenses over the effectiveness period of the contract on a daily accrual basis.

I – Changes in balances of transactions with reinsurance companies

	CREDITS		DEBITS	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Opening balance	297	234	631	384
Issued contracts	-	-	983	1,448
Recoverable claims	(16)	86	1	-
Prepayments /payments to reinsurer	-	(30)	(1,006)	(1,184)
Monetary adjustment and interest of claims	-	-	-	(17)
Other increase / reversal	(19)	7	1	-
Closing balance	262	297	610	631

II – Balances of technical reserves with reinsurance assets

	12/31/2014	12/31/2013
Reinsurance claims	2,456	2,729
Reinsurance premiums	949	979
Reinsurance commission	(37)	(47)
Closing balance	3,368	3,661

III – Changes in balances of technical reserves for reinsurance claims

	12/31/2014	12/31/2013
Opening balance	2,729	2,098
Reported claims	340	1,112
Paid claims	(737)	(503)
Other increase/reversal	30	-
Monetary adjustment and interest of claims	94	22
Closing balance ^(*)	2,456	2,729

(*) Includes Reserve for unsettled claims, IBNER (Reserve for claims not sufficiently warned), IBNR (Reserve for claims incurred but not reported), not covered by the table of loss development net of reinsurance Note 30 ell.

IV – Changes in balances of technical reserves for reinsurance premiums

	12/31/2014	12/31/2013
Opening balance	979	700
Receipts	889	1,353
Payments	(919)	(1,074)
Closing balance	949	979

V – Changes in balances of technical reserves for reinsurance commission

	12/31/2014	12/31/2013
Opening balance	(47)	(45)
Receipts	44	67
Payments	(34)	(69)
Closing balance	(37)	(47)

m) Regulatory authorities

Insurance and private pension operations are regulated by the National Council of Private Insurance (CNSP) and the

Superintendence of Private Insurance (SUSEP). These authorities are responsible for regulating the market, and consequently for assisting in the mitigation of risks inherent in the business.

The CNSP is the regulatory authority of insurance activities in Brazil, created by Decree-Law N° 73, of November 21, 1966. The main attribution of CNSP, at the time of its creation, was to set out the guidelines and rules of government policy on private insurance segments, and with the enactment of Law N° 6,435, of July 15, 1977, its attributions included private pension of public companies.

The Superintendence of Private Insurance (SUSEP) is the authority responsible for controlling and overseeing the insurance, private pension, and reinsurance markets. An agency of the Ministry of Finance, it was created by the Decree-Law N° 73, of November 21, 1966, which also created the National System of Private Insurance, comprising the National Council of Private Insurance (CNSP), IRB Brasil Resseguros S.A. – IRB Brasil Re, the companies authorized to have private pension plans and the open-ended private pension companies.

Note 31 – Fair value of financial instruments

In cases where market prices are not available, fair values are based on estimates using discounted cash flows or other valuation techniques. These techniques are significantly affected by the assumptions adopted, including the discount rate and estimate of future cash flows. The estimated fair value achieved through these techniques cannot be substantiated by comparison with independent markets and, in many cases, it cannot be realized in the immediate settlement of the instrument.

The following table summarizes the carrying and estimated fair values for financial instruments:

	12/31/2014		12/31/2013	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets				
Cash and deposits on demand and Central Bank compulsory deposits	80,633	80,633	93,586	93,586
Interbank deposits	23,081	23,081	25,660	25,663
Securities purchased under agreements to resell	208,918	208,918	138,455	138,455
Financial assets held for trading ^(*)	132,944	132,944	148,860	148,860
Financial assets designated at fair value through profit or loss ^(*)	733	733	371	371
Derivatives ^(*)	14,156	14,156	11,366	11,366
Available-for-sale financial assets ^(*)	78,360	78,360	96,626	96,626
Held-to-maturity financial assets	34,434	34,653	10,116	10,480
Loan operations and lease operations	430,039	432,544	389,467	390,889
Other financial assets	53,649	53,649	47,592	47,592
Financial liabilities				
Deposits	294,773	294,924	274,383	274,317
Securities sold under repurchase agreements	288,683	288,683	266,682	266,682
Financial liabilities held for trading ^(*)	520	520	371	371
Derivatives ^(*)	17,350	17,350	11,405	11,405
Interbank market debt	122,586	122,016	111,376	111,059
Institutional market debt	73,242	72,391	72,055	72,496
Liabilities for capitalization plans	3,010	3,010	3,032	3,032
Other financial liabilities	71,492	71,492	61,274	61,274

(*) These assets and liabilities are recorded in the balance sheet at their fair value.

Financial instruments not included in the Balance Sheet (Note 36) are represented by Standby letters of credit and guarantees provided, which amount to R\$ 73,759 (R\$ 71,162 at 12/31/2013) with an estimated fair value of R\$ 1,140 (R\$ 802 at 12/31/2013).

The methods and assumptions adopted to estimate the fair value are defined below:

- a) Cash and deposits on demand, Central Bank compulsory deposits, Securities purchased under agreements to resell, Securities sold under repurchase agreements and liabilities for capitalization plans** – The carrying amounts for these instruments approximate their fair values.
- b) Interbank deposits, deposits, Interbank market debt and Institutional market debt** – ITAÚ UNIBANCO HOLDING estimates the fair values by discounting the estimated cash flows and adopting the market interest rates.
- c) Financial assets held for trading, including Derivatives (assets and liabilities), Financial assets designated at fair value through profit or loss, Available-for-sale financial assets, Held-to-maturity financial assets and Financial liabilities held for trading** – Under normal conditions, market prices are the best indicators of the fair values of financial instruments. However, not all instruments have liquidity or quoted market prices and, in such cases, the adoption of present value estimates and other pricing techniques are required. In the absence of quoted prices from National Association of Financial Market Institutions (ANBIMA), the fair values of bonds are calculated based on the interest rates provided by others on the market (brokers). The fair values of corporate debt securities are computed by adopting criteria similar to those applied to interbank deposits, as described above. The fair values of shares are computed based on their prices quoted in the market. The fair values of derivative financial instruments were determined as follows:
 - **Swaps:** The cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves may be drawn mainly based on the exchange price of derivatives at BM&FBOVESPA, of Brazilian government securities in the secondary market or derivatives and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock exchange indices, etc.).
 - **Futures and forwards:** Quotations on exchanges or criteria identical to those applied to swaps.
 - **Options:** The fair values are determined based on mathematical models (such as Black&Scholes) that are fed with implicit volatility data, interest rate yield curve and fair value of the underlying asset. Current market prices of options are used to compute the implicit volatilities. All these data are obtained from different sources (usually Bloomberg).
 - **Credit:** Inversely related to the probability of default (PD) in a financial instrument subject to credit risk. The process of adjusting the market price of these spreads is based on the differences between the yield curves with no risk and the yield curves adjusted for credit risk.
- d) Loan operations and lease operations** – The fair value is estimated based on groups of loans with similar financial and risk characteristics, using valuation models. The fair value of fixed-rate loans was determined by discounting estimated cash flows, applying interest rates close to ITAÚ UNIBANCO HOLDING current rates for similar loans. For the majority of loans at floating rate, the carrying amount was considered close to their fair value. The fair value of loan and lease operations

not overdue was calculated by discounting the expected payments of principal and interest through maturity, at the aforementioned rates. The fair value of overdue loan and lease transactions was based on the discount of estimated cash flows, using a rate proportional to the risk associated with the estimated cash flows, or on the underlying collateral. The assumptions related to cash flows and discount rates are determined using information available in the market and the borrower's specific information of the debtor.

- e) Other financial assets/liabilities** – primarily composed of receivables from credit card issuers, deposits in guarantee for contingent liabilities and trading and intermediation of securities. The carrying amounts for these assets/liabilities substantially approximate their fair values, since they principally represent amounts to be received in the short term from credit card holders and to be paid to credit card acquirers, judicially required deposits (indexed to market rates) made by ITAÚ UNIBANCO HOLDING as guarantees for lawsuits or very short-term receivables (generally with a maturity of approximately 5 (five) business days). All of these items represent assets/liabilities without significant associated market, credit and liquidity risks.

In accordance with IFRS, ITAÚ UNIBANCO HOLDING classifies fair value measurements in a fair value hierarchy that reflects the significance of inputs adopted in the measurement process.

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. An active market is a market in which transactions for the asset or liability being measured occur often enough and with sufficient volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 generally includes: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or quoted prices vary substantially either over time or among market makers, or in which little information is released publicly; (iii) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, etc.); (iv) inputs that are mainly derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable for the asset or liability. Unobservable information shall be used to measure fair value to the extent that observable information is not available, thus allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Financial assets for trading, Available for sale, and Designated at fair value through profit or loss:

Level 1: Highly-liquid securities with prices available in an active market are classified in Level 1 of the fair value hierarchy. This classification level includes most of the Brazilian Government Securities (mainly LTN, LFT, NTN-B, NTN-C and NTN-F), securities of foreign governments, shares and debentures traded on stock exchanges and other securities traded in an active market.

Level 2: When the pricing information is not available for a specific security, the assessment is usually based on prices quoted in the market for similar instruments, pricing information obtained for pricing services, such as Bloomberg, Reuters and brokers (only when the prices represent actual transactions) or discounted cash flows, which use information for assets actively traded in an active market. These securities are classified into Level 2 of the fair value hierarchy and are comprised of certain Brazilian government securities, debentures and some government securities quoted in a less-liquid market in relation to those classified into Level 1, and some share prices in investment funds. ITAÚ UNIBANCO HOLDING does not hold positions in alternative investment funds or private equity funds.

Level 3: When no pricing information in an active market, ITAÚ UNIBANCO HOLDING uses internally developed models, from curves generated according to the proprietary model. The Level 3 classification includes some Brazilian government and private securities (mainly NTN-I, NTN-A1, NTN-A3, CRI, TDA and CCI falling due after 2025, CVS and promissory notes) and securities that are not usually traded in an active market.

Derivatives:

Level 1: Derivatives traded on stock exchanges are classified in Level 1 of the hierarchy.

Level 2: For derivatives not traded on stock exchanges, ITAÚ UNIBANCO HOLDING estimates the fair value by adopting a variety of techniques, such as Black&Scholes, Garman & Kohlhagen, Monte Carlo or even the discounted cash flow models usually adopted in the financial market. Derivatives included in Level 2 are credit default swaps, cross currency swaps, interest rate swaps, plain

vanilla options, certain forwards and generally all swaps. All models adopted by ITAÚ UNIBANCO HOLDING are widely accepted in the financial services industry and reflect all derivative contractual terms. Considering that many of these models do not require a high level of subjectivity, since the methodologies adopted in the models do not require major decisions and information for the model are readily observed in the actively quotation markets, these products were classified in Level 2 of the measurement hierarchy.

Level 3: The derivatives with fair values based on non-observable information in an active market were classified into Level 3 of the fair value hierarchy, and are comprised of non-standard options, certain swaps indexed to non-observable information, and swaps with other products, such as swap with option and USD Check, credit derivatives and futures of certain commodities. These operations have their pricing derived from a range of volatility using the basis of historical volatility.

All aforementioned valuation methodologies may result in a fair value that may not be indicative of the net realizable value or future fair values. However, ITAÚ UNIBANCO HOLDING believes that all methodologies used are appropriate and consistent with the other market participants. However, the adoption of other methodologies or assumptions different than those used to estimate fair value may result in different fair value estimates at the balance sheet date.

Distribution by level

The following table presents the breakdown of risk levels at 12/31/2014 and 12/31/2013 for financial assets held for trading and available-for-sale financial assets.

	12/31/2014				12/31/2013			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets held for trading	91,024	41,130	790	132,944	117,204	31,629	27	148,860
Investment funds	6	864	-	870	8	1,054	-	1,062
Brazilian government securities	84,265	2,128	-	86,393	109,037	2,098	-	111,135
Brazilian external debt bonds	1,914	-	-	1,914	1,904	-	-	1,904
Government securities – other countries	1,151	389	-	1,540	406	273	-	679
Argentina	628	-	-	628	99	-	-	99
Belgium	-	-	-	-	107	-	-	107
Chile	-	132	-	132	-	6	-	6
Colombia	-	88	-	88	-	226	-	226
United States	448	-	-	448	18	-	-	18
Mexico	3	-	-	3	182	-	-	182
Paraguay	-	128	-	128	-	-	-	-
Uruguay	-	41	-	41	-	41	-	41
Other	72	-	-	72	-	-	-	-
Corporate securities	3,688	37,749	790	42,227	5,849	28,204	27	34,080
Shares	2,351	-	-	2,351	2,896	-	-	2,896
Bank deposit certificates	12	3,269	-	3,281	-	3,006	-	3,006
Securitized real estate loans	-	-	1	1	-	12	-	12
Debentures	1,313	2,720	210	4,243	2,953	2,144	-	5,097
Eurobonds and others	10	1,049	2	1,061	-	1,278	-	1,278
Financial credit bills	-	30,711	-	30,711	-	21,566	-	21,566
Promissory notes	-	-	577	577	-	-	27	27
Other	2	-	-	2	-	198	-	198
Available-for-sale financial assets	30,787	42,169	5,404	78,360	43,413	46,724	6,489	96,626
Investment funds	3	138	-	141	-	211	-	211
Brazilian government securities	13,570	572	249	14,391	27,197	484	258	27,939
Brazilian external debt bonds	11,234	-	-	11,234	11,709	-	-	11,709

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments					
				12/31/2014	12/31/2013						
				LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Government securities – other countries				1,153	7,453	13	8,619	1,467	7,157	34	8,658
Belgium				57	-	-	57	51	-	-	51
Chile				-	1,106	13	1,119	-	1,013	34	1,047
Korea				-	1,782	-	1,782	-	2,455	-	2,455
Denmark				-	2,699	-	2,699	-	2,631	-	2,631
Spain				-	783	-	783	-	-	-	-
United States				726	-	-	726	1,101	-	-	1,101
France				133	-	-	133	88	-	-	88
Netherlands				151	-	-	151	126	-	-	126
Italy				70	-	-	70	94	-	-	94
Paraguay				9	840	-	849	-	638	-	638
Uruguay				-	243	-	243	-	420	-	420
Other				7	-	-	7	7	-	-	7
Corporate securities				4,827	34,006	5,142	43,975	3,040	38,872	6,197	48,109
Shares				1,998	1	-	1,999	1,986	39	-	2,025
Rural Product Note				-	1,357	51	1,408	-	625	-	625
Bank deposit certificates				-	1,223	58	1,281	-	2,148	33	2,181
Securitized real estate loans				-	-	2,522	2,522	-	7,441	4,834	12,275
Debentures				2,732	16,807	706	20,245	1,042	14,465	-	15,507
Eurobonds and others				97	6,557	53	6,707	12	4,810	74	4,896
Financial credit bills				-	7,735	270	8,005	-	8,804	-	8,804
Promissory notes				-	-	1,397	1,397	-	-	1,227	1,227
Other				-	326	85	411	-	540	29	569
Financial assets designated at fair value through profit or loss				733	-	-	733	-	371	-	371
Brazilian government securities				626	-	-	626	-	371	-	371
Government securities – other countries				107	-	-	107	-	-	-	-
Financial liabilities held for trading				-	448	72	520	-	371	-	371
Structured notes				-	448	72	520	-	371	-	371

The following table presents the breakdown of risk levels at 12/31/2014 and 12/31/2013 for our derivative assets and liabilities.

12/31/2014				12/31/2013				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivatives - assets	(218)	14,253	121	14,156	-	11,242	124	11,366
Swap – differential receivable	-	4,783	33	4,816	-	4,442	-	4,442
Options	-	2,856	16	2,872	-	1,704	13	1,717
Forwards (onshore)	-	2,394	-	2,394	-	3,315	-	3,315
Credit derivatives	-	122	-	122	-	686	-	686
Forwards (offshore)	-	2,106	-	2,106	-	555	-	555
Check of swap	-	93	-	93	-	88	-	88
Other derivatives	(218)	1,899	72	1,753	-	452	111	563
Derivatives - liabilities	(310)	(16,996)	(44)	(17,350)	(33)	(11,367)	(5)	(11,405)
Futures	(354)	-	-	(354)	(33)	-	-	(33)
Swap – differential payable	-	(9,496)	(38)	(9,534)	-	(6,111)	-	(6,111)
Options	-	(3,051)	(6)	(3,057)	-	(1,916)	(5)	(1,921)
Forwards (onshore)	-	(682)	-	(682)	-	(1,862)	-	(1,862)
Credit derivatives	-	(179)	-	(179)	-	(391)	-	(391)
Forwards (offshore)	-	(1,693)	-	(1,693)	-	(560)	-	(560)
Swap with USD check	-	(229)	-	(229)	-	(145)	-	(145)
Other derivatives	44	(1,666)	-	(1,622)	-	(382)	-	(382)

There were no significant transfers between Level 1 and Level 2 during the periods ended 12/31/2014 and 12/31/2013.

Measurement of fair value Level 2 based on pricing services and brokers

When pricing information is not available for securities classified as Level 2, pricing services, such as Bloomberg or brokers, are used to value such instruments.

In all cases, to assure that the fair value of these instruments is properly classified as Level 2, internal analysis of the information

received are conducted, so as to understand the nature of the input used in the establishment of such values by the service provider.

Prices provided by pricing services that meet the following requirements are considered Level 2: input is immediately available, regularly distributed, provided by sources actively involved in significant markets and it is not proprietary.

Of the total of R\$ 89,919 million in financial instruments classified as Level 2, at December 31, 2014, pricing service or brokers were

used to evaluate securities at the fair value of R\$ 22,228 million, substantially represented by:

- **Debentures:** When available, we use price information for transactions recorded in the Brazilian Debenture System (SND), an electronic platform operated by CETIP, which provides multiple services for transactions involving debentures in the secondary market. Alternatively, prices of debentures provided by ANBIMA are used. Its methodology includes obtaining, on a daily basis, illustration and non-binding prices from a group of market players deemed to be significant. Such information is subject to statistical filters established in the methodology, with the purpose of eliminating outliers.
- **Global and corporate securities:** The pricing process for these securities consists in capturing from 2 to 8 quotes from Bloomberg, depending on the asset. The methodology consists in comparing the highest purchase prices and the lowest sale prices of trades provided by Bloomberg for the last day of the month. Such prices are compared with information from purchase orders that the Institutional Treasury of ITAÚ UNIBANCO HOLDING provides for Bloomberg. Should the difference between them be lower than 0.5%, the average price of Bloomberg is used. Should it be higher than 0.5% or if the Institutional Treasury does not provide information on this specific security, the average price gathered directly from other banks is used. The price of the Institutional Treasury is used as a reference only and never in the computation of the final price.

Level 3 recurring fair value measurements

The departments in charge of defining and applying the pricing models are segregated from the business areas. The models are documented, submitted to validation by an independent area and approved by a specific committee. The daily process of price capture, calculation and disclosure are periodically checked according to formally defined testing and criteria and the information is stored in a single and corporate history data base.

The most recurring cases of assets classified as Level 3 are justified by the discount factors used. Factors such as the fixed interest curve in reais and the TR coupon curve – and, as a result, its related factors – have inputs with terms shorter than the maturities of these fixed-income assets. For swaps, the analysis is carried out by index for both parties. There are some cases in which the inputs periods are shorter than the maturity of the derivative.

Level 3 recurring fair value changes

The tables below show the changes in balance sheet for financial instruments classified by ITAÚ UNIBANCO HOLDING in Level 3 of the fair value hierarchy. Derivative financial instruments classified in Level 3 mainly correspond to other derivatives – credit default swaps linked to shares.

	FAIR VALUE AT 12/31/2013	TOTAL GAINS OR LOSSES (REALIZED/ UNREALIZED)	PURCHASES	SETTLEMENTS	TRANSFERS IN AND/OR OUT OF LEVEL 3	FAIR VALUE AT 12/31/2014	TOTAL GAINS (LOSSES) RELATED TO ASSETS AND LIABILITIES STILL HELD AT REPORTING DATE
Financial assets held for trading	27	695	230	(372)	-	790	-
Corporate securities – promissory notes	27	695	230	(372)	-	790	-
Securitized real estate loans	-	10	-	(9)	-	1	-
Debentures	-	29	705	(524)	-	210	-
Promissory notes	27	562	230	(242)	-	577	-
Eurobonds and others	-	123	-	(121)	-	2	-
Available-for-sale financial assets	6,489	1,581	6,303	(9,020)	-	5,404	(5)
Brazilian government securities	258	(272)	267	(4)	-	249	-
Government securities – abroad – Chile	34	(17)	40	(44)	-	13	-
Corporate securities	6,197	1,870	5,996	(8,972)	-	5,142	(5)
Rural Product Note	-	-	51	-	-	51	-
Bank deposit certificates	33	12	97	(84)	-	58	-
Securitized real estate loans	4,834	1,538	14	(3,864)	-	2,522	(8)
Debentures	-	313	706	(313)	-	706	-
Eurobonds and others	74	23	-	(44)	-	53	3
Financial credit bills	-	4	266	-	-	270	-
Promissory notes	1,227	(22)	4,858	(4,666)	-	1,397	-
Other	29	2	55	(1)	-	85	-

	FAIR VALUE AT 12/31/2013	TOTAL GAINS OR LOSSES (REALIZED/ UNREALIZED)	PURCHASES	SETTLEMENTS	TRANSFERS IN AND/OR OUT OF LEVEL 3	FAIR VALUE AT 12/31/2014	TOTAL GAINS (LOSSES) RELATED TO ASSETS AND LIABILITIES STILL HELD AT REPORTING DATE
Derivatives – assets	124	73	92	(172)	4	121	-
Swap – differential receivable	-	37	2	(10)	4	33	-
Options	13	24	18	(39)	-	16	-
Other derivatives	111	12	72	(123)	-	72	-
Derivatives – liabilities	(5)	2	(10)	(18)	(13)	(44)	-
Swap – differential payable	-	(23)	1	(3)	(13)	(38)	-
Options	(5)	25	(11)	(15)	-	(6)	-

	FAIR VALUE AT 12/31/2012	TOTAL GAINS OR LOSSES (REALIZED/ UNREALIZED)	PURCHASES	SETTLEMENTS	TRANSFERS IN AND/OR OUT OF LEVEL 3	FAIR VALUE AT 12/31/2013	TOTAL GAINS (LOSSES) RELATED TO ASSETS AND LIABILITIES STILL HELD AT REPORTING DATE
Financial assets held for trading	20	-	57	(50)	-	27	-
Corporate securities – Promissory notes	20	-	57	(50)	-	27	-
Available-for-sale financial assets	2,489	(867)	8,082	(3,215)	-	6,489	(140)
Brazilian government securities	306	(140)	92	-	-	258	(10)
Government securities – abroad – Chile	-	(5)	80	(41)	-	34	-
Corporate securities	2,183	(722)	7,910	(3,174)	-	6,197	(130)
Bank deposit certificates	-	-	55	(22)	-	33	-
Securitized real estate loans	1,368	(767)	4,714	(481)	-	4,834	(123)
Eurobonds and others	5	32	83	(46)	-	74	2
Promissory notes	777	17	3,058	(2,625)	-	1,227	(4)
Other	33	(4)	-	-	-	29	(5)

	FAIR VALUE AT 12/31/2012	TOTAL GAINS OR LOSSES (REALIZED/ UNREALIZED)	PURCHASES	SETTLEMENTS	TRANSFERS IN AND/OR OUT OF LEVEL 3	FAIR VALUE AT 12/31/2013	TOTAL GAINS (LOSSES) RELATED TO ASSETS AND LIABILITIES STILL HELD AT REPORTING DATE
Derivatives – Assets	313	38	55	(256)	(26)	124	-
Swaps – differential receivable	25	-	4	(3)	(26)	-	-
Options	147	4	44	(182)	-	13	1
Forwards (onshore)	2	-	-	(2)	-	-	-
Other derivatives	139	34	7	(69)	-	111	(1)
Derivatives – Liabilities	(169)	1	(14)	162	15	(5)	2
Swaps – differential receivable	(15)	-	-	-	15	-	-
Options	(149)	1	(13)	156	-	(5)	2
Forwards (onshore)	(2)	-	-	2	-	-	-
Forwards (offshore)	(3)	-	(1)	4	-	-	-

Available-for-sale financial assets: in 2014 ITAÚ UNIBANCO HOLDING transferred R\$ 1,123 securitized real estate loans of Level 3, based on reclassification to category Held-to maturity financial assets.

Derivatives: in 2014 ITAÚ UNIBANCO HOLDING transferred R\$ (9) in swaps out of Level 3 to Level 2, due to the availability of inputs verified for these derivatives.

Sensitivity analyses operations of Level 3

The fair value of financial instruments classified in Level 3 (in which prices negotiated are not easily noticeable in active markets) is measured through assessment techniques based on correlations and associated products traded in active markets.

Significant unverifiable inputs used for measurement of the fair value of instruments classified in Level 3 are: interest rates, underlying asset prices and volatility. Significant increases

(decreases) in any of these inputs separately may give rise to significant decreases (increases) in the fair value.

The table below shows the sensitivity of these fair values in scenarios of changes of interest rates, asset prices, or in scenarios mixing shocks in prices with shocks in volatility for non-linear assets:

SENSITIVITY – LEVEL 3 OPERATIONS		12/31/2014	
RISK FACTOR GROUPS	SCENARIOS	IMPACT	
		RESULT	STOCKHOLDERS' EQUITY
Interest rates	I	(0.0)	(3.5)
	II	(0.4)	(86.9)
	III	(0.9)	(170.9)
Currency, commodities, and ratios	I	-	-
	II	-	-
Nonlinear	I	(9.6)	-
	II	(15.6)	-

The following scenarios are used to measure the sensitivity:

Interest rate

Shocks at 1, 25 and 50 basis points (scenarios I, II and III respectively) in the interest curves, both for increase and decrease, considering the largest losses resulting in each scenario.

Currencies, commodities and ratios

Shocks at 5 and 10 basis points (scenarios I and II respectively) in prices of currencies, commodities and ratios, both for increase and decrease, considering the largest losses resulting in each scenario.

Non linear

Scenario I: Combined shocks at 5 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Scenario II: Combined shocks at 10 percentage points in prices and 25 percentage points in volatility, both for increase and decrease, considering the largest losses resulting in each scenario.

Note 32 – Provisions, contingencies and other commitments

PROVISION	12/31/2014	12/31/2013
Civil	4,643	4,473
Labor	5,598	5,192
Tax and social security	6,627	8,974
Other	159	223
Total	17,027	18,862
Current	3,268	4,295
Non-current	13,759	14,567

In the ordinary course of its businesses, ITAÚ UNIBANCO HOLDING is subject to contingencies that may be classified as follows:

a) Contingent assets: there are no contingent assets recorded.

b) Provisions and contingencies: the criteria to quantify contingencies are appropriate to the specific characteristics of civil, labor and tax litigation, as well as other risks.

- Civil lawsuits

Collective lawsuits (related to claims of a similar nature and with individual amounts not considered significant):

contingencies are determined on a monthly basis and the expected amount of losses is accrued according to statistical references that take into account the type of lawsuit and the characteristics of the court (Small Claims Court or Regular Court).

Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as

probable losses are recorded as provisions.

Contingencies generally arise from revision of contracts and compensation for damages and pain and suffering; most of these lawsuits are filed in the Small Claims Court are therefore limited to 40 minimum monthly wages. ITAÚ UNIBANCO HOLDING is also party to specific lawsuits over alleged understated inflation adjustments to savings accounts in connection with economic plans implemented by the Brazilian government.

The case law at the Federal Supreme Court (STF) is favorable to banks in relation to economic phenomena similar to savings, as in the case of adjustment to time deposits and contracts in general. Additionally, the Superior Court of Justice (STJ) has decided that the term for filing public civil actions over understated inflation is five years. In view of such decision, some of the lawsuits may be dismissed because they were filed after the five-year period.

No amount is recorded as provision in relation to civil lawsuits which represent possible losses and which have a total estimated risk of R\$ 1,800 (R\$ 2,095 at 12/31/2013), these refer to claims for compensation or collection, the individual amounts of which are not significant and in this total there are no values resulting from interests in joint ventures.

- Labor claims:

Collective lawsuits (related to claims of a similar nature and with individual amounts not considered significant):

the expected amount of loss is determined and accrued monthly based on the statistical share pricing model plus the average cost of legal fees and is reassessed taking into account court rulings. These are adjusted for the amounts deposited as guarantee for their execution when realized.

Individual lawsuits (related to claims with unusual characteristics or involving significant amounts): determined periodically, based on the amount claimed and the likelihood of loss, which, in turn, is estimated according to the factual and legal characteristics related to such lawsuit. The amounts considered as probable losses are recorded as provisions.

Contingencies are related to lawsuits in which alleged labor rights based on labor legislation, such as overtime, salary equalization, reinstatement, transfer allowance, pension plan supplement and other, are claimed.

No amount is recorded as provision in relation to labor claims which likelihood of loss is considered possible, and which total estimated risk is R\$ 416.

- Other risks

These are quantified and recorded as provisions mainly based on the evaluation of agribusiness credit transactions with joint obligation and FCVS (Salary Variations Compensation Fund) credits transferred to Banco Nacional.

The table below shows the changes in the balances of provisions for civil, labor and other provision and the respective escrow deposits:

	01/01 TO 12/31/2014			
	CIVIL	LABOR	OTHER	TOTAL
Opening balance	4,473	5,192	223	9,888
Effect of change in consolidation criteria (Note 2.4a I)				-
Balance arising from the acquisition of companies (Note 2c)				-
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(134)	(811)	-	(945)
Subtotal	4,339	4,381	223	8,943
Interest (Note 26)	184	320	-	504
Changes in the period reflected in results (Note 26)	<u>1,524</u>	<u>1,123</u>	<u>(64)</u>	<u>2,583</u>
Increase ^(*)	2,100	1,459	23	3,582
Reversal	(576)	(336)	(87)	(999)
Payment	(1,536)	(1,255)	-	(2,791)
Subtotal	4,511	4,569	159	9,239
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	132	1,029	-	1,161
Closing balance	4,643	5,598	159	10,400
Escrow deposits at 12/31/2014 (Note 20a)	2,073	2,567	-	4,640

(*) Civil provisions include the provision for economic plans amounting to R\$ 210.

	01/01 TO 12/31/2013			
	CIVIL	LABOR	OTHER	TOTAL
Opening balance	3,732	4,852	192	8,776
Effect of change in consolidation criteria (Note 2.4a I)	13	14	-	27
Balance arising from the acquisition of companies (Note 2c)	192	99	-	291
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(118)	(948)	-	(1,066)
Subtotal	3,819	4,017	192	8,028
Interest (Note 26)	163	236	-	399
Changes in the period reflected in results (Note 26)	<u>2,111</u>	<u>1,398</u>	<u>31</u>	<u>3,540</u>
Increase ^(*)	2,778	1,591	34	4,403
Reversal	(667)	(193)	(3)	(863)
Payment	(1,754)	(1,270)	-	(3,024)
Subtotal	4,339	4,381	223	8,943
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	134	811	-	945
Closing balance	4,473	5,192	223	9,888
Escrow deposits at 12/31/2013 (Note 20a)	2,169	2,451	-	4,620

(*) Civil provisions include the provision for economic plans amounting to R\$ 247.

	01/01 TO 12/31/2012			
	CIVIL	LABOR	OTHER	TOTAL
Opening balance	3,166	4,014	165	7,345
(-) Contingencies guaranteed by indemnity clause (Note 2.4.t)	(137)	(930)	-	(1,067)
Subtotal	3,029	3,084	165	6,278
Interest (Note 26)	146	126	-	272
Changes in the period reflected in results (Note 26)	<u>2,183</u>	<u>1,610</u>	<u>27</u>	<u>3,820</u>
Increase ^(*)	3,161	1,672	34	4,867
Reversal	(978)	(62)	(7)	(1,047)
Payment	(1,744)	(916)	-	(2,660)
Subtotal	3,614	3,904	192	7,710
(+) Contingencies guaranteed by indemnity clause (Note 2.4.t)	118	948	-	1,066
Closing balance	3,732	4,852	192	8,776
Escrow deposits at 12/31/2012	2,048	2,471	-	4,519

(*) Civil provisions include the provision for economic plans amounting to R\$ 526.

- Tax and social security lawsuits

Contingencies are equivalent to the principal amount of taxes involved in administrative or judicial disputes, subject to tax assessment notices, plus interest and, when applicable, fines and charges. The amount is recorded as a provision when it involves a legal liability, regardless of the likelihood of loss, that is, a favorable outcome is dependent upon the recognition of the unconstitutionality of the applicable law in force. In other cases, a provision is set up whenever the loss is considered probable.

The table below shows the changes in the balances of provisions and respective escrow deposits for tax and social security lawsuits:

PROVISION	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Opening balance	8,974	10,433	8,645
Effect of change in consolidation criteria (Note 2.4a I)	-	32	-
(-) Contingencies guaranteed by indemnity clause	(57)	(61)	(58)
Subtotal	8,917	10,404	8,587
Interest ⁽¹⁾	515	402	906
Changes in the period reflected in results	<u>797</u>	<u>993</u>	<u>973</u>
Increase ⁽¹⁾	1,156	1,231	1,215
Reversal ⁽¹⁾	(359)	(238)	(242)
Payment	(3,663)	(2,882)	(94)
Subtotal	6,566	8,917	10,372
(+) Contingencies guaranteed by indemnity clause	61	57	61
Closing balance⁽²⁾	6,627	8,974	10,433

(1) The amounts are included in the headings Tax Expenses, General and Administrative Expenses and Current Income Tax and Social Contribution.

(2) Includes amounts arising from investments in joint ventures of R\$ 24.

ESCROW DEPOSITS	01/01 TO 12/31/2014	01/01 TO 12/31/2013
Opening balance	5,658	4,557
Effect of change in consolidation criteria (Note 2.4a I)	-	167
Appropriation of interest	377	265
Changes in the period	<u>(1,299)</u>	<u>668</u>
Deposits made	193	1,406
Withdrawals	(5)	(21)
Deposits released	(1,487)	(717)
Closing balance (Note 20a)	4,736	5,657
Reclassification of assets pledged as collateral for contingencies (Note 32d)	-	1
Closing balance after reclassification	4,736	5,658

The main discussions related to "Provisions" for tax are described as follows:

- CSLL – Isonomy – R\$ 1,001: as the law increased the CSLL rate for financial and insurance companies to 15%, we argue that there is no constitutional support for this measure and, due to the principle of isonomy, we believe we should only pay the regular rate of 9.00%. The corresponding escrow deposit balance totals R\$ 984;
- PIS and COFINS – Calculation basis – R\$ 572: we are claiming that those contributions on revenue should be applied only to the revenue from sales of assets and services. The corresponding escrow deposit balance totals R\$ 488;
- IRPJ and CSLL – Taxation of profits earned abroad – R\$ 527: we are challenging the calculation basis for these taxes on profits earned abroad and argue that Regulatory Instruction SRF No. 213-02

is not applicable since it goes beyond the text of the law. The corresponding escrow deposit balance totals R\$ 491.

Off-balance sheet contingencies – in the accounting books no amount is recognized in relation to tax and social security lawsuits with possible loss, which total estimated risk is R\$ 14,172. The main discussions are as follows:

- INSS – Non-compensatory amounts – R\$ 4,278: we defend the non-taxation of these amounts, mainly profit sharing, transportation vouchers and sole bonus.
- IRPJ and CSLL – Goodwill – Deductibility – R\$ 1,924: deductibility of goodwill on acquisition of portfolio of clients and/or investments with future expected profitability, and R\$ 558 of this amount is guaranteed in company purchase agreements.
- IRPJ and CSLL – Interest on capital – R\$ 1,202: we defend the deductibility of interest on capital declared to stockholders based on the Brazilian long-term interest rate applied to stockholders' equity for the year and prior years.
- IRPJ, CSLL, PIS and COFINS – Request for offset dismissed – R\$ 1,174: cases in which the liquidity and the offset of credits are discussed.
- ISS – Banking Institutions – R\$ 872: these are banking operations, the revenue from which cannot be interpreted as compensation for service rendered and/or arise from activities not listed in a Supplementary Law.

c) Receivables – Reimbursement of contingencies

The Receivables balance arising from reimbursements of contingencies totals R\$ 676 (R\$ 733 at 12/31/2013) (Note 20a), basically represented by the guarantee received in the Banco Banerj S.A. privatization process of 1997, whereby the State of Rio de Janeiro created a fund to guarantee the equity recomposition with respect to civil, labor and tax contingencies.

d) Assets pledged as collateral for contingencies

Assets pledged as collateral for lawsuits involving contingent liabilities are restricted or deposited as shown below:

	12/31/2014	12/31/2013
Financial assets held for trading and Available-for-sale financial assets (basically financial treasury bills)	821	1,296
Escrow deposits (Note 20a)	4,230	3,712

Escrow deposits are generally required to be made with the court in connection with lawsuits in Brazil and they are held by the court until a decision is made by the relevant court. In case of a decision against ITAÚ UNIBANCO HOLDING, the deposited amount is released from escrow and transferred to the counterparty in the lawsuit. In case of a decision in favor of ITAÚ UNIBANCO HOLDING, the deposited amount is released at the full amount deposited adjusted.

In general, provisions related to lawsuits of ITAÚ UNIBANCO HOLDING are long term, considering the time required for the termination of these lawsuits in the Brazilian judicial system, reason why estimate for specific year in which these lawsuits will be terminated have not been disclosed.

In the opinion of the legal advisors, ITAÚ UNIBANCO HOLDING and its subsidiaries are not parties to any other administrative proceedings or legal lawsuits that could significantly impact the results of their operations.

e) Program for Cash or Installment Payment of Federal Taxes – Law No. 12,865/13, as amended by Provisional Measure No. 627/13.

ITAÚ UNIBANCO HOLDING and subsidiaries adhered to the Program for Cash or Installment Payment of Federal Taxes, enacted by Law No. 12,865 of October 9, 2013. The program included the debits administered by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury past due, and is defined in accordance with the Articles below:

• REFIS – PIS and COFINS (Article 39 of Law No 12,865/13)

The debits with the National Treasury related to PIS (social integration program) and COFINS (tax for social security financing), addressed by Chapter I of Law No. 9,718/98 (legal entities governed by private law), due by financial institutions and insurance companies, past due up to December 31, 2012;

• REFIS – Profits Abroad (Article 40 of Law No 12,865/13)

The debits with the National Treasury related to IRPJ (corporate income tax) and CSLL (social contribution on net income), arising from profits earned by subsidiaries or affiliates abroad (Article 74 of Provisional Measure No. 2,158-35, of August 24, 2001), past due up to December 31, 2012;

• REFIS – crisis event (Article 17 of Law No 12,865/13)

This program refers to the renegotiation of federal debits administered by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury past due, either registered or not as overdue tax liabilities, even when a tax foreclosure has been filed.

The net effect in income amounted to R\$ 508, recorded under tax expenses, other income and income tax and social contribution.

f) Program for Cash or Installment Payment of Taxes

ITAÚ UNIBANCO HOLDING and subsidiaries adhered to the Program for Cash Settlement or Installment Payment of Federal Taxes, basically at the federal level, enacted by Law No. 12,995, of June 18, 2014 and Law No. 12,996/14. The program includes debits managed by the Federal Reserve Service of Brazil and the General Attorney's Office of the National Treasury, and was defined in accordance with the main provisions below:

- Refis – Profits Earned Abroad – Law No. 12,995/14 Article 22 – It amends paragraph 7 of Article 40 of Law No. 12,865/13, to include the provision that credits arising from tax loss and social contribution tax loss carryforwards on net income of affiliated companies domiciled in Brazil may also be used.

- Refis 2013-2014 – Also known as Being Related to the Economic Crisis and Extraordinary Installment Payment – Law No. 12,996/14 Article 2 – Among other rules, it extends, to the last day of August 2014, the option to adhere to the so-called "Refis Related to the Economic Crisis" and to the Extraordinary Installment Payment (Article 2), provided in Law No. 11,941/09 (Article 1, paragraph 12, and Article 7) and Law No. 12,249/10 (Article 65, paragraph 18), respectively. Debits due until December 31, 2013 may be paid at once or in installments under these programs.

The net effect in income amounted to R\$ 27, recorded under tax expenses, other income and income tax and social contribution.

Note 33 – Regulatory capital

ITAÚ UNIBANCO HOLDING is subject to regulation by the Central Bank of Brazil which issues rules and instructions regarding currency and credit policies for financial institutions operating

in Brazil. The Central Bank also determines minimum capital requirements, fixed assets limits, lending limits, accounting practices and compulsory deposit requirements, and requires banks to comply with regulation based on the Basel Accord as regards to capital adequacy. Furthermore, the National Council of Private Insurance and SUSEP issue regulations on capital requirements which affect our insurance, private pension and capitalization operations.

The Basel Accord requires banks to have a ratio of regulatory capital to risk exposure assets of a minimum of 8.0%. The regulatory capital is basically composed of two tiers:

- Tier I: sum of Principal Capital, determined in general by capital, certain reserves and retained earnings, less deductions and prudential adjustments, and Supplementary Capital.
- Tier II: includes eligible instruments, primarily subordinated debt, subject to prudential limitations.

However, the Basel Accord allows the regulatory authorities of each country to establish their own parameters for regulatory capital composition and to determine the portions exposed to risk. Among the main differences arising from the adoption of own parameter pursuant to the Brazilian legislation are the following: (i) the requirement of a ratio of regulatory capital to risk-weighted assets at a minimum of 11.0%; with timeline to achieve 8.0% in 2019; (ii) certain risk-weighted factors attributed to certain assets and other exposures. In addition, in accordance with Central Bank rules, banks can calculate compliance with the minimum requirement based on the consolidation of all financial subsidiaries supervised by the Central Bank, including branches and investments abroad.

Management manages capital with the intention to meet the minimum capital required by the Central Bank of Brazil. During the period ITAÚ UNIBANCO HOLDING complied with all externally imposed capital requirements to which we are subject.

The following table summarizes the composition of regulatory capital, the minimum capital required and the Basel ratio computed in accordance with the Central Bank of Brazil, on a financial institution consolidation basis.

	12/31/2014	12/31/2013
	FINANCIAL INSTITUTIONS (PARTIAL CONSOLIDATION)	FINANCIAL INSTITUTIONS (PARTIAL CONSOLIDATION)
Regulatory Capital		
Tier I	96,232	87,409
Common Equity Tier I	96,212	87,409
Additional Tier I Capital	20	-
Tier II	33,559	37,735
Total	129,790	125,144
Requirement for coverage of risk-weighted assets:		
Credit	706,081	694,039
Market	25,176	24,555
Operational	36,817	36,847
Risk-weighted assets	768,075	755,441
Minimum Required Regulatory Capital	84,488	83,099
Excess capital in relation to Minimum Required Regulatory Capital	45,302	42,045
Capital to risk-weighted assets ratio – %	16.9%	16.6%

The funds obtained through the issuance of subordinated debt securities are considered Tier II capital for the purpose of capital to risk-weighted assets ratio, as follows. According to current legislation, the accounting balance of subordinated debt as of December 2012 was used for the calculation of referential equity as of December, 2014, considering instruments approved after the closing date to compose Tier II, totaling R\$ 53,921.

NAME OF SECURITY/CURRENCY	PRINCIPAL AMOUNT (ORIGINAL CURRENCY)	ISSUE	MATURITY	RETURN P.A.	ACCOUNT BALANCE
Subordinated CDB – BRL					
	400	2008	2015	119.8% of CDI	815
	50	2010	2015	113% of CDI	84
	466	2006	2016	100% of CDI + 0.7% ^(*)	1,083
	2,665	2010	2016	110% to 114% of CDI	4,480
	123			IPCA + 7.21%	226
	367	2010	2017	IPCA + 7.33%	680
	4,071			Total	7,368
Subordinated financial bills – BRL					
	365	2010	2016	100% of CDI + 1.35% to 1.36%	381
	1,874			112% to 112.5% of CDI	1,954
	30			IPCA + 7%	50
	206	2010	2017	IPCA + 6.95% to 7.2%	280
	3,224	2011	2017	108% to 112% of CDI	3,415
	352			IPCA + 6.15% to 7.8%	502
	138			IGPM + 6.55% to 7.6%	204
	3,650			100% of CDI + 1.29% to 1.52%	3,762
	500	2012	2017	100% of CDI + 1.12%	505
	42	2011	2018	IGPM + 7%	55
	30			IPCA + 7.53% to 7.7%	40
	461	2012	2018	IPCA + 4.4% to 6.58%	607
	3,782			100% of CDI + 1.01% to 1.32%	3,876
	6,373			108% to 113% of CDI	6,807
	112			9.95 to 11.95%	143
	2	2011	2019	109% to 109.7% of CDI	3
	12	2012	2019	11.96%	17
	101			IPCA + 4.7% to 6.3%	130
	1			110% of CDI	1
	20	2012	2020	IPCA + 6% to 6.17%	28
	1			111% to CDI	1
	6	2011	2021	109.25% to 110.5% of CDI	8
	2,307	2012	2022	IPCA + 5.15% to 5.83%	2,974
	20			IGMP + 4.63%	22
	23,609			Total	25,765
Subordinated euronotes – USD					
	990	2010	2020	6.20%	2,657
	1,000	2010	2021	5.75%	2,727
	730	2011	2021	5.75% to 6.2%	1,958
	550	2012	2021	6.20%	1,461
	2,600	2012	2022	5.50% to 5.65%	6,978
	1,851	2012	2023	5.13%	4,951
	7,721			Total	20,732
Total					53,865

(*) Subordinated CDBs may be redeemed from November 2011.

Note 34 – Segment Information

ITAÚ UNIBANCO HOLDING is a banking institution that offers its customers a wide range of financial products and services.

From the first quarter of 2013, the way of presenting the segments was changed, so that it is better aligned with the follow-up of the change in results. The nomenclature was changed in order

to adjust it to the reality of the current structure, as we now have the following segments: Commercial Bank – Retail, Consumer Credit – Retail, Wholesale Bank and Activities with the Market + Corporation. The results of medium businesses, previously allocated to the former Commercial Bank segment, are now to be reported in the Wholesale Bank, and this was the main change of this presentation.

The current operational and reporting segments of ITAÚ UNIBANCO HOLDING are described below:

• Commercial Bank – Retail

The result of the Commercial Bank – Retail segment arises from the offer of banking products and services to a diversified client base of individuals and companies. The segment includes retail clients, high net worth clients, Private Bank clients and the companies segment (small and medium businesses).

• Consumer Credit – Retail

The result of the Consumer Credit – Retail segment arises from financial products and services offered to non-account holders. This segment comprises vehicle financing provided by units other than the branch network, offering of credit cards and offering of credits to the low income population and operations of Itaú BMG Consignado.

• Wholesale Bank

The result of the Wholesale Bank segment arises from the products and services offered to medium businesses and the activities of Itaú BBA, the unit in charge of commercial operations with large companies and the performance in investment banking.

• Activities with the Market + Corporation

This segment records the result arising from capital surplus, subordinated debt surplus and the net balance of tax credits and debits. It also shows the financial margin with the market, the Treasury operating cost, the equity in earnings of companies not associated to each segment and the interest in Porto Seguro.

Basis of presentation of segment information

Segment information is prepared based on the reports used by top management (Executive Committee) to assess the performance and to make decisions regarding the allocation of funds for investment and other purposes.

The top management (Executive Committee) of ITAÚ UNIBANCO HOLDING uses a variety of information for such purposes including financial and non-financial information that is measured on different bases as well as information prepared based on accounting practices adopted in Brazil. The main index used to monitor the business performance is the Recurring Net Income and the Economic Capital allocated to each segment.

The segment information has been prepared following accounting practices adopted in Brazil modified for the adjustments described below:

• Allocated capital and income tax rate

Based on the managerial income statement, the segment information considers the application of the following criteria:

Allocated capital: The impacts associated to capital allocation are included in the financial information. Accordingly, adjustments were made to the financial statements, based on a proprietary model. For the financial statements by segment we adopted the Economic Allocated Capital (EAC) model, which, in addition to allocated capital tier I, considers the allocated capital tier II (subordinated debt) and the effects of the calculation of expected credit losses, additional to that required by the Central Bank of Brazil CMN Circular N° 2,682/99. Accordingly, the Allocated Capital

comprises the following components: Credit risk (including expected loss), operational risk, market risk and insurance underwriting risk.

Income tax rate: We consider the total income tax rate, net of the tax effect from the payment of interest on capital, for the Commercial Bank – Retail, Consumer Credit – Retail, Wholesale Bank and Activities with the Market segments. The difference between the income tax amount calculated by segment and the effective income tax amount, as stated in the consolidated financial statements, is allocated to the Activities with the Market + Corporation column.

• Reclassification and application of managerial criteria

The managerial statement of income was used to prepare information per segment. These statements were obtained based on the statement of income adjusted by the impact of non-recurring events and the managerial reclassifications in income.

From the first quarter of 2013 on, some changes were made in the consolidation criteria for managerial results presented in order to better reflect the way Management monitors the bank's figures. These adjustments change the order of presentation of the lines only and, therefore, do not affect the net income disclosed. Through these reclassifications, ITAÚ UNIBANCO HOLDING seeks to align the way it presents its results and enables a better comparison and understanding of the bank's performance assessment.

We describe below the main reclassifications between the accounting and managerial results:

Banking product: The banking product considers the opportunity cost for each operation. The financial statements were adjusted so that the stockholders' equity was replaced by funding at market price. Subsequently, the financial statements were adjusted to include revenues related to capital allocated to each segment. The cost of subordinated debt and the respective remuneration at market price were proportionally allocated to the segments, based on the economic allocated capital.

Hedge tax effects: The tax effects of the hedge of investments abroad were adjusted – these were originally recorded in the tax expenses (PIS and COFINS) and Income Tax and Social Contribution on net income lines – and are now reclassified to the margin. The strategy to manage the foreign exchange risk associated to the capital invested abroad aims at preventing the effects of the exchange rates variation on income. In order to achieve this objective, we used derivative instruments to hedge against such foreign currency risk, with investments remunerated in Reals. The hedge strategy for foreign investments also considers the impact of all tax effects levied.

Insurance: Insurance business revenues and expenses were concentrated in Income from Insurance, Pension Plan and Capitalization Operations. The main reclassifications of revenues refer to the financial margins obtained with the technical provisions of insurance, pension plan and capitalization, in addition to revenue from management of pension plan funds.

Other reclassifications: Other Income, Share of Income of Associates, Non-Operating Income, Profit Sharing of Management Members and Expenses for Credit Card Reward Program were reclassified to those lines representing the way the institution manages its business, enabling greater understanding for performance analysis. Accordingly, equity in earnings of investment in Banco CSF S.A. ("Banco Carrefour") was reclassified to the financial margin line. Additionally, for better comparison with the new consolidation criteria, 100.0% of the results from partnerships were consolidated (they were previously proportionally consolidated), and expenses for provisions associated to securities and derivatives were reclassified (from Non-interest expenses income to Expenses for allowance for loan losses).

The adjustments and reclassifications column shows the effects of the differences between the accounting principles followed for the presentation of segment information, which are substantially in line with the accounting practices adopted for financial institutions in Brazil, except as described above, and the policies used in the preparation of these consolidated financial statements according to IFRS. Main adjustments are as follows:

- Allowance for Loan Losses, which, under IFRS (IAS 39), should be recognized upon objective evidence that loan operations are impaired (incurred loss), and the Expected Loss concept is adopted according to Brazilian accounting standards;
- Shares and units classified as permanent investments were stated at fair value under IFRS (IAS 39 and 32), and their gains and losses were directly recorded to Stockholders' Equity, not passing through income for the period;
- Effective interest rates, financial assets and liabilities stated at amortized cost, are recognized by the effective interest rate method, allocating revenues and costs directly attributable to acquisition, issue or disposal for the transaction period of the operation; according to Brazilian standards, fee expenses and income are recognized as these transactions are engaged.
- Business combinations are accounted for under the acquisition method in IFRS (IFRS 3), in which the purchase price is allocated among assets and liabilities of the acquired company, and the amount not subject to allocation, if any, is recognized as goodwill. Such amount is not amortized, but is subject to an impairment test.

ITAÚ UNIBANCO HOLDING S.A.

From January 1 to December 31, 2014

(In millions of reais, except for share information)

CONSOLIDATED STATEMENT OF INCOME	COMMERCIAL BANK RETAIL	CONSUMER CREDIT RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET + CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking product	52,350	17,992	14,814	4,684	89,840	1,817	91,657
Interest margin ⁽¹⁾	28,957	11,159	10,678	4,361	55,155	1,118	56,273
Banking service fees	14,771	6,832	3,950	224	25,777	565	26,342
Income from insurance, private pension, and capitalization operations before claim and selling expenses	8,622	1	186	99	8,908	(2,020)	6,888
Other income	-	-	-	-	-	2,154	2,154
Losses on loans and claims	(8,129)	(4,180)	(2,733)	(3)	(15,045)	(756)	(15,801)
Expenses for allowance for loan and lease losses	(9,292)	(5,708)	(3,068)	(3)	(18,071)	(761)	(18,832)
Recovery of loans written off as loss	3,158	1,528	363	-	5,049	5	5,054
Expenses for claims/recovery of claims under reinsurance	(1,995)	-	(28)	-	(2,023)	-	(2,023)
Banking product net of losses on loans and claims	44,221	13,812	12,081	4,681	74,795	1,061	75,856
Other operating income (expenses)	(28,638)	(9,000)	(5,654)	(1,147)	(44,439)	(2,609)	(47,048)
Non-interest expenses ⁽²⁾	(25,739)	(7,823)	(4,838)	(1,183)	(39,583)	(2,967)	(42,550)
Tax expenses for ISS, PIS and COFINS and Other	(2,899)	(1,177)	(816)	36	(4,856)	(207)	(5,063)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	-	565	565
Net income before income tax and social contribution	15,583	4,812	6,427	3,534	30,356	(1,548)	28,808
Income tax and social contribution	(5,636)	(1,431)	(2,090)	(269)	(9,426)	2,479	(6,947)
Non-controlling interest in subsidiaries	-	(305)	-	(6)	(311)	5	(306)
Net income	9,947	3,076	4,337	3,259	20,619	936	21,555

(1) Includes net interest and similar income and expenses of R\$ 47,138 dividend income of R\$ 215 net gain (loss) from investment securities and derivatives of R\$ (724), and results from foreign exchange results and exchange variation of transactions abroad of R\$ 9,644.

(2) Refers to general and administrative expenses including depreciation expenses of R\$ 1,641, amortization expenses of R\$ 827 and insurance acquisition expenses of R\$ 1,214.

Total assets ⁽¹⁾	790,785	108,629	354,212	97,713	1,208,702	(81,499)	1,127,203
Total liabilities	766,079	93,434	329,500	64,065	1,110,439	(83,853)	1,026,586
⁽¹⁾ Includes:							
Investments in associates and joint ventures	-	982	-	2,117	3,099	991	4,090
Goodwill	157	47	-	-	204	1,757	1,961
Fixed assets, net	6,446	541	574	-	7,561	1,150	8,711
Intangible assets, net	5,186	2,996	450	-	8,632	(2,498)	6,134

The consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.

From January 1 to December 31, 2013

(In millions of reais, except for share information)

CONSOLIDATED STATEMENT OF INCOME	COMMERCIAL BANK RETAIL	CONSUMER CREDIT RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET + CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking product	44,567	14,892	15,116	3,901	78,476	911	79,387
Interest margin ⁽¹⁾	23,719	9,230	11,117	3,571	47,637	1,004	48,641
Banking service fees	12,585	5,662	3,688	213	22,148	564	22,712
Income from insurance, private pension, and capitalization operations before claim and selling expenses	8,263	-	311	117	8,691	(2,052)	6,639
Other income	-	-	-	-	-	1,395	1,395
Losses on loans and claims	(7,613)	(4,860)	(3,055)	(82)	(15,610)	740	(14,870)
Expenses for allowance for loan and lease losses	(9,155)	(5,996)	(3,347)	(82)	(18,580)	724	(17,856)
Recovery of loans written off as loss	3,561	1,136	348	-	5,045	16	5,061
Expenses for claims/recovery of claims under reinsurance	(2,019)	-	(56)	-	(2,075)	-	(2,075)
Banking product net of losses on loans and claims	36,954	10,032	12,061	3,819	62,866	1,651	64,517
Other operating income (expenses)	(26,043)	(7,496)	(6,159)	(572)	(40,270)	(3,382)	(43,652)
Non-interest expenses ⁽²⁾	(23,522)	(6,428)	(5,296)	(741)	(35,987)	(3,927)	(39,914)
Tax expenses for ISS, PIS and COFINS and Other	(2,521)	(1,068)	(863)	169	(4,283)	(58)	(4,341)
Share of profit or (loss) in associates and joint ventures	-	-	-	-	-	603	603
Net income before income tax and social contribution	10,911	2,536	5,902	3,247	22,596	(1,731)	20,865
Income tax and social contribution	(3,908)	(642)	(1,886)	(187)	(6,623)	2,280	(4,343)
Non-controlling interest in subsidiaries	-	(124)	-	(13)	(137)	39	(98)
Net income	7,003	1,770	4,016	3,047	15,836	588	16,424

(1) Includes net interest and similar income and expenses of R\$ 47,766, net income of R\$ 205, net gain (loss) from investment securities and derivatives of R\$ (5,924) and foreign exchange results and exchange variation on transactions of abroad R\$ 6,594.

(2) Refers to general and administrative expenses including depreciation expenses of R\$ 1,522, amortization expenses of R\$ 808 and insurance acquisition expenses of R\$ 1,147.

Total assets⁽¹⁾ – 12/31/2013	737,341	94,174	322,667	116,625	1,105,721	(78,424)	1,027,297
Total liabilities – 12/31/2013	717,197	84,732	299,771	86,179	1,022,793	(79,688)	943,105
⁽¹⁾ Includes:							
Investments in associates and joint ventures	-	859	7	2,124	2,990	941	3,931
Goodwill	29	1,892	-	-	1,921	(16)	1,905
Fixed assets, net	5,485	401	624	-	6,510	54	6,564
Intangible assets, net	3,686	1,355	678	-	5,719	78	5,797

The Consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

ITAÚ UNIBANCO HOLDING S.A.

From January 1 to December 31, 2012

(In millions of reais, except for share information)

CONSOLIDATED STATEMENT OF INCOME	COMMERCIAL BANK RETAIL	CONSUMER CREDIT RETAIL	WHOLESALE BANK	ACTIVITIES WITH THE MARKET + CORPORATION	ITAÚ UNIBANCO	ADJUSTMENTS	IFRS CONSOLIDATED
Banking product	51,551	14,211	7,491	5,808	78,978	2,194	81,172
Interest margin ⁽¹⁾	32,770	8,310	5,334	5,555	52,013	1,825	53,838
Banking service fees	12,289	5,890	2,261	249	20,622	(1,678)	18,944
Income from insurance, private pension, and capitalization operations before claim and selling expenses	6,030	(7)	38	4	6,065	43	6,108
Other income	462	18	(142)	-	278	2,004	2,282
Losses on loans and claims	(15,292)	(5,179)	(795)	251	(21,015)	(339)	(21,354)
Expenses for allowance for loan and lease losses	(16,577)	(6,111)	(871)	(85)	(23,644)	(338)	(23,982)
Recovery of loans written off as loss	3,320	932	76	336	4,664	(1)	4,663
Expenses for claims / Recovery of claims under reinsurance	(2,035)	-	-	-	(2,035)	-	(2,035)
Operating margin	36,259	9,032	6,696	6,059	57,963	1,855	59,818
Other operating income (expenses)	(27,030)	(7,476)	(3,301)	(281)	(38,041)	(4,361)	(42,402)
Non-interest expenses ⁽²⁾	(24,539)	(6,551)	(2,891)	(449)	(34,383)	(3,697)	(38,080)
Tax expenses for ISS, PIS and COFINS and Other	(2,704)	(968)	(410)	(148)	(4,230)	(267)	(4,497)
Share of profit or (loss) in associates and joint ventures	108	58	5	316	487	(312)	175
Other	105	(15)	(5)	-	85	(85)	-
Income before income tax and social contribution	9,229	1,556	3,395	5,778	19,922	(2,506)	17,416
Income tax and social contribution	(2,981)	(311)	(1,066)	(968)	(5,326)	1,101	(4,225)
Non-controlling interest in subsidiaries	-	-	-	(589)	(553)	(4)	(557)
Net income	6,248	1,245	2,329	4,221	14,043	(1,409)	12,634

(1) Includes net interest and similar income and expenses of R\$ 48,297 net income of R\$ 323, net gain (loss) from investment securities and derivatives of R\$ 1,463 and foreign exchange results and exchange variation on transactions of abroad R\$ 3,755.

(2) Refers to general and administrative expenses including depreciation expenses of R\$ 1,346, amortization expenses of R\$ 844 and insurance acquisition expenses of R\$ 1,253.

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments		
Total assets ⁽¹⁾ – 12/31/2012		745,032	90,096	233,430	134,544	1,014,425	(57,271)	957,154
Total liabilities – 12/31/2012		710,521	79,982	220,137	117,418	939,302	(58,146)	881,156
⁽¹⁾ Includes:								
Investments in associates and joint ventures		-	847	5	1,293	2,144	861	3,005
Fixed assets, net		4,672	499	395	-	5,566	62	5,628
Intangible assets, net		1,813	1,255	411	1,109	4,589	82	4,671

The Consolidated figures do not represent the sum of the segments because there are intercompany transactions that were eliminated only in the consolidated financial statements. Segments are assessed by top management, net of income and expenses between related parties.

Information on income from financial operations by geographical area is as follows:

	01/01 TO 12/31/2014			01/01 TO 12/31/2013			01/01 TO 12/31/2012		
	BRAZIL	FOREIGN	TOTAL	BRAZIL	FOREIGN	TOTAL	BRAZIL	FOREIGN	TOTAL
Income from financial operations ⁽¹⁾⁽²⁾	119,407	9,843	129,250	86,934	8,068	95,002	95,063	6,842	101,905
Non-current assets ⁽³⁾	13,872	973	14,845	11,488	873	12,361	9,515	784	10,299

(1) Includes interest and similar income, dividend income, net gain (loss) from investment securities and derivatives, foreign exchange results, and exchange variation on transactions.

(2) ITAÚ UNIBANCO HOLDING does not have clients representing 10.0% or higher of its revenues.

(3) The amounts for comparative purposes refer to the 12/31/2013 and 12/31/2012.

Note 35 – Related parties

a) Transactions between related parties are carried out at amounts, terms and average rates in accordance with normal market practices during the period, as well as under reciprocal conditions.

Transactions between companies included in consolidation (Note 2.4a) were eliminated from the consolidated financial statements and the absence of risk is taken into consideration.

The unconsolidated related parties are the following:

- Itaú Unibanco Participações S.A. (IUPAR), Companhia E. Johnston de Participações S.A. (shareholder of IUPAR) and ITAÚSA, direct and indirect shareholders of ITAÚ UNIBANCO HOLDING;

- The non-financial subsidiaries of ITAÚSA, especially: Itaútec S.A., Duratex S.A., Elekeiroz S.A., ITH Zux Cayman Company Ltd and Itaúsa Empreendimentos S.A.;
- Fundação Itaú Unibanco – Previdência Complementar, FUNBEP – Fundo de Pensão Multipatrocinado, Fundação Bemgeprev, UBB Prev – Previdência Complementar, and Fundação Banorte Manuel Baptista da Silva de Seguridade Social, closed-end supplementary pension entities, that administer retirement plans sponsored by ITAÚ UNIBANCO HOLDING and/or its subsidiaries;
- Fundação Itaú Social, Instituto Itaú Cultural, Instituto Unibanco, Instituto Assistencial Pedro Di Perna, Instituto Unibanco de Cinema and Associação Itaú Viver Mais, entities sponsored by ITAÚ UNIBANCO HOLDING and subsidiaries to act in their respective areas of interest; and
- Investments in Porto Seguro Itaú Unibanco Participações S.A. and BSF Holding S.A.

The transactions with these related parties are mainly as follows:

		ITAÚ UNIBANCO HOLDING CONSOLIDATED				
		ASSETS/(LIABILITIES)		REVENUE/(EXPENSES)		
	ANNUAL RATE	12/31/2014	31/12/2013	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Interbank deposits		-	-	-	-	144
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento ⁽¹⁾		-	-	-	-	48
Itaú Unibanco Financeira S.A. Crédito, Financiamento e Investimento ^{(1) (2)}		-	-	-	-	14
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento ⁽¹⁾		-	-	-	-	82
Deposits		-	(1)	-	-	(1)
Duratex S.A.		-	(1)	-	-	(1)
Securities sold under repurchase agreements		(142)	(286)	(13)	(14)	(7)
Itaúsa Empreendimentos S.A.	100% of SELIC	(26)	(66)	-	-	-
Duratex S.A.	100% of SELIC	(100)	(180)	(10)	(10)	(2)
Elekeiroz S.A.		(6)	(36)	(2)	(2)	(1)
Itautec S.A.	100% of SELIC	(2)	(4)	-	(2)	-
FIC Promotora de Venda Ltda. ⁽¹⁾		-	-	-	-	(1)
Banco Investcred Unibanco S.A. ⁽¹⁾		-	-	-	-	(2)
Other		(8)	-	(1)	-	(1)
Amounts receivable from (payable to) related companies / Banking service fees (expenses)		(109)	(82)	8	41	57
Itaúsa Investimentos S.A.		-	-	-	1	1
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento ⁽¹⁾		-	-	-	-	1
Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento ⁽¹⁾		-	-	-	-	32
FUNBEP – Fundo de Pensão Multipatrocinado		-	-	5	5	5
Fundação Itaú Unibanco - Previdência Complementar		(13)	(6)	35	33	25
Fundação Banorte Manuel Baptista da Silva de Seguridade Social		(93)	(76)	-	-	-
Other		(3)	-	(32)	2	(7)

ITAÚ UNIBANCO HOLDING CONSOLIDATED

		ASSETS / (LIABILITIES)		REVENUE / (EXPENSES)			
		ANNUAL RATE	31/12/2014	31/12/2013	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Rental revenues (expenses)			-	-	(51)	(48)	(37)
Itaúsa Investimentos S.A.			-	-	-	(1)	-
Fundação Itaú Unibanco - Previdência Complementar			-	-	(38)	(37)	(27)
FUNBEP - Fundo de Pensão Multipatrocinado			-	-	(13)	(10)	(10)
Donation expenses			-	-	(78)	(73)	(72)
Associação Itaú Viver Mais			-	-	(1)	(1)	(3)
Instituto Itaú Cultural			-	-	(77)	(72)	(69)
Data processing expenses			-	-	(285)	(267)	(270)
Itautec S.A.			-	-	(285)	(267)	(270)

(1) Until December 31, 2012, these were proportionally consolidated. As from January 1, 2013, they are fully consolidated in our consolidated financial statements.

(2) New company name of FAI – Financeira Americana Itaú S.A. – Crédito, Financiamento e Investimento.

In addition to the aforementioned operations, ITAÚ UNIBANCO HOLDING and non-consolidated related parties, as an integral part of ITAÚ UNIBANCO HOLDING Agreement for Apportionment of Common Costs, recorded in General and Administrative Expenses – Other, the amount of R\$ 5 (R\$ 5 from 01/01 to 12/31/2013 and R\$ 8 from 01/01 to 12/31/2012) due to the use of the common structure.

Pursuant to the current rules, financial institutions cannot grant loans or advances to the following:

- a) any individuals or companies that control the Institution or any entity under common control with the institution, or any executive officer, director, member of the fiscal council, or the immediate family members of these individuals;
- b) any entity controlled by the institution; or
- c) any entity in which the bank directly or indirectly holds more than 10.0% of the capital stock.

Therefore, no loans or advances were granted to any subsidiary, executive officer, director or family members.

b) Compensation of the key management personnel

Compensation for the period paid to key management members of ITAÚ UNIBANCO HOLDING consisted of:

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Compensation	343	278	244
Board of directors	14	13	8
Executives	329	265	236
Profit sharing	261	259	160
Board of directors	12	8	2
Executives	249	251	158
Contributions to pension plans	7	3	8
Executives	7	3	8
Stock option plan – executives	234	166	163
Total	845	706	575

Note 36 – Management of financial risks

Credit risk

1. Credit risk measurement

Credit risk is the possibility of losses arising from the breach by the borrower, issuer or counterparty of the respective agreed-upon financial obligations, the devaluation of loan agreement due to downgrading of the borrower's, the issuer's, the counterparty's risk rating, the reduction in gains or compensation, the advantages given upon posterior renegotiation and the recovery costs.

The credit risk management of ITAÚ UNIBANCO HOLDING's is the primary responsibility of all business units and aims to keep the quality of loan portfolios in levels consistent with the institution's risk appetite for each market segment in which it operations.

ITAÚ UNIBANCO HOLDING establishes its credit policies based on internal factors, such as the client rating criteria, performance of and changes in portfolio, default levels, return rates, and the allocated economic capital; and external factors, related to the economic environment, interest rates, market default indicators, inflation, changes in consumption.

ITAÚ UNIBANCO HOLDING has a structured process to keep a diversified portfolio deemed as adequate by the institution. The ongoing monitoring on the concentration level of portfolios, by assessing the economic activity sectors and major debtors, enables it to take preventive measures to prevent that defined limits be breached and ensure a properly diversified customer distribution.

The process for analyzing the policy and products enables ITAÚ UNIBANCO HOLDING to identify potential risks, so as to make sure that credit decisions make sense from an economic and risk perspective.

The centralized process for approval of credit policies and validation of models of ITAÚ UNIBANCO HOLDING assures the synchrony of credit actions.

The table below shows the correspondence between risk levels attributed by all segments of ITAÚ UNIBANCO HOLDING internal models (lower risk, satisfactory, higher risk and impaired) and the probability of default associated with each of these levels, and the risk levels assigned by the respective market models.

INTERNAL RATING	PD	EXTERNAL RATING		
		MOODY'S	S&P	FITCH
Lower risk	Lower than 4.44%	Aaa to B2	AAA to B	AAA to B-
Satisfactory	From 4.44% up to 25.95%	B3 to Caa3	B- to CCC-	CCC+ to CCC-
Higher risk	Higher than 25.95%	Ca1 to D	CC+ to D	CC+ to D
Impaired	Corporate operations with a PD higher than 31.84%	Ca1 to D	CC+ to D	CC+ to D
	Operations past due for over 90 days			
	Renegotiated operations past due for over 60 days			

The credit rating in corporate transactions is based on information such as economic and financial condition of the counterparty, its cash-generating capabilities, the economic group to which it belongs, the current and prospective situation of the economic sector in which it operates. The credit proposals are analyzed on a case by case basis, through an approval-level mechanism subordinated to the Superior Credit Committee.

Regarding retail (individuals, small and middle-market companies), the rating is assigned based on application and behavior score statistical models. Decisions are made based on scoring models that are continuously followed up by an independent structure. Exceptionally, there may also be individualized analysis of specific cases where approval is subject to competent credit approval levels.

Government securities and other debt instruments are classified by ITAÚ UNIBANCO HOLDING according to their credit quality aiming at managing their exposures.

In line with the principles of CMN Resolution N° 3,721, of April 30, 2009, ITAÚ UNIBANCO HOLDING has structure and corporate guidelines on credit risk management, approved by its Board of Directors, applicable to companies and subsidiaries in Brazil and abroad.

2. Management risk limits

Centralized control of credit risk is conducted by independent executive area responsible for risk control, segregated from business trading units, as required by current regulations.

ITAÚ UNIBANCO HOLDING strictly controls the credit exposure of clients and counterparties, taking action to address situations in which the actual exposure exceeds the desired one. For that purpose, contractually provided actions can be taken, such as early payment or requirement of additional collateral.

3. Collateral and policies for mitigating credit risk

As a way to control the credit risk, ITAÚ UNIBANCO HOLDING has corporate guidelines that establish general rules and responsibilities for the use of guarantees; additionally, each business unit responsible for the credit risk management formalizes the use of such guarantees in its credit policies.

ITAÚ UNIBANCO HOLDING uses guarantees to increase its recovery capacity in transactions involving credit risk. The guarantees used may be personal guarantees, collateral, legal structures with mitigation power and offset agreements.

For the guarantees to be considered a risk mitigating instrument, requirements and guidelines of the standards that regulate them, either internal or external ones, must be complied with, and be legally enforceable (effective) and periodically reassessed.

ITAÚ UNIBANCO HOLDING also uses credit derivatives, such as single name CDS, to mitigate credit risk of its portfolios of loans and securities. These instruments are priced based on models that use the fair value of market inputs, such as credit spreads, recovery rates, correlations and interest rates.

The credit limits are continually monitored and changed according to customer behavior. Thus, the potential loss values represent a fraction of the amount available.

4. Policy on the provision

The policies on the provision adopted by ITAÚ UNIBANCO HOLDING are aligned with the guidelines of IFRS and the Basel Accord. As a result, an allowance for loan losses is recognized when there are indications of the impairment of the portfolio and takes into account a horizon of loss appropriate for each type of transaction. We consider as impaired loans overdue for more than 90 days, renegotiated loans overdue by more than 60 days and Corporate loans below a specific internal rating. Loans are written-down 360 days after such loans become past due or 540 days of being past due in the case of loans with original maturities over 36 months.

5. Credit risk exposure

	12/31/2014			12/31/2013		
	BRAZIL	ABROAD	TOTAL	BRAZIL	ABROAD	TOTAL
Interbank deposits	7,875	15,206	23,081	5,564	20,096	25,660
Securities purchased under agreements to resell	208,751	167	208,918	137,556	899	138,455
Financial assets held for trading	124,391	8,553	132,944	141,343	7,517	148,860
Financial assets designated at fair value through profit or loss	-	733	733	-	371	371
Derivatives	7,385	6,771	14,156	6,400	4,966	11,366
Available-for-sale financial assets	55,686	22,674	78,360	45,208	51,418	96,626
Held-to-maturity financial assets	24,102	10,332	34,434	3,393	6,723	10,116
Loan operations and lease operations	324,021	106,018	430,039	277,877	111,590	389,467
Other financial assets	44,072	9,577	53,649	45,389	2,203	47,592
Off balance sheet	280,640	25,708	306,348	273,766	21,286	295,052
Endorsements and sureties	68,416	5,343	73,759	66,165	4,997	71,162
Letters of credit to be released	11,091	-	11,091	11,431	-	11,431
Commitments to be released	201,133	20,365	221,498	196,170	16,289	212,459
Mortgage loans	9,087	-	9,087	10,846	-	10,846
Overdraft accounts	78,461	-	78,461	82,206	-	82,206
Credit cards	103,092	873	103,965	94,453	847	95,300
Other pre-approved limits	10,493	19,492	29,985	8,665	15,442	24,107
Total	1,076,923	205,739	1,282,662	936,496	227,069	1,163,565

The table above presents the maximum exposure at December 31, 2014 and December 31, 2013, without considering any collateral received or other additional credit improvements.

For assets recognized in the balance sheet, the exposures presented are based on net carrying amounts. This analysis includes only financial assets subject to credit risk and excludes non-financial assets.

The contractual amounts of endorsements and sureties and letters of credit represent the maximum potential of credit risk in the event the counterparty does not meet the terms of the agreement. The vast majority of commitments (real estate loans, overdraft accounts, credit card and other pre-approved limits) mature without being drawn, since they are renewed monthly and we have the power to cancel them at any time. As a result, the total contractual amount does not represent our effective future exposure to credit risk or the liquidity needs arising from such commitments.

As shown in the table, the most significant exposures correspond to loan operations, financial assets held for trading, and securities purchased under agreements to resell, in addition to sureties, endorsements and other commitments.

The maximum exposure to the quality of the financial assets presented highlights that:

- 86.9% of loan operations and other financial assets exposure (Table 6.1 and 6.1.2) are categorized as low probability of default in accordance with our internal rating;
- only 3.7% of the total loans exposure (Table 6.1) is represented by overdue credits not impaired;
- 3.8% of the total loans exposure (Table 6.1) corresponds to overdue loans impaired.

5.1 Maximum exposure of financial assets segregated by business sector

a) Loan operations and lease operations portfolio

	12/31/2014	%	12/31/2013	%
Public sector	4,389	1.0	3,981	1.0
Industry and commerce	116,506	25.7	115,025	27.8
Services	99,855	22.1	87,103	21.2
Natural resources	23,345	5.2	20,492	5.0
Other sectors	2,242	0.5	1,553	0.4
Individuals	206,094	45.5	183,548	44.6
Total	452,431	100.0	411,702	100.0

b) Other financial assets^(*)

	12/31/2014	%	12/31/2013	%
Natural resources	2,444	0.5	1,766	0.4
Public sector	152,770	31.0	174,331	40.4
Industry and commerce	12,722	2.6	11,665	2.7
Services	90,630	18.4	76,650	17.8
Other sectors	1,665	0.3	2,664	0.6
Individuals	396	0.1	263	0.1
Financial	231,999	47.1	164,115	38.0
Total	492,626	100.0	431,454	100.0

(*) Includes financial assets held for trading, derivatives, assets designated at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, interbank deposits and securities purchased under agreements to resell.

c) The credit risks of off balance sheet items (endorsements and sureties, letters of credit and commitments to be released) are not categorized or managed by business sector.

6. Credit quality of financial assets

6.1 The following table shows the breakdown of loans operations and lease operations portfolio considering: loans not overdue and loans overdue either impaired or not impaired:

INTERNAL RATING	12/31/2014			12/31/2013				
	LOANS NOT OVERDUE AND NOT IMPAIRED	LOANS OVERDUE NOT IMPAIRED	LOANS OVERDUE AND IMPAIRED	TOTAL LOANS	LOANS NOT OVERDUE AND NOT IMPAIRED	LOANS OVERDUE AND NOT IMPAIRED	LOANS OVERDUE AND IMPAIRED	TOTAL LOANS
Lower risk	324,908	4,042	-	328,950	300,816	4,354	-	305,170
Satisfactory	81,994	6,989	-	88,983	64,722	7,676	-	72,398
Higher risk	11,439	5,853	-	17,292	11,273	6,556	-	17,829
Impaired	-	-	17,206	17,206	-	-	16,305	16,305
Total	418,341	16,884	17,206	452,431	376,811	18,586	16,305	411,702
%	92.5%	3.7%	3.8%	100.0%	91.5%	4.5%	4.0%	100.0%

The following table shows the breakdown of loans operations and lease operations by portfolios of areas and classes, based on indicators of credit quality:

	12/31/2014					12/31/2013				
	LOWER RISK	SATISFACTORY	HIGHER RISK	IMPAIRED	TOTAL	LOWER RISK	SATISFACTORY	HIGHER RISK	IMPAIRED	TOTAL
Individuals	102,184	62,020	12,022	9,727	185,953	96,904	48,833	11,323	10,371	167,431
Credit cards	39,417	14,234	2,338	3,332	59,321	36,964	11,773	1,892	2,520	53,149
Personal	7,253	8,932	7,882	3,886	27,953	7,760	8,158	7,143	3,574	26,635
Payroll loans	8,113	31,090	696	626	40,525	5,676	16,147	378	370	22,571
Vehicles	20,570	5,791	1,053	1,633	29,047	23,692	11,310	1,881	3,701	40,584
Mortgage loans	26,831	1,973	53	250	29,107	22,812	1,445	29	206	24,492
Corporate	132,866	8,295	-	3,749	144,910	121,643	3,041	145	1,584	126,413
Small and medium businesses	56,917	15,171	4,599	3,225	79,912	55,210	16,430	5,796	4,165	81,601
Foreign loans – Latin America	36,983	3,497	671	505	41,656	31,413	4,094	565	185	36,257
Total	328,950	88,983	17,292	17,206	452,431	305,170	72,398	17,829	16,305	411,702
%	72.7%	19.7%	3.8%	3.8%	100.0%	74.1%	17.6%	4.3%	4.0%	100.0%

The table below shows the breakdown of loans operations and lease operations portfolio not overdue and not impaired, by portfolio of segments and classes, based on indicators of credit quality.

	12/31/2014				12/31/2013			
	LOWER RISK	SATISFACTORY	HIGHER RISK	TOTAL	LOWER RISK	SATISFACTORY	HIGHER RISK	TOTAL
I – Individually evaluated								
Corporate								
Large companies	132,117	8,093	-	140,210	120,828	2,861	-	123,689
II – Collectively-evaluated								
Individuals	100,252	56,890	7,746	164,888	94,586	42,896	6,708	144,190
Credit card	39,097	13,385	1,632	54,114	36,764	11,129	1,266	49,159
Personal	7,186	8,447	5,469	21,102	7,703	7,691	4,986	20,380
Payroll loans	8,000	30,445	523	38,968	5,574	15,881	245	21,700
Vehicles	19,616	3,509	104	23,229	22,206	7,454	206	29,866
Mortgage loans	26,353	1,104	18	27,475	22,339	741	5	23,085
Small and medium businesses	56,221	13,885	3,277	73,383	54,544	15,142	4,121	73,807
Foreign loans and Latin America	36,318	3,126	416	39,860	30,858	3,823	444	35,125
Total	324,908	81,994	11,439	418,341	300,816	64,722	11,273	376,811

6.1.1 Loan operations and lease operations by portfolios of areas and classes, are classified by maturity as follows (loans overdue not impaired):

	12/31/2014				12/31/2013			
	OVERDUE BY UP TO 30 DAYS	OVERDUE FROM 31 TO 60 DAYS	OVERDUE FROM 61 TO 90 DAYS	TOTAL	OVERDUE BY UP TO 30 DAYS	OVERDUE FROM 31 TO 60 DAYS	OVERDUE FROM 61 TO 90 DAYS	TOTAL
Individuals	7,105	2,818	1,414	11,337	8,103	3,273	1,494	12,870
Credit card	990	461	423	1,874	833	323	314	1,470
Personal	1,837	756	371	2,964	1,641	716	325	2,682
Payroll loans	631	176	126	933	372	74	55	501
Vehicles	2,781	1,051	353	4,185	4,460	1,872	685	7,017
Mortgage loans	866	374	141	1,381	797	288	115	1,200
Corporate	758	193	1	952	944	167	29	1,140
Small and medium businesses	2,137	767	400	3,304	2,378	843	409	3,630
Foreign loans – Latin America	974	221	96	1,291	774	117	55	946
Total	10,974	3,999	1,911	16,884	12,199	4,400	1,987	18,586

6.1.2 The table below shows other financial assets, individually evaluated, classified by rating:

INTERNAL RATING	12/31/2014						TOTAL
	INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	HELD-FOR-TRADING FINANCIAL ASSETS	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSET	HELD-TO-MATURITY FINANCIAL ASSETS	
Lower risk	231,999	132,934	733	14,106	78,213	34,434	492,419
Satisfactory	-	7	-	46	68	-	121
Higher risk	-	3	-	4	65	-	72
Impairment	-	-	-	-	14	-	14
Total	231,999	132,944	733	14,156	78,360	34,434	492,626
%	47.1	27.0	0.1	2.9	15.9	7.0	100.0

INTERNAL RATING	12/31/2013						TOTAL
	INTERBANK DEPOSITS AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	HELD-FOR-TRADING FINANCIAL ASSETS	FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	DERIVATIVES ASSETS	AVAILABLE-FOR-SALE FINANCIAL ASSET	HELD-TO-MATURITY FINANCIAL ASSETS	
Lower risk	164,115	138,883	371	7,173	57,515	10,093	378,150
Satisfactory	-	9,691	-	3,896	38,301	23	51,911
Higher Risk	-	286	-	297	807	-	1,390
Impairment	-	-	-	-	3	-	3
Total	164,115	148,860	371	11,366	96,626	10,116	431,454
%	38.0	34.5	0.1	2.6	22.5	2.3	100.0

6.1.3 Collateral held for loan and lease operations portfolio

FINANCIAL EFFECT OF COLLATERAL	12/31/2014				12/31/2013			
	(I) OVER-COLLATERALIZED ASSETS		(II) UNDER-COLLATERALIZED ASSETS		(I) OVER-COLLATERALIZED ASSETS		(II) UNDER-COLLATERALIZED ASSETS	
	CARRYING VALUE OF THE ASSETS	FAIR VALUE OF COLLATERAL	CARRYING VALUE OF THE ASSETS	FAIR VALUE OF COLLATERAL	CARRYING VALUE OF THE ASSETS	FAIR VALUE OF COLLATERAL	CARRYING VALUE OF THE ASSETS	FAIR VALUE OF COLLATERAL
Individuals	57,340	137,641	720	627	61,723	156,230	2,738	2,290
Personal	561	1,160	214	182	377	879	13	7
Vehicles	27,869	66,366	458	403	37,010	71,736	2,620	2,235
Mortgage loans	28,910	70,115	48	42	24,336	83,615	105	47
Small, medium businesses and corporate	175,357	454,709	6,416	3,035	161,274	476,507	5,200	2,610
Foreign loans – Latin America	40,690	57,058	666	2	11,457	17,169	24,660	22,084
Total	273,387	649,408	7,802	3,664	234,454	649,906	32,597	26,983

The difference between the total loan portfolio and collateralized loan portfolio is generated by non-collateralized loans amounting to R\$ 171,242 (R\$ 144,651 at December 31, 2013).

ITAÚ UNIBANCO HOLDING uses collateral to reduce the occurrence of losses in operations with credit risk and manages and regularly reviews its collateral with the objective that collateral held is

sufficient, legally exercisable (effective) and feasible. Thus, collateral is used to maximize the recoverability potential of impaired loans and not to reduce the exposure value of customers and counterparties.

Individuals

Personal – This category of credit products usually requires collateral, focusing on endorsements and sureties.

Vehicles – For this type of operation, clients' assets serve as collateral, which are also the leased assets in leasing operations.

Mortgage loans – Regards buildings themselves given in guarantee.

Small, Medium Businesses and Corporate – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, Mortgage and others).

Foreign loans – Latin America – For these operations, any collateral can be used within the credit policy of ITAÚ UNIBANCO HOLDING (chattel mortgage, assignment trust, surety/joint debtor, Mortgage and others).

7. Repossessed assets

Reposessed assets are recognized as assets when possession is effectively obtained.

Assets received from the foreclosure of loans, including real estate, are initially recorded at the lower of: (i) the fair value of the asset less the estimated selling expenses, and (ii) the carrying amount of the loan.

Further impairment of assets is recorded as a provision, with a corresponding charge to income. The maintenance costs of these assets are expensed as incurred.

The policy for sales of these assets (assets not for use) includes periodic auctions that are announced in advance and considers that the assets cannot be held for more than one year as stipulated by the BACEN. This period may be extended at the discretion of BACEN.

The amounts below represent total assets reposessed in the period:

	01/01 TO 12/31/2014	01/01 TO 12/31/2013	01/01 TO 12/31/2012
Real estate not for own use	52	2	4
Residential properties – mortgage loans	86	93	67
Vehicles – linked to loan operations	6	1	2
Other (Vehicles/Furniture/Equipments) – Dation	22	12	9
Total	166	108	82

Market risk

Market risk is the possibility of losses resulting from fluctuations in the market values of positions held by a financial institution, including the risk of transactions subject to variations in foreign exchange and interest rates, share, of prices indexes and commodity prices among other indexes on these risk factors.

Market risk management is the process through which the institution plans, monitors and controls the risks of variations in financial instruments market values due market changes, aimed at optimizing the risk-return ratio, by using an appropriate structure of limits, alerts, models and adequate management tools.

The policy of risk management is in line with the principles of CMN Resolution No. 3,464, and posterior amendments, comprising a set of principles that drive the institution's strategy of control and management of market risks in all business units and legal entities of ITAÚ UNIBANCO HOLDING.

The document set forth by the corporate guidelines on market risk management, which is not part of the financial statements, may be viewed on the website www.itaubr.com.br/investor-relations, in the section Corporate Governance / Rules and Policies/Public Access Report – Market Risk.

The risk management strategy of ITAÚ UNIBANCO HOLDING tries to achieve a balance between business objectives, considering among others:

- Political, economic and market context;
- Market risk portfolio of ITAÚ UNIBANCO HOLDING;
- Capacity to operate in specific markets.

The process for managing market risk of ITAÚ UNIBANCO HOLDING occurs within the governance and hierarchy of committees and limits approved specifically for this purpose, sensitizing different levels and classes of market risk. This market risk framework includes limits that involve the monitoring of aggregate risk indicators (at the portfolio level) and extends its coverage to more granular levels (the individual desk level) with specific limits aiming to improve the process of risk monitoring and understanding and also to prevent risk concentration. These limits are dimensioned considering the projected results of the balance sheet, size of equity, liquidity, complexity and volatility of the market and risk appetite of the institution. Limits are monitored and controlled daily and excesses are reported and discussed in the corresponding committees. Additionally, daily risk reports used by the business and control areas, are issued to the executives. The process of setting these limits levels and breach reporting follows the governance approved by our financial conglomerate's internal policies.

The limit structure and warnings follow the guidelines of the Board of Directors and is established and approved by the Superior Risk Committee (CSRisc) after discussions and resolutions of the Superior Institutional Treasury Committee (CSTI) on metrics and market risk limits. This structure of limits and alerts promotes efficiency and the control coverage is reviewed, at least annually.

The purpose of market risk of ITAÚ UNIBANCO HOLDING structure is:

- Providing visibility and assurance to all executive levels that the assumption of market risks is in line with ITAÚ UNIBANCO HOLDING and the risk-return objective;
- Promoting disciplined and educated discussion on the global risk profile and its evolution over time;
- Increasing transparency on the way the business seeks to optimize results;

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
<ul style="list-style-type: none"> • Providing early warning mechanisms in order to make the effective risk management easier, without jeopardizing the business purposes; and • Monitoring and avoiding risk concentration. <p>The market risk control and management process is periodically reviewed with the purpose of keeping the process aligned with best market practices and complies with continuous improvement processes at ITAÚ UNIBANCO HOLDING.</p> <p>The market risk is controlled by an area independent from the business units and is responsible for carrying out daily measurement, assessment, monitoring of stress scenarios, limits and alerts, applying stress scenarios, analysis and testing, reporting risk results to those accountable for in the business units, in accordance with the governance established and monitoring the actions required adjust positions and/or risk level to make them feasible and provide support to the launch of new financial products.</p> <p>For that purpose, ITAÚ UNIBANCO HOLDING has a structured reporting and information flow with the objective of providing input for the follow-up by senior-level committees and complying with the requirements of Brazilian and foreign regulatory agents.</p> <p>ITAÚ UNIBANCO HOLDING hedges transactions with clients and proprietary positions, including foreign investments, aiming at mitigating risks arising from fluctuations in market factors and maintaining the classification the transactions into the current exposure limits. Derivatives are the most frequently used instruments for these hedges. When these transactions are designed for as hedge accounting, specific supporting documentation is prepared, including continuous review of the hedge effectiveness and other changes in the accounting process. Accounting and managerial hedge are governed by corporate guidelines of ITAÚ UNIBANCO HOLDING.</p> <p>Hedge accounting is treated in detail in the financial statement notes.</p> <p>The market risk structure categorizes transactions as part of either the banking portfolio or the trading portfolio, in accordance with general criteria established by the National Monetary Council (CMN) Resolution No. 3,464 and Central Bank of Brazil Circular No. 3,354.</p> <p>The trading portfolio consists of all qualifying transactions (including derivatives) held with intent to trade or to hedge risk within this portfolio, and that have no restriction.</p> <p>The banking portfolio is basically characterized by transactions from the banking business and transactions related to the management of the balance sheet of the institution. It has the no-intention of resale and medium- and long-term time horizons as general guidelines.</p> <p>The exposures to market risks inherent in the various products, including derivatives, are broken down into a number of risk factors. Market factors are primary components of pricing. The main risk factors measured by ITAÚ UNIBANCO HOLDING are:</p> <ul style="list-style-type: none"> • Interest rates risk: risk of financial losses on operations subject to interest rates variations; 				<ul style="list-style-type: none"> • Foreign exchange-linked: the risk of losses arising from positions in transactions which are subject to a foreign exchange-linked interest rate; • Foreign exchange rates: risk of losses on positions in foreign currency in operations subject to foreign exchange variation; • Price index-linked: risk of financial losses on operations subject to changes in price index coupon rates; • Variable income: risk of losses in operations subject to variation in goods prices and commodities. <p>CMN has specific rules establishing that the exposure to market risk must be segregated at the least into the following categories: Interest rates, foreign exchange rates, shares and commodities. Price indexes are treated as a risk factor group and are granted the same treatment given to other risk factors, such as interest rates, and foreign exchange rates, among others, and follow the same limit and risk governance structure adopted by ITAÚ UNIBANCO HOLDING CONSOLIDATED for market risk management purposes.</p> <p>Market risk is analyzed based on the following metrics:</p> <ul style="list-style-type: none"> • Value at risk (VaR): statistical metric that estimates the expected maximum potential economic loss under normal market conditions, taking into consideration a certain time horizon and confidence level; • Losses in stress scenarios (Stress test): simulation technique to assess the behavior of assets, liabilities and derivatives of a portfolio when several risk factors are taken to extreme market situations (based on prospective and historical scenarios) in the portfolio; • Stop loss: metrics which purpose is to review positions, should losses accumulated in a certain period reach a certain amount; • Concentration: cumulative exposure of a certain financial instruments or risk factor calculated at market value ("MtM – Mark to Market"); • Stressed VaR: statistical metric resulting from the VaR calculation, with the purpose of capturing the highest risk in simulations for the current portfolio, considering the returns that can be observed in historic scenarios of extreme volatility. <p>In addition to the risk measures, sensitivity and loss control measures are also analyzed. They comprise:</p> <ul style="list-style-type: none"> • Gap analysis: accumulated exposure, by risk factor, of cash flows expressed at market value, allocated at the maturity dates; • Sensitivity (DV01 – Delta Variation): the impact on the cash flows market value when submitted to an one annual basis point increase in the current interest rates or index rate; • Sensitivity to the Several Risk Factors (Greeks): partial derivatives of an options portfolio in relation to the underlying assets price, implicit volatility, interest rate and timing. <p>ITAÚ UNIBANCO HOLDING uses proprietary systems to measure the consolidated market risk. The processing of these systems principally takes place in São Paulo, in an access-controlled environment, being highly available, which has data safekeeping and recovery processes, and counts on such an infrastructure to ensure the continuity of business in contingency (disaster recovery) situations.</p>		

VaR – Consolidated ITAÚ UNIBANCO HOLDING

ITAÚ UNIBANCO HOLDING has recently enhanced its internal VaR calculation methodology, migrating from the Parametric approach to a “Historical Simulation” approach (except for Foreign Units). This new methodology performs a full revaluation of all positions through the actual historical distribution of assets.

The Consolidated Total VaR table provides an analysis of the exposure to market risk of ITAÚ UNIBANCO HOLDING portfolios, and to its foreign subsidiaries by showing where the largest concentrations of market risk are found. (foreign subsidiaries: Itaú BBA Internacional plc, Banco Itaú Argentina S.A., Banco Itaú Chile S.A., Banco Itaú Uruguai S.A., Banco Itaú Paraguai S.A. and Itaú BBA Colômbia S.A. – Corporación Financiera).

ITAÚ UNIBANCO HOLDING maintaining its conservative management and portfolio diversification, continued with its policy of operating within low limits in relation to its capital in the period.

From January 1st to December 31, 2014, the average total VaR in Historical Simulation was R\$ 131.9 million, or 0.13% of total stockholders’ equity. For the same period, the average total VaR Parametric was R\$ 125.5 million or 0.12% of total stockholders’ equity (throughout 2013 it was R\$ 224 million or 0.28%).

(in R\$ million)

	VAR TOTAL (PARAMETRIC)							
	12/31/2014				12/31/2013			
	AVERAGE	MINIMUM	MAXIMUM	VAR TOTAL	AVERAGE	MINIMUM	MAXIMUM	VAR TOTAL
Risk factor group								
Brazilian interest rate	89.0	37.0	193.0	127.8	172.4	65.6	416.9	69.1
Other interest rate	43.8	21.1	149.4	90.4	26.2	8.6	76.7	45.2
FX rate	28.7	3.6	110.6	8.9	34.5	4.4	70.2	10.4
Brazilian inflation indexes	89.0	45.9	144.7	82.9	76.1	37.3	155.5	65.7
Equities and commodities	19.1	10.4	35.0	24.8	29.6	14.0	60.1	20.4
Foreign units^(*)								
Itaú BBA Internacional	1.1	0.4	2.3	1.6	2.4	1.6	4.1	1.9
Itaú Argentina	4.0	0.9	18.8	1.9	4.0	2.2	7.4	5.7
Itaú Chile	3.3	1.3	5.5	5.3	5.6	2.1	13.6	2.1
Itaú Uruguay	1.6	0.8	2.6	2.1	2.8	1.5	8.9	1.7
Itaú Paraguay	1.3	0.6	3.6	3.5	0.9	0.4	1.8	0.9
Itaú BBA Colombia	0.4	0.1	1.2	0.5	0.4	-	1.3	0.2
Effect of diversification				(169.3)				(113.0)
Total risk	125.5	59.0	231.4	180.4	224.5	97.9	443.4	110.4

(*) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

(in R\$ million)

	VAR TOTAL - HISTORICAL SIMULATION			
	12/31/2014			
	AVERAGE	MINIMUM	MAXIMUM	VAR TOTAL
Risk factor group				
Brazilian interest rate	92.4	37.0	161.8	124.8
Other interest rate	60.4	21.1	93.2	83.6
FX rate	36.1	3.6	141.2	26.5
Brazilian inflation indexes	99.1	45.9	162.9	115.7
Equities and commodities	22.8	10.4	60.7	22.5
Foreign units^(*)				
Itaú BBA Internacional	1.1	0.4	2.3	1.6
Itaú Argentina	4.0	0.9	18.8	1.9
Itaú Chile	3.3	1.3	5.5	5.3
Itaú Uruguay	1.6	0.8	2.6	2.1
Itaú Paraguay	1.3	0.6	3.6	3.5
Itaú BBA Colombia	0.4	0.1	1.2	0.5
Effect of diversification				(194.9)
Total risk	131.9	59.0	227.7	193.1

(*) Determined in local currency and converted into Brazilian reais at the closing price on the reporting date.

Interest rate

The table on the position of accounts subject to interest rate risk group them by products, book value of accounts distributed by maturity. This table is not used directly to manage interest rate risks; it is mostly used to enable the assessment of mismatching between accounts and products associated thereto and to identify possible risk concentration.

The following table sets forth our interest-earning assets and interest-bearing liabilities and therefore does not reflect interest rate gap positions that may exist as of any given date. In addition, variations in interest rate sensitivity may exist within the repricing periods presented due to differing repricing dates within the period.

Position of accounts subject to interest rate risk⁽¹⁾

	12/31/2014					12/31/2013					TOTAL	OVER 5 YEARS	TOTAL
	0-30 DAYS	31-180 DAYS	181-365 DAYS	1-5 YEARS	OVER 5 YEARS	0-30 DAYS	31-180 DAYS	181-365 DAYS	1-5 YEARS	OVER 5 YEARS			
Interest-bearing assets	305,708	226,073	97,686	257,420	117,884	1,004,771	281,495	182,556	100,636	248,019	102,326	915,033	
Interbank deposits	15,879	2,259	3,997	946	-	23,081	19,341	2,126	3,557	636	-	25,660	
Securities purchased under agreements to resell	146,898	62,020	-	-	-	208,918	90,970	47,290	-	184	10	138,455	
Central Bank compulsory deposits	59,714	-	-	-	-	59,714	71,877	-	-	-	-	71,877	
Held-for-trading financial assets	10,142	25,770	17,539	57,074	22,419	132,944	16,807	12,269	22,257	81,032	16,495	148,860	
Financial assets held for trading and designated at fair value through profit or loss	-	322	171	240	-	733	371	-	-	-	-	371	
Available-for-sale financial assets	5,251	9,679	7,290	29,743	26,397	78,360	14,470	13,244	10,553	26,430	31,929	96,626	
Held-to-maturity financial assets	44	264	672	13,609	19,845	34,434	52	47	-	158	9,859	10,116	
Derivatives	2,408	4,073	2,238	3,682	1,755	14,156	2,933	2,419	1,675	3,377	962	11,366	
Loan and lease operations portfolio	65,372	121,686	65,779	152,126	47,468	452,431	64,674	105,161	62,594	136,202	43,071	411,702	
Interest-bearing liabilities	270,976	85,050	60,179	277,952	57,274	751,431	252,818	81,456	56,068	255,198	50,872	696,412	
Savings deposits	118,449	-	-	-	-	118,449	106,166	-	-	-	-	106,166	
Time deposits	11,705	23,656	7,775	61,794	3,536	108,466	12,260	29,436	9,961	61,551	3,923	117,131	
Interbank deposits	4,687	13,173	762	503	-	19,125	1,768	3,909	2,146	363	8	8,194	
Deposits received under repurchase agreements	125,663	11,280	15,150	120,639	15,951	288,683	119,745	13,663	15,190	104,547	13,537	266,682	
Interbank market	8,043	31,076	29,699	44,367	9,401	122,586	6,609	26,507	22,661	46,541	9,058	111,376	
Institutional market	624	2,520	3,910	39,516	26,672	73,242	811	6,529	4,156	36,887	23,672	72,055	
Derivatives	1,728	3,205	2,880	8,001	1,536	17,350	2,421	1,393	1,892	5,076	623	11,405	
Financial liabilities held for trading	77	140	3	122	178	520	6	19	62	233	51	371	
Liabilities for capitalization plans	-	-	-	3,010	-	3,010	3,032	-	-	-	-	3,032	
Difference asset/liability ⁽²⁾	34,732	141,023	37,507	(20,532)	60,610	253,340	28,677	101,100	44,568	(7,179)	51,454	218,621	
Cumulative difference	34,732	175,755	213,262	192,730	253,340	28,677	129,777	174,345	167,166	218,621	218,621		
Ratio of cumulative difference to total interest-bearing assets	3.5%	17.5%	21.2%	19.2%	25.2%	3.1%	14.2%	19.1%	18.3%	23.9%	23.9%		

(1) Remaining contractual terms.

(2) The difference arises from the mismatch between the maturities of all remunerated assets and liabilities, at the respective period-end date, considering the contractually agreed terms.

Position of accounts subject to currency risk

ASSETS	12/31/2014				
	DOLLAR	EURO	CHILEAN PESO	OTHER	TOTAL
Cash and deposits on demand	6,607	-	656	2,872	10,135
Central Bank compulsory deposits	292	-	303	4,035	4,630
Interbank deposits	12,274	1	1,055	1,876	15,206
Securities purchased under agreements to resell	166	-	1	-	167
Financial assets held for trading	7,469	-	144	940	8,553
Financial assets designated at fair value through profit or loss	733	-	-	-	733
Derivatives	5,632	-	1,030	109	6,771
Available-for-sale financial assets	18,897	-	2,435	1,342	22,674
Held-to-maturity financial assets	10,332	-	-	-	10,332
Loan operations and lease operations portfolio, net	63,371	-	26,490	16,157	106,018
Total assets	125,773	1	32,114	27,331	185,219

LIABILITIES	12/31/2014				
	DOLLAR	EURO	CHILEAN PESO	OTHER	TOTAL
Deposits	57,875	-	19,929	28,813	106,617
Securities sold under repurchase agreements	14,913	-	181	250	15,344
Financial liabilities held for trading	520	-	-	-	520
Derivatives	5,402	-	1,088	28	6,518
Interbank market debt	39,935	-	2,823	540	43,298
Institutional market debt	31,519	-	4,425	286	36,230
Total liabilities	150,164	-	28,446	29,917	208,527
Net position	(24,391)	1	3,668	(2,586)	(23,308)

The exposure to share price risk is disclosed in Note 7 related to financial assets held for trading and Note 10, related to available-for-sale financial assets.

Position of accounts subject to currency risk

ASSETS	12/31/2013				
	DOLLAR	EURO	CHILEAN PESO	OTHER	TOTAL
Cash and deposits on demand	7,672	194	409	2,560	10,835
Central Bank compulsory deposits	-	-	365	3,723	4,088
Interbank deposits	17,612	-	1,073	1,411	20,096
Securities purchased under agreements to resell	880	-	19	-	899
Financial assets held for trading	7,099	-	13	405	7,517
Financial assets designated at fair value through profit or loss	371	-	-	-	371
Derivatives	4,511	-	443	12	4,966
Available-for-sale financial assets	46,830	-	3,308	1,280	51,418
Held-to-maturity financial assets	6,723	-	-	-	6,723
Loan operations and lease operations portfolio, net	67,557	1,776	23,657	18,600	111,590
Total assets	159,255	1,970	29,287	27,991	218,503

LIABILITIES	12/31/2013				
	DOLLAR	EURO	CHILEAN PESO	OTHER	TOTAL
Deposits	48,516	16	18,439	17,952	84,923
Securities sold under repurchase agreements	15,324	-	248	19	15,591
Financial liabilities held for trading	569	-	-	-	569
Derivatives	3,027	-	424	87	3,538
Interbank market debt	48,694	71	2,945	978	52,688
Institutional market debt	59,155	-	3,141	333	62,629
Total liabilities	175,285	87	25,197	19,369	219,938
Net position	(16,030)	1,883	4,090	8,622	(1,435)

The exposure to share price risk is disclosed in Note 7 related to financial assets held for trading and Note 10, related to available-for-sale financial assets.

Liquidity risk

Liquidity risk is defined as the existence of imbalances between marketable assets and liabilities due – mismatching between payments and receipts – which may affect payment capacity of ITAÚ UNIBANCO HOLDING, taking into consideration the different currencies and payment terms and their respective rights and obligations.

Policies and procedures

The management of liquidity risks seeks to guarantee liquidity sufficient to support possible outflows in market stress situations, as well as the compatibility between funding and the terms and liquidity of assets.

ITAÚ UNIBANCO HOLDING has a structure dedicated to improve the monitoring, control and analysis, through models of projections of the variables that affect cash flows and the level of reserves in local and foreign currencies.

The document that details the guidelines established by the internal policy on liquidity risk management, that is not part of the financial statements, may be viewed on the website www.itaubr.com.br/investor-relations, in the section Corporate Governance/ Rules and Policies/Public Access Report – Liquidity Risk.

The liquidity risk measurement process makes use of corporate and own in-house developed application systems. ITAÚ UNIBANCO HOLDING manages proprietary IT systems to support the liquidity risk measurement process.

Additionally, ITAÚ UNIBANCO HOLDING establishes guidelines and limits. Compliance with these guidelines and limits is periodically analyzed in technical committees, and their purpose is to provide an additional safety margin to the minimum projected needs.

The liquidity management policies and the respective limits are established based on prospective scenarios periodically reviewed and on the definitions of the top management.

These scenarios may be reviewed in view of cash requirements resulting from atypical market situations or arising from strategic decisions of ITAÚ UNIBANCO HOLDING.

In compliance with the requirements of CMN Resolution No. 4,090 of May 24, 2012 and BACEN Circular N° 3,393 of June 3, 2008, the Statement of Liquidity Risk (DRL) is sent to BACEN on a monthly basis, and the following items for monitoring and supporting decisions are periodically prepared and submitted to top management:

- Different scenarios projected for changes in liquidity;
- Contingency plans for crisis situations;
- Reports and charts that describe the risk positions;
- Assessment of funding costs and alternative sources of funding;
- Monitoring of changes in funding through a constant control over sources of funding, considering the type of investor and maturities, among other factors;

Primary sources of funding

ITAÚ UNIBANCO HOLDING has different sources of funding, of which a significant portion is from the retail segment. Total funding from clients reached R\$ 538.1 billion (R\$ 501.1 billion at 12/31/2013), particularly funding from time deposits. A considerable portion of these funds – 35.4% of total, or R\$ 190.5 billion – is available on demand to the client. However, the historical behavior of the accumulated balance of the two largest items in this group – demand and savings deposits – is relatively consistent with the balances increasing over time and inflows exceeding outflows for monthly average amounts.

FUNDING FROM CLIENTS	12/31/2014			12/31/2013		
	0-30 DAYS	TOTAL	%	0-30 DAYS	TOTAL	%
Deposits	183,574	294,773		163,086	274,383	
Demand deposits	48,733	48,733	9	42,892	42,892	9
Savings deposits	118,449	118,449	22	106,166	106,166	21
Time deposits	11,705	108,466	20	12,260	117,131	23
Other	4,687	19,125	4	1,768	8,194	2
Funds from acceptances and issuance of securities ⁽¹⁾	3,959	47,750	9	2,916	46,256	9
Funds from own issue ⁽²⁾	2,840	139,910	26	2,977	123,922	25
Subordinated debt	174	55,617	10	146	56,564	11
Total	190,547	538,050		169,125	501,125	

(1) Includes mortgage notes, real estate credit bills, agribusiness, financial and structured operations certificates recorded in interbank and institutional market debts and liabilities for issuance of debentures and foreign borrowings and securities recorded in funds from institutional markets.

(2) Refer to deposits received under securities repurchase agreements with securities from own issue.

Control over liquidity

ITAÚ UNIBANCO HOLDING manages its liquidity reserves based on estimates of funds that will be available for investment, considering the continuity of business in normal conditions.

During the period of 2014, ITAÚ UNIBANCO HOLDING maintained appropriate levels of liquidity in Brazil and abroad. Liquid assets (cash and deposits on demand, securities purchased under agreements to resell – funded position and free government securities) totaled R\$ 137.4 billion and accounted for 72.1% of the short-term redeemable obligations, 25.5% of total funding, and 17.0% of total assets.

The table below shows the indicators used by ITAÚ UNIBANCO HOLDING in the management of liquidity risk:

LIQUIDITY INDICATORS	12/31/2014 %	12/31/2013 %
Net assets ⁽¹⁾ /funds within 30 days ⁽²⁾	72.1	53.9
Net assets ⁽¹⁾ /total funds ⁽³⁾	25.5	18.2
Net assets ⁽¹⁾ /total assets ⁽⁴⁾	17.0	12.8

(1) Net assets: Cash and deposits on demand, Securities purchased under agreements to resell – Funded position and Government securities – available. Detailed in the table Undiscounted future flows – Financial assets.

(2) Table Funding from clients (Total Funding from clients 0-30 days).

(3) Table funding from clients (Total funding from clients).

(4) Detailed in the table Undiscounted future flows – Financial assets, total present value regards R\$ 809,448 (R\$ 712,710 at 12/31/2013).

The following table presents assets and liabilities according to their remaining contractual maturities, considering their undiscounted flows.

UNDISCOUNTED FUTURE FLOWS EXCEPT FOR DERIVATIVES										
FINANCIAL ASSETS ⁽¹⁾	12/31/2014					12/31/2013				
	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS	TOTAL	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS	TOTAL
Cash and deposits on demand	17,527	-	-	-	17,527	16,576	-	-	-	16,576
Interbank investments	170,482	51,967	1,097	32	223,578	110,510	45,993	614	145	157,262
Securities purchased under agreements to resell – Funded position ⁽²⁾	74,275	-	-	-	74,275	23,979	-	-	-	23,979
Securities purchased under agreements to resell – Financed position	80,085	45,512	-	-	125,597	67,190	37,921	-	10	105,121
Interbank deposits	16,122	6,455	1,097	32	23,706	19,341	8,072	614	135	28,162
Securities	553,315	19,009	15,470	106,023	195,817	58,892	30,197	16,773	83,168	189,030
Government securities – available	45,587	-	-	-	45,587	50,573	-	-	-	50,573
Government securities – subject to repurchase commitments	3,440	5,491	5,473	41,548	55,952	4,327	17,741	8,805	52,301	83,174
Private securities – available	6,102	10,520	8,750	57,179	82,551	3,992	12,089	7,017	29,696	52,794
Private securities – subject to repurchase commitments	186	2,998	1,247	7,296	11,727	-	367	951	1,171	2,489
Derivative financial instruments	2,408	5,342	1,167	3,719	12,636	2,933	3,781	1,410	2,929	11,053
Gross position	-	-	-	19	19	-	-	-	-	-
Gross Currency Swap Deliverable – Asset position	-	-	-	560	560	-	-	-	-	-
Gross Currency Swap Deliverable – Liability position	-	-	-	(541)	(541)	-	-	-	-	-
Net position	2,408	5,342	1,167	3,700	12,617	2,933	3,781	1,410	2,929	11,053
Swaps	448	812	643	2,913	4,816	396	745	865	2,436	4,442
Option	481	1,720	308	363	2,872	423	977	187	130	1,717
Forward operations (onshore)	846	1,548	-	-	2,394	2,018	1,048	184	65	3,315
Other derivative financial instruments	633	1,262	216	424	2,535	96	1,011	174	298	1,579
Loan and lease operations portfolio ⁽³⁾	56,652	169,230	90,854	180,050	496,786	56,021	160,056	92,526	131,721	440,324
Total financial assets	302,384	245,548	108,588	289,824	946,344	244,932	240,027	111,323	217,963	814,245

(1) The assets portfolio does not take into consideration the balance of compulsory deposits in Central Bank, amounting to R\$ 63,106 (R\$ 77,010 at 12/31/2013), which release of funds is linked to the maturity of the liability portfolios. The amounts of FGBL and VGBL are not considered in the assets portfolio because they are covered in Note 30.

(2) Net of R\$ 5,945 (R\$ 3,333 at 12/31/2013) which securities are restricted to guarantee transactions at BM&FBOVESPA S.A. and the Central Bank of Brazil.

(3) Net of payment to merchants of R\$ 39,386 (R\$ 34,142 at 12/31/2013) and the amount of liabilities from transactions related to credit assignments R\$ 4,336 (R\$ 4,233 at 12/31/2013).

UNDISCOUNTED FUTURE FLOWS EXCEPT FOR DERIVATIVES

	12/31/2014				12/31/2013				
FINANCIAL LIABILITIES	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS	TOTAL	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS
Deposits	182,849	47,531	14,851	58,881	304,112	163,436	46,756	12,005	86,269
Demand deposits	48,733	-	-	-	48,733	42,892	-	-	-
Savings deposits	118,449	-	-	-	118,449	106,166	-	-	-
Time deposit	10,867	33,601	14,521	58,564	117,553	12,609	40,590	11,833	85,968
Interbank deposits	4,800	13,930	330	317	19,376	1,769	6,166	172	301
Compulsory deposits	(42,811)	(6,455)	(2,190)	(11,650)	(63,106)	(42,600)	(12,537)	(3,321)	(18,552)
Demand deposits	(7,404)	-	-	-	(7,404)	(8,821)	-	-	-
Savings deposits	(33,084)	-	-	-	(33,084)	(29,805)	-	-	-
Time deposit	(2,323)	(6,455)	(2,190)	(11,650)	(22,618)	(3,974)	(12,537)	(3,321)	(18,552)
Securities sold under repurchase agreements⁽¹⁾	164,309	28,544	57,449	108,099	358,402	132,394	33,508	43,464	118,067
Government securities	143,717	2,161	3,888	20,227	169,992	127,639	360	2,004	25,810
Private securities	6,383	25,924	53,561	87,324	173,192	3,052	29,659	41,460	80,136
Foreign	14,210	460	-	548	15,218	1,702	3,489	-	12,121
Funds from acceptances and issuance of securities⁽²⁾	4,054	24,017	10,777	14,319	53,167	3,176	20,511	14,363	12,598
Borrowings and onlending ⁽³⁾	4,290	37,668	19,414	31,890	93,262	5,127	34,659	12,696	28,647
Subordinated debt ⁽⁴⁾	191	6,537	12,979	56,349	76,056	214	8,752	5,146	63,917
Derivative financial instruments	1,728	5,116	1,318	7,668	15,830	2,421	2,972	1,607	4,092
Gross position	-	31	-	-	31	-	15	-	-
Cross Currency Swap Deliverable – Asset position	-	(969)	(10)	-	(979)	-	(313)	-	-
Cross Currency Swap Deliverable – Liability position	-	1,000	10	-	1,010	-	329	-	-
Net position	1,728	5,085	1,318	7,668	15,799	2,421	2,956	1,607	4,092
Swaps	241	1,761	778	6,754	9,534	361	1,085	1,076	3,589
Option	431	1,853	353	420	3,057	406	1,058	316	141
Forward operations (onshore)	681	1	-	-	682	1,482	229	116	35
Other derivative financial instruments	375	1,470	187	494	2,526	172	584	99	327
Total financial liabilities	314,610	142,958	114,599	265,556	837,723	264,168	134,620	85,961	295,037

(1) Includes own and third parties' portfolios.

(2) Includes mortgage notes, real estate credit bills, agribusiness, financial bills and structured operations certificates recorded in interbank and institutional market funds and liabilities for issuance of debentures and foreign securities recorded in funds from institutional markets.

(3) Recorded in funds from interbank markets.

(4) Recorded in funds from institutional markets.

	12/31/2014				12/31/2013				
OFF BALANCE SHEET	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS	TOTAL	0-30 DAYS	31-365 DAYS	366-720 DAYS	OVER 720 DAYS
Endorsements and sureties	2,003	14,721	4,207	52,828	73,759	1,257	14,886	4,620	50,399
Commitments to be released	73,356	60,785	17,980	69,377	221,498	75,838	37,153	36,749	62,719
Letters of credit to be released	11,091	-	-	-	11,091	11,431	-	-	-
Contractual commitments – Fixed assets and Intangible (Note 15 and 16)	-	267	308	-	575	-	875	576	521
Total	86,450	75,773	22,495	122,205	306,923	88,526	52,914	41,945	113,639

297,024

Note 37 – Supplementary information

Law No. 12,973: on May 14, 2014, Law No. 12,973 was published as a conversion of Provisional Measure No. 627 to amend the federal tax legislation on IRPJ, CSLL, PIS and COFINS. Law No. 12,973 provides for the following, among other matters:

- revocation of the Transition Tax Regime – RTT, established by Law No. 11,941, of May 27, 2009;

- taxation of legal entities domiciled in Brazil, regarding the equity increase arising from interest in income earned abroad by subsidiaries and affiliates, and income earned by individuals resident in Brazil by means of a legal entity controlled abroad.

ITAÚ UNIBANCO HOLDING estimates that said Law No. 12,973 does not have any significant accounting effect on the consolidated financial statements of ITAÚ UNIBANCO HOLDING.



Itaú 50 anos.



Pronto para o futuro.

1990s:

Campaign "Itaú 50 anos. Pronto para o Futuro"

6 Sustainability



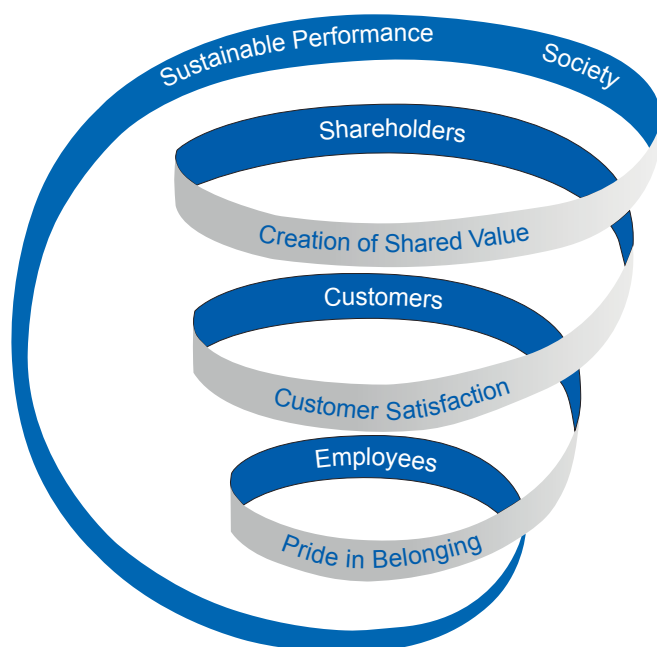
Sustainability



Sustainable performance

Our corporate vision is to “be the leading bank in sustainable performance and customer satisfaction”. This challenge can only be met by collaborative work involving our main stakeholders. We believe that challenging careers based on merits help to boost pride in belonging to our organization. Moreover, engaged employees deliver better services for their customers. The more customers are satisfied, the more they will remain loyal to the bank, developing perennial relationships that add value for shareholders and ensure results that enable society to develop. This is how we can create shared value, achieve positive results and encourage development for people, society and countries in which we operate as part of a virtuous cycle of sustainable performance. [GRI G4-56 | G4-24](#)

Sustainable Performance Spiral



Material Matters [GRI G4-18](#)

Defining material matters, meaning the relevant themes for an institution, is a crucial means of guiding management and stakeholder decision making. In 2014, with the aim of obtaining a more integrated view of relevant themes for Itaú Unibanco, we undertook a comprehensive process of defining material matters that included social, environmental, economic and governance issues. Our reporting task force comprising Finance, Sustainability,

Investor Relations and Corporate Communications conducted the study in three stages: (1) identifying material issues (2) consolidating and prioritizing, and (3) validating relevant themes.

For the first stage, we compiled approximately 500 relevant issues based on specific content covering the views of the bank's main stakeholders, namely employees, customers, shareholders and society (local community, partners, suppliers, government, NGOs, trade associations, the press and academia). The table below specifies sources consulted for certain stakeholders and other sources that do not represent the views of a specific stakeholder, but are relevant to a definition of material matters in the financial sector.

STAKEHOLDERS AND SOURCES CONSULTED [GRI G4-20 | G4-21](#)

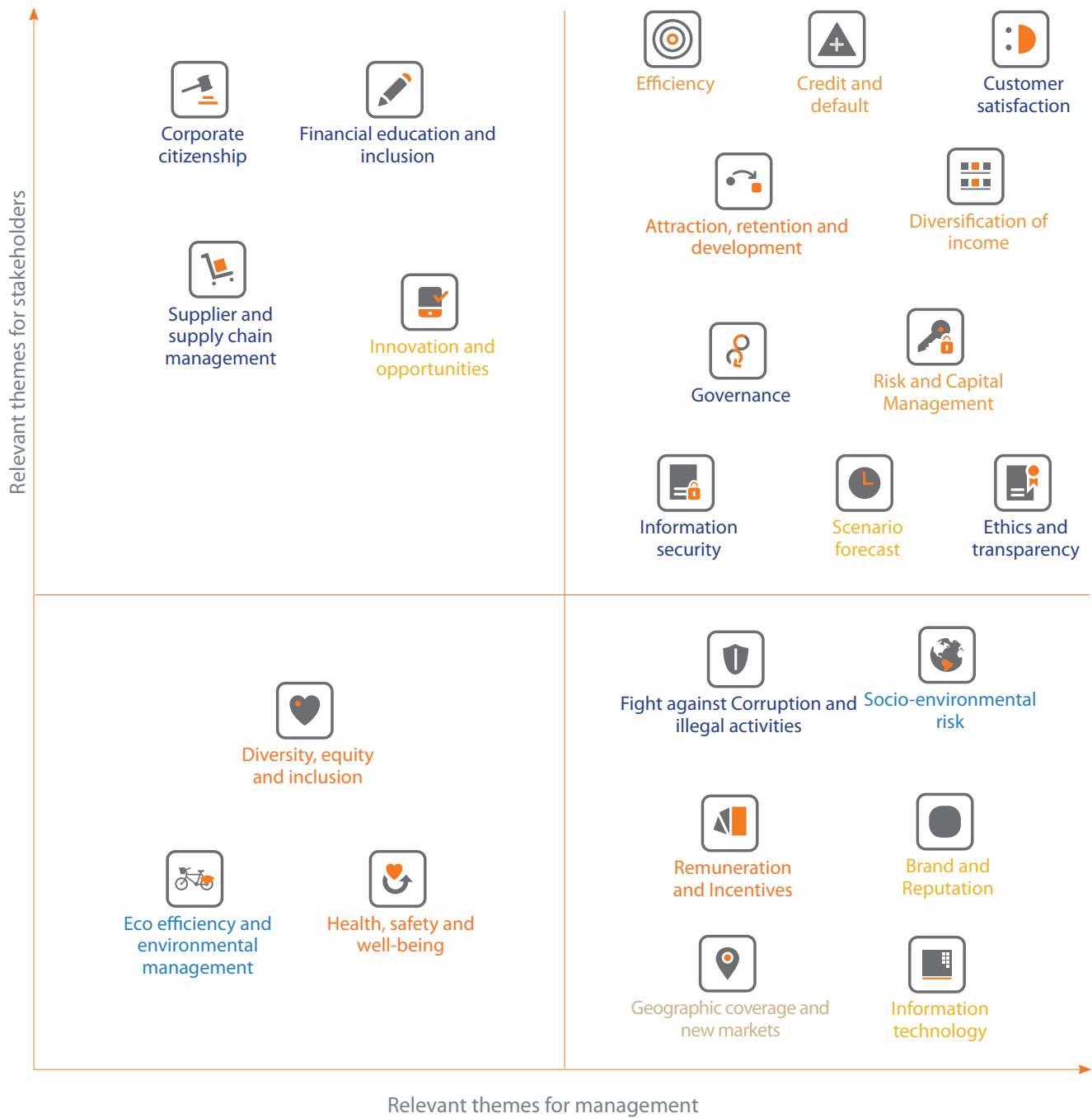
Overview of employees and union	Annual organizational climate survey and main demands raised by the union in 2014
Investors' vision	Presentations of results for investors: conference calls, meetings (APIMEC) and reports
Vision of customers and society	Report issued by Ombudsman's office and content from the bank's social media
Sustainability in the financial sector	Sectoral analyses of the Sector Publication Financial Services (GRI-G4) and the Sustainability Accounting Standards Board (SASB)
Sustainability Indices	Questionnaires - Dow Jones Sustainability Index and BM&FBovespa Business Sustainability Index
Financial market benchmarks	Material matters analyses for local and international financial institutions seen as benchmarkers for sustainability

In the next stage, issues were consolidated into more comprehensive themes and a preliminary analysis of relevance for management and stakeholders was made. Then the consolidated themes were plotted on a priority matrix along two axes: influence on stakeholders' evaluation and relevance for management. On the stakeholder axis, we set priority levels based on the interests and power to influence of the stakeholder(s) most interested in that theme. On the management axis, themes were prioritized by these criteria: business continuity, image and reputation, strategy, regulatory impacts and long-term vision.

Finally, the prioritized themes were discussed and validated internally by the Reporting Committee, a sustainability governance forum tasked with introducing better reporting and transparency practices. PwC provided external assurance based on AA1000 principles for the process of defining material matters. [GRI G4-33](#)

The following material matters matrix contains the 23 relevant themes and a table relating these themes to the chief subjects, indicators and capitals reported.

Material matters matrix



Relationship between the material matters and the capitals from the integrated report

HUMAN
CAPITALFINANCIAL
CAPITALINTELLECTUAL
CAPITALMANUFACTURED
CAPITALNATURAL
CAPITALSOCIAL AND RELATIONSHIP
CAPITAL

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
GRI 4-18	GRI ASPECTS	RELATED ISSUES	CAPITAL	INDICATORS		
THEME	GRI 4-19					
Credit and Default		<ul style="list-style-type: none"> • Profile of credit portfolio • Risk appetite • Financial margin and default 	Finance	<ul style="list-style-type: none"> • PDD Balance/Credit Portfolio • Non-accrual loans / Balance of Credit Portfolio • PDD Balance/ Renegotiated Portfolio • Default Payments • Net Financial Margin 		
Risk and capital management		<ul style="list-style-type: none"> • Risk management and governance • Capital management (including captures) • Adaptation and Basel III 	Finance	<ul style="list-style-type: none"> • VaR/Net Equity • Basel Index 		
Efficiency		<ul style="list-style-type: none"> • Ratio between cost and income • Index of operating efficiency • Control of personal, administrative, operational and tax expenditure 	Finance	<ul style="list-style-type: none"> • Variation of Operational Expenses per category • Efficiency Index • Efficiency Index Adjusted to Risk 		
Diversification of income and insurance		<ul style="list-style-type: none"> • Diversification and focus on the offer of services • Income from fees and insurance 	Finance	<ul style="list-style-type: none"> • Composition of Income from Services 		
Attraction, retention and development	Employment Training and Education	<ul style="list-style-type: none"> • Attraction and retention of talents • Employee turnover • Training and development • Leadership training 	Human	<ul style="list-style-type: none"> • Number of employees reallocated • Value invested in training • Retention rate of the talent program • Total number and rates of new hirings and employee turnover GRI 4-LA1 • Average number of training hours per year GRI 4-LA9 • Programs for management of competences and continuous learning GRI 4- LA10 		
Scenario forecast		<ul style="list-style-type: none"> • Capacity of interpreting the economy. • Positioning strategy with regard to the main indicators (inflation, interest, dollar and rate of unemployment) 	Intellectual			
Customer Satisfaction	Labeling of Products and Services Marketing Communication Customer Privacy	<ul style="list-style-type: none"> • Customer satisfaction • Handling of complaints and claims • Resolution of critical cases 	Social and Relationship	<ul style="list-style-type: none"> • Customer satisfaction index • Complaints registered with regulating agencies • Number of claims registered in the Ombudsman's office and % of cases resolved in the preliminary phase • Research results measuring the customer satisfaction GRI 4-PR5 • Total number of cases of non-compliance with the regulations and voluntary codes relating to marketing communications GRI 4-PR7 • Total number of proven claims relating to the violation of privacy and loss of customer data GRI 4-PR8 		
Ethics and transparency	Ethics and integrity Disloyal competition No discrimination	<ul style="list-style-type: none"> • Culture, values and conduct policies • Ethics in business Transparency in communication • Reporting to the market 	Social and Relationship	<ul style="list-style-type: none"> • Number of complaints relating to the code of ethics; • Total number of cases of discrimination; • Number of lawsuits due to disloyal competition GRI 4-SO7 • Total number of cases of non-compliance with the regulations and voluntary codes relating to marketing communications. • Values, principles, standards and norms of conduct of the organization, such as codes of conduct and ethics.G4-56 		
Information Security	Customer Privacy	<ul style="list-style-type: none"> • Policy on information security • Privacy in customer data 	Social and Relationship	<ul style="list-style-type: none"> • Total number of proven claims relating to the violation of privacy and loss of customer data • G4-PR8 total number of substantiated complaints regarding breaches of customer privacy and losses of customer data 		
Governance	Governance	<ul style="list-style-type: none"> • Composition and mandate of the board of directors (BD) • Responsibilities of the BD and immediate committees • Control of the company and shareholders' voting rights 	Social and Relationship	<ul style="list-style-type: none"> • Participation in Indexes of Corporate Governance • Report the structure of governance of the organization, including committees of the highest governance body. Identify all of the committees responsible for advising the board in decisions taken that have economic, environmental and social impacts. GRI 4-34 		
Innovation and opportunities	Information on the Form of Management Relating to the Impact of Products and Services Portfolio and products	<ul style="list-style-type: none"> • Incorporation of trends • New opportunities of socio-environmental business 	Intellectual	<ul style="list-style-type: none"> • Financial value reverted by Socio-environmental Funds • Policies with specific socio-environmental components applied to the lines of business GRI FS1 • Procedures for evaluation and screening of socio-environmental risks in the lines of business GRI FS2 • Monetary value of products and services with social benefit, separated according to each line of business and itemized according to their objective. GRI FS7 • Monetary value of products and services with environmental benefit, separated according to each line of business and itemized according to their objective. FS8 		
Corporate Citizenship	Fight against corruption	<ul style="list-style-type: none"> • Generation of a social and cultural legacy • Incentive to education • Investments in the community • Donation and contributions to public policies 	Social and Relationship	<ul style="list-style-type: none"> • Total amount destined to fostered and non-fostered projects • Percentage of operations with engaging programs for the local community which have already been implemented, as well as evaluation of impacts and local development programs GRI 4-SO1 • Total amount of contributions to political parties and politicians, itemized according to each country and recipient/ beneficiary GRI 4-SO6 		
Financial education and inclusion	Local Communities Community Labeling of products and services	<ul style="list-style-type: none"> • Financial education programs • Offering of products and services to the population with low access to the financial services 	Social and Relationship	<ul style="list-style-type: none"> • Number of employees trained in financial education • Impact of financial education programs on employees • Number of clients impacted in financial education training • Impact of financial education programs on clients • Total volume financed in Micro-credit operations • Points of access in areas with low population density or economically disadvantaged people, itemized according to their type. GRI-FS13 • Initiatives to promote the access of financial services to economically disadvantaged people; GRI-FS14 • Initiatives to promote financial education to different beneficiary audiences; GRI-FS16 		

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
GRI G4-18						
THEME	GRI ASPECTS GRI G4-19	RELATED ISSUES	CAPITAL	INDICATORS		
Supplier and Supply Chain Management	Environmental Evaluation of Suppliers Purchase Practices	<ul style="list-style-type: none"> • Supplier Management • Promotion of sustainable practices in the supply chain • Support to local suppliers. 	Social and Relationship	<ul style="list-style-type: none"> • Percentage of local suppliers contracted • Percentage of new suppliers selected based on environmental criteria GRI G4-EN32 • Real and potentially significant negative environmental impacts on the supplier chain and measures taken on the matter GRI G4-EN33 • Proportion of expenditure with local suppliers in important operational units; GRI G4-EC9 		
Remuneration and incentives	Training and Education	<ul style="list-style-type: none"> • Performance appraisal programs • Variable remuneration • Long-term incentives 	Human	<ul style="list-style-type: none"> • Percentage of employees with performance appraisal • Total amount spent on fixed remuneration, charges and salaries • Total amount of contributions made to employee pension plans • Programs for competence management and continuous learning G4-LA10 		
Socio-environmental risk	Economic Performance Environmental Evaluation of Suppliers			<ul style="list-style-type: none"> • Corporate Finance Projects contracted under the Socio-environmental Responsibility Policy criteria • Equator Principles Projects contracted under the Socio-environmental Responsibility Policy criteria • Financial implications and other risks and opportunities originating from climate change GRI G4-EC2 • Percentage of new suppliers selected based on environmental criteria GRI G4-EN32 • Policies with specific socio-environmental components applied to the lines of business. GRI FS1 • Procedures for assessment and screening of socio-environmental risks in the lines of business. GRI FS2 		
	Information on the Form of Management Related to the Impact of Products and Services	<ul style="list-style-type: none"> • Evaluation and management of risks with socio-environmental criteria • Socio-environmental impacts associated to credit, investment and insurance • Socio-environmental policy and human rights policies 	Socio-environmental	<ul style="list-style-type: none"> • Customer monitoring processes in the implementation and in meeting the socio-environmental requirements included in contracts. GRI FS3 • Process(es) to improve the competence of employees in implementing policies and socio-environmental procedures applied to the lines of business. GRI FS4 • Interactions with customers/ subsidiaries/ business partners relating to socio-environmental risks and opportunities. GRI FS5 • Monetary value of products and services with social benefit, separated according to each line of business and itemized according to their objective. GRI FS7 • Monetary value of products and services with environmental benefit, separated according to each line of business and itemized according to their objective. GRI FS8 • Coverage and frequency of audits to evaluate the implementation of socio-environmental policies and procedures of risk assessment. GRI FS9 • Percentage and number of companies of the institution's portfolio, with which the reporting organization interacted regarding socio-environmental issues. GRI FS10 • Percentage of assets subject to environmental or social screening (positive and negative) GRI FS11 • Shareholders' voting policy(ies) applied to socio-environmental issues for shares that the reporting organization detains voting rights or to which they give advice regarding the vote. GRI FS12 		
	Portfolio and products					
	Audit					
	Current Corporate Stake					
Information Technology		<ul style="list-style-type: none"> • Investment in technology • Use of electronic channels • Accessibility and digital inclusion 	Intellectual Manufacturing	<ul style="list-style-type: none"> • Percentage of digital transactions vs. traditional channels 		
Brand and Reputation	Marketing Communications Customer Privacy	<ul style="list-style-type: none"> • Brand positioning • Reputation and exposure on the media • Reputation index and value of the brand 	Intellectual	<ul style="list-style-type: none"> • Value of the Brand • Positive exposure in the press • Cases of non-compliance relating to the communication of products and services GRI G4-PR7 • Total number of proven claims relating to the violation of privacy and loss of customer data G4-PR8 		
Geographic coverage and new markets	Organizational Profile	<ul style="list-style-type: none"> • Opportunities in new markets • Internationalization strategy • Evolution of the portfolio abroad 	Financial Manufacturing	<ul style="list-style-type: none"> • Volume of Loans Abroad • Credit Portfolio and Market Share in Latin America • Report the number of countries in which the organization operates and the name of the countries in which their main operations are located or that are specifically relevant to the topics of sustainability addressed in the report GRI G4-6 • Report the markets in which the organization operates (with geographic discrimination, sectors covered and types of customers and beneficiaries) GRI G4-8 		
Fight against corruption and illegal activities	Fight against Corruption	<ul style="list-style-type: none"> • Corruption and money laundering prevention policy • Fight against corruption • Monitoring of criminal activities • Training of employees on the theme 	Social and relationship	<ul style="list-style-type: none"> • Percentage of employees trained on anti-corruption policies and procedures GRI G4-SO4 		
Diversity, equity and inclusion	Employment					
	Diversity and Equality of Opportunities					
	Equal pay for Women and Men	<ul style="list-style-type: none"> • Equality of gender and race • Respect to diversity • Fight against discrimination and harassment 	Human	<ul style="list-style-type: none"> • Percentage of black people, women, disabled people and trainees • Mathematical ratio of salary between women and men GRI G4-LA13 • Comparison between benefits to full-time and part-time employees; GRI G4-LA2 • Composition of the groups responsible for governance and itemization of employees according to their functional category; GRI G4-LA12 • Number of claims and complaints relating to labor practices registered through a formal mechanism; GRI G4-LA16 • Total number of cases of discrimination and corrective measures taken; GRI G4-HR3 • Percentage of employees trained on anti-corruption policies and procedures; GRI G4-SO4 		
	Mechanisms of Claims and Complaints Relating to Labor Practices					
	No discrimination					
	Fight against Corruption					

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
GRI G4-18						
THEME	GRI ASPECTS GRI G4-19	RELATED ISSUES	CAPITAL	INDICATORS		
Health, Safety and Well-being	Organizational Profile					
	Health and Safety at Work	<ul style="list-style-type: none"> Employee satisfaction Health and safety practices 	Human	<ul style="list-style-type: none"> Employee satisfaction index Report the total percentage of employees covered by collective bargaining agreements. GRI G4-11 Types and rates of injuries, occupational illnesses, working days lost, absenteeism, and number of deaths relating to work, itemized according to each region and gender. GRI G4-LA6 		
	Mechanisms of Claims and Complaints Relating to Labor Practices	<ul style="list-style-type: none"> Labor rights, strikes and downtimes 		<ul style="list-style-type: none"> Employees with high incidence or high risk of illnesses relating to their occupation GRI G4-LA7 Number of claims and complaints relating to labor practices registered through the formal mechanism; GRI G4-LA16 		
Eco efficiency and environmental management	Organizational Profile			<ul style="list-style-type: none"> Paper consumption Letters, principles or other initiatives of economic, environmental and social character, which are developed outside the organization, but are subscribed or endorsed by it. GRI G4-15 		
	Materials			<ul style="list-style-type: none"> List the participation in national or international associations and organizations of defense, in which the organization participates; GRI G4-16 		
	Electricity			<ul style="list-style-type: none"> Materials used, itemized according to their weight or volume; GRI G4-EN1 		
	Water	<ul style="list-style-type: none"> Environmental management Water, electricity, emissions, and consumption of materials 	Environmental	<ul style="list-style-type: none"> Power consumption inside the organization; GRI G4-EN3 		
	Emissions	<ul style="list-style-type: none"> Public commitments on climate changes 		<ul style="list-style-type: none"> Reduction of power consumption; GRI G4-EN6 Total water removed per source; GRI G4-EN8 		
	Effluents and Waste			<ul style="list-style-type: none"> Direct and indirect greenhouse gas emissions; GRI G4-EN15 Indirect greenhouse gas emissions originating from the acquisition of electricity; GRI G4-EN16 		
	Transport			<ul style="list-style-type: none"> Other indirect greenhouse gas emissions; GRI G4-EN17 Reduction of greenhouse gas emissions; GRI G4-EN19 		
	General			<ul style="list-style-type: none"> Total waste weight, itemized according to their type and method of disposal; GRI G4-EN23 Significant environmental impacts relating to product and employee transportation; GRI G4-EN30 Total investments and expenditure with environmental protection; GRI G4-EN31 		

Sustainability management and governance

We incorporate sustainability into corporate strategy through a consolidated governance structure that is integrated with our business, thus making socio-environmental issues part of our daily activities and processes, identifying areas capable of leading them and periodically tracking performance and indicators for these issues.

In 2014, we made progress toward integrating sustainability management to the bank's management through two initiatives: (1) prioritization and valuation of socio-environmental projects focusing on the progress of the agenda in the coming years; and (2) monitoring these priority projects through our corporate risk prevention process.

We have a project management panel to track, monitor and assess all our initiatives in this field. The panel provides support for analyses and decisions at different levels of our governance structure. This helps ensure that sustainability strategy is aligned with the organization's guidelines, verify compliance to our policies and ensure that new products and services incorporate social and environmental aspects. We also incorporate parameters from the Dow Jones Sustainability Index (DJSI) and the BM&FBovespa Business Sustainability Index (local acronym ISE) as market references to guide improvements, mitigate risks and detect sustainability trends.

Our sustainability governance structure GRI G4-34



- **Board of Directors:** discusses strategic and long-term sustainability decisions and approves policy guidelines. The theme was discussed at one meeting in 2014.
- **Sustainability Executive Committee:** it is composed of members of the Executive Committee, whose objective is the integration between sustainability practices and business strategies relating to themes, such as climate changes. [GRI G4-36](#)
- **Sustainability Committee:** consisting of directors, this committee is responsible for setting Itaú Unibanco's sustainability strategy and ensuring its management, while overseeing its evolution by monitoring action plans, indicators and targets. This committee held three meetings in 2014 to address ways of strengthening our sustainability strategy.
- **Specific committees:** set up to enhance our execution of sustainability strategy and integrate sustainable initiatives in business areas. In 2014, these committees were divided into: Internal Management, Employees, Retail Banking, Small and Medium Enterprises, Insurance, Investments, Reporting and Transparency.

Sustainability and Governance

Sustainability is also part of the bank's overall governance agenda and thus helps to add value and integrate the theme with the conglomerate's business agenda. Our activities include discussions, meetings and committees to ensure the theme is brought into decision-making and effectively integrated with our business.

Evaluating and developing products and services

[GRI FS15 | G4-DMA Product and service labeling](#)

Based on the Corporate Product Evaluation policy, any project that alters products and services or creates new ones is subjected to rigorous analysis focused on risk management. This requires integration across product areas and the units evaluating them, including, but not limited to Legal, Tax, Corporate Security, Accounting, Internal Controls and Sustainability. Our Retail and Wholesale Products Committees consist of their directors meeting periodically to discuss projects.

This process handled over 350 projects in 2014. As one of the areas involved, our sustainability team evaluates them and suggests adjustments to ensure that products and projects are aligned with these three pillars: financial education, transparency and social and environmental risks.

Social and Environmental Risk Committee

Consisting of heads of Risk, Legal, Credit and Collection business areas, as well as Sustainability, this committee meets quarterly or as required. Being responsible for:

- Suggesting institutional positions on social and environmental risk-exposure related matters for the bank's activities and operations;

- Recommending roles and responsibilities on issues related to social and environmental risk management;
- Monitoring compliance with social and environmental risk-management policies and procedures and monitoring their ongoing controls and action plans;
- Referring cases of non-compliance with social and environmental risk-management policies to the relevant forums.

Sustainability strategy for business [GRI FS16](#)

Our sustainability strategy is based on in-depth analysis of our vision, Our Way of Making It Happen, corporate policies, voluntary commitments and agreements, surveys and meetings with stakeholders in order to understand the material themes. [GRI G4-27](#)

We started by publishing "Essence of Sustainability" in 2009 to address eight key themes. In 2010, we defined a new vision, culture, brand and purpose as key inputs to formulate our strategy. In 2011, we held workshops, interviews and internal and external panels based on the bank's new position. After listening to a number of experts and executives, the Executive Committee approved our sustainability strategy.

In 2011, this study led to our Sustainability Map determining three strategic focus points for our activities: Dialogue and Transparency, Financial Education, and Social and Environmental Risks and Opportunities. The latter are supported by four fronts: governance and management, efficiency, incentives, and culture. On this basis, the Map guides our operational and business units as they incorporate sustainability values into their decision-making processes.



Sustainability and Social and Environmental Responsibility Policy

In order to assist financial institutions in formulating social and environmental responsibility principles, guidelines and management practices, Central Bank of Brazil Resolution No. 4327 (April, 25th 2014) reflected extensive dialogue initiated at Rio+20 in 2012, including public hearings with a representative group of organizations.

Resolution No. 4327 regulates the formal responsibility of financial institutions to assess social and environmental risks and impacts arising from their activities and it emphasizes the role of senior management in the control of measures to adapt to regulatory requirements, in particular:

- building a database of losses arising from social and environmental causes;
- incorporating social and environmental factors to the institution's risk control maps;
- using materiality and proportionality criteria to develop compliance with Resolution No. 4327.

Since the public consultation period, in 2013, and more intensively after Resolution No. 4327 was published in April 2014, we took further steps to assess our adaptation to regulatory requirements. We have organized working groups with representatives from the main units affected and we are holding an internal engagement process with employees and an external one with specialists in this field in order to collect contributions that will then be used to develop our policies. As a result of this process, social and environmental responsibility issues were incorporated into our Sustainability Policy, which was renamed "Sustainability and Social and Environmental Responsibility Policy". In addition to complying with Resolution No. 4327, this policy formalizes our commitment to pursuing sustainable development and sustainability strategy.

Strategic Focuses

Dialogue and Transparency

In order to improve business and inspire positive changes in society, we work to enhance dialogue and maintain a relationship of trust with our stakeholders. In 2014, our Dialogue and Transparency effort focused on two fronts: (1) formulating transparency guidelines for advertisements publicizing the bank's products and services; and (2) developing the reporting process with a focus on integrating communication.

The main Dialogue and Transparency initiatives we developed in 2014 are highlighted below and segmented by each stakeholder.

Employees

Communication channels

Our communication channels are structured to disclose relevant information inside the conglomerate and receive suggestions and complaints from employees. Their main means of communication

are the bimonthly "Itaú Unibanco Magazine" and our intranet for employees to access relevant company information and day-to-day concerns.

Ombudsman GRI G4-57 | G4-58

The Ombudsman channel enables employees to clarify queries or deal with ethics issues, get advice or report in connection with any noncompliance with our Code of Ethics or "Our Way of Making it Happen." The ombudsman's mission is to promote a fair institutional environment, thus guiding employees to foster respect and ethics in relationships and in business. See item Ombudsman for further information ([page A-157](#)).

Dialogue with Leadership

Since 2010, the Open Doors program has promoted meetings between employees, our CEO Roberto Setubal and the president of the board of directors, Pedro Moreira Salles to discuss important issues related to the organization. These meetings are also means of spreading our culture and holding dialogue with employees. In 2014, four meetings were held with employees from various areas and hierarchical levels.

Also as a means of integrating our leadership, one of our most significant events is the Leaders Meeting held annually to communicate current-year results, guidelines and strategies. In 2014, the main issues discussed were sustainable growth, customer satisfaction and people development.

Customers

Consumer protection entities

In recent years, we have intensified our dialogue with the main consumer protection entities. This dialogue facilitates an exchange of ideas between Itaú Unibanco and consumer protection entities that leads to benefits for our customers. More details of this initiative may be found in the Managing complaints section ([page A-159](#)).

Transparent communication

The purpose of this initiative is to be as clear as possible in communicating the tariff charges, rates, features and conditions of our products and services. In 2014, we completed a study of problems affecting customers due to unclear communication. This diagnosis was based on analysis of customer service, content, and conversations with directors, opinion makers and consumers in general.

We then structured a work front to handle the application of transparency guidelines to our business. This work front has developed a guide containing general guidelines and systematized efforts to be part of the governance of product evaluation. The project was first implemented in communication of products and services, then presented to call centers and is due to be extended to product and commercial areas in 2015. More details of this initiative may be found in the Communication section ([page A-161](#)).

GRI FS15 | FS16

Society

Investors

Capital Market Indices

We take part in the major sustainability market indices such as the Dow Jones Sustainability Index (DJSI), and BM&FBovespa Corporate Sustainability Index (local acronym ISE) and Carbon Efficient Index (ICO2). By responding to questionnaires used to compile these indices, we help to advance the sustainability agenda among companies and also foster transparent communication, since we voluntarily disclose our ISE questionnaire answers. These indices are also an important source of trends for social, environmental and governance issues. We use annual results to assess progress and identify points for improvements that may be incorporated to our management.

Integrated reporting

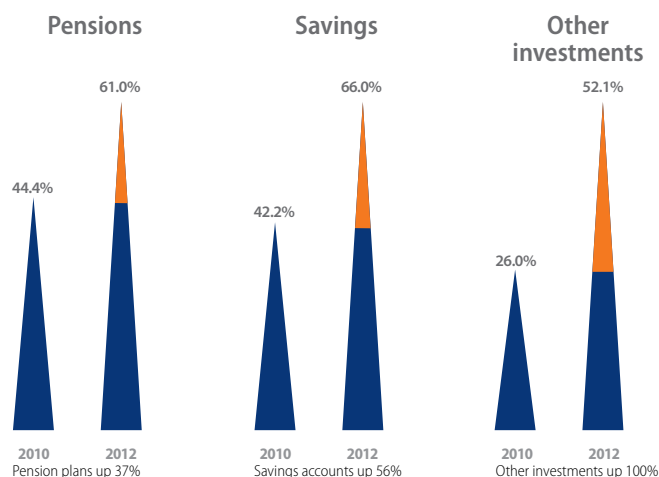
In order to make our reporting simpler and more efficient, we signed up to a partnership with the International Integrated Reporting Council (IIRC) in 2013. Through a working group drawn from our Sustainability, Finance, Corporate Communications and Investor Relations departments, we are reviewing our reporting and aligning processes with IIRC guidelines. This effort culminated in the publication of our Integrated Report, a concise piece of communication focused on our ability to create value for stakeholders over time. Our 2014 Integrated Report may be accessed at www.itaubank.com.br/arquivosstaticos/RI/pdf/en/Integrated_Report_2014.pdf.

Financial Education GRI FS16

We believe that one way of contributing to the development of society is to understand people's needs in order to offer knowledge and suitable financial solutions that enable people to have a healthier relationship with their money. We have been working in order to share our initiatives and lessons that we have learned from our employees to our clients and society. In this sense, the behavioral approach is of fundamental importance. Furthermore, we are able to increase people's interest in the subject and bring it closer to their needs and everyday lives.

Employees

Since 2009, we have had a financial education program for all our employees. From May 2010 to May 2012, there was a significant increase in volume of funds allocated to savings, retirement plans and other investments, as the table below shows:



Additional initiatives covered by this program:

- Education: we provided distance learning and on-ground courses. From 2011 to 2014, some 70,000 employees took online courses and more than 500 voluntarily attended 8-hour courses on financial planning, credit and investments.
- Communication: we developed a campaign that was viewed by around 23,000 employees. In 2004 and aimed at emphasizing the importance of taking care of finances and the relevance of this theme to Itaú.
- Financial advice: a pilot project offering confidential expert advice free of charge that has already helped 480 employees and their families.

Clients

We are constantly looking for ways of helping clients meet their financial needs by making the right decisions at each point in their lives.

In 2014, we consolidated our annual Financial Education Program for employees of about 800 corporate clients that have banking service centers (PABs) on their premises. This program offers printed content and videos, and it has reached over 7,000 clients through more than 170 talks this year.

We evaluated financial health indicators for corporate clients that attended the Program and compared them with similar-profile clients not covered by the program, from August 2012 to March 2014. The results show that the program was effective:

Employees covered by pension plan rose from 17 to 26% while the proportion saving in investment funds rose from 40 to 59%.

Society

We believe that the way people handle their finances and the significance of money in society should be discussed in a broad cross-sector context. Therefore, we invested in various activities in 2014, in order to share lessons we had learned and encourage debate. Thus, it is worth highlighting the following initiatives:

- In May 2014, FIFA held its World Cup pre-event (Fun Day) to train more than 13,000 volunteers at 12 host-city stadiums. As the event's official bank, Itaú was asked to share its knowledge of financial education, so we devised a questionnaire encouraging people to think about their everyday financial decisions. In addition, 48 Itaú Unibanco volunteers were trained in partnership with Fundação Itaú Social.
- We reviewed our Financial Education workshops held as part of Fundação Itaú Social's volunteering program. For this pilot project, we shared financial education with young people and adults from low-income areas of the city of São Paulo. The 4-hour workshop tackled financial behavior, making plans to reach objectives, financial and consumer decisions, ways for families to talk about the subject, and hints on keeping spending under control.

GRI FS15 | FS16

- We took part in 16 programs on TV Globo (Encontro com Fátima Bernardes) with financial advice that reached 51 million viewers.
- Our videos on credit, investing, insurance and conscious use of money drew approximately 2.7 million views in 2014.
- Itaú Unibanco, Fundação Itaú Social and Instituto Unibanco support a financial education project for secondary schools (local acronym ENEF). This online financial education platform launched in 2014 has reached over 1,300 users, of whom 60% are educators.
- We also support the Financial Behavior Center at Fundação Getúlio Vargas in São Paulo and the Capital Market Financial Lab at Pontifícia Universidade Católica in Rio Grande do Sul (PUC-RS). Their students provided free financial advice for 400 people in local communities. Another 1,500 attended lectures and events, and more than 3,500 were given printed content.

Social and Environmental Risks and Opportunities

Banks relate to all of the economy's productive sectors and have huge potential to influence positive change in society. Therefore, we manage risks and seek business opportunities considering market trends, regulations, and customer and stakeholder demands. To strengthen this approach, we have adopted specific policies and adhered to voluntary commitments that guide the practices of our business units.

In 2014, our initiatives sought to improve the integration of social, environmental and governance aspects in the bank's lines of business, evaluate business opportunities and facilitate the transfer of capacity and social-environmental knowledge among our business units.

Social and Environmental Risk GRI DMA-FS1

Our management of social and environmental risk has the purpose of identifying, measuring, mitigating and monitoring risks. To mitigate these risks, we have engagement initiatives with areas that are involved in the process, such as training sessions, workshops and talks. In addition, we have measures to improve control based on results from adherence tests reported periodically to our Social and Environmental Risk Committee, which is part of Sustainability Governance, as mentioned above.

In 2014, our Sustainability Policy was revised in accordance with Central Bank of Brazil Resolution No. 4327, as shown above in the Sustainability Strategy item (page A-143). According to this policy, social and environmental risks are analyzed using the principles of relevance and proportionality, according with the characteristics, needs and risk exposures of each business unit. **GRI DMA-FS1 | DMA-FS2**

To mitigate this risk, we have developed specific social and environmental guidelines for lending processes (lending and financing), insurance, investments and suppliers. The main social and environmental guidelines are: a list of restricted activities, a list of prohibited activities, compliance with environmental licensing, the inclusion of social and environmental contractual clauses and specific rules for providing real estate collateral.

The prohibited list contains activities that contradict our corporate principles and values. Thus, we do not lend to companies involved in activities related to:

- Prostitution;
- Illegal use of child labor;
- Work under conditions similar to slavery.

The list of restricted activities covers economic activities that have most potential to cause social and environmental damage. Accordingly, there are specific procedures for environmental risk analysis of companies that develop activities related to:

- The production or marketing of firearms, ammunition, and explosives.
- The extraction and production of wood and the production of firewood and charcoal extracted from native forests.
- Fishing activities.
- Extraction and industrialization of asbestos.
- Abattoirs and beef packaging plants.

The following details of this theme apply to lending (wholesale, retail, real estate and vehicles), insurance and investments.

Credit

Our social and environmental risk analysis guides the loan granting decision process. By the integration of social and environmental criteria to conventional risk assessment processes, we obtain a broad view of companies that have relations with the bank and any legal or image risks that may be involved. Our Environmental Risk policy formalizes the social and environmental risk analysis process and guidelines for lending. In addition to administrative, financial and governance matters, we also evaluate practices related to human rights, environment and biodiversity.

The policy is available on the intranet and on our sustainability website. This policy contains social and environmental information that must be requested for new customers, and it also formalizes restricted and prohibited activities that may lead to loans being denied.

For proper operation of the social and environmental guidelines as stated by the policy, we have sector-wide social and environmental risk policies for the related business units - Itaú BBA, Middle Market, Retail, Real Estate & Vehicles - that apply their policies to mitigate the bank's social and environmental risk exposures and encourage customers to heighten their awareness and adopt best practices.

In keeping with Social and Environmental Responsibility regulations for financial institutions, issued by the Central Bank of Brazil in April, our focus for 2014 was to review the sustainability and social-environmental responsibility policy, the processes and the Social and Environmental Risk sector-wide policies for credit. The remaining sector policies and procedures will be analyzed in 2015 as per the schedule determined and approved by the Board of Directors.

To understand more about how our loan portfolio is distributed among economic sectors, click here and go to Note 8 Item III Segments by Brazilian GAAP the business sector, on page 138. [https://www.itaubr.com.br/arquivosstaticos/RI/pdf/en/IRR31122014_ING.pdf?title=Management Discussion Analysis and the Complete Financial Statements \(BRGAAP\) - 4Q2014](https://www.itaubr.com.br/arquivosstaticos/RI/pdf/en/IRR31122014_ING.pdf?title=Management+Discussion+Analysis+and+the+Complete+Financial+Statements+(BRGAAP)-4Q2014)

Wholesale GRI DMA-FS5

Through our Wholesale Bank, responsible for financing infrastructure projects, we apply the Equator Principles as criteria for social and environmental risk analysis, including risk identification, mitigation and monitoring stages. In addition, we apply Social and Environmental Risk Policy criteria to smaller projects and other project-finance related products, such as bridge loans. In these cases, we evaluate how clients manage their potential social and environmental impacts, including impacts on traditional communities, as well as cultural heritage and biodiversity.

Property collateralizing loans are also subject to environmental analysis in relation to any site-contamination risk of the collateral. Moreover, when it comes to all types of loans, we monitor our clients to check if they are associated with activities in our Prohibited Activities list by searching the *Ministry of Labor and Employment's register of forced labor and by monitoring media reports. We also monitor costumers that develop activities in our Restricted Activities list by assessing specific sector-wide

compliance guidelines whenever renewing their credit lines. **GRI DMA-FS3**

Any social and environmental restrictions affecting customers are reported in our Credit Risk System, which is consulted by both Credit and Commercial business areas and contains all customer credit data, such as loan amount approved and borrowed and risk rating.

As an early adopter of social and environmental criteria for evaluating loans, our wholesale bank strives to disseminate best practices in the market and internally enhances practices through employee training programs.

In 2014, members of our wholesale bank's social and environmental risk assessment team, numbering 8 persons in all, attended over 280 hours of training sessions, including courses, lectures, forums and discussion groups on new Central Bank regulation for social and environmental responsibility as well as workshops on this theme specifically for Oil & Gas and Energy sectors. **GRI DMA-FS4**

Equator Principles

Since 2004, we have been signatories of the Equator Principles, a set of guidelines and criteria signed by more than 80 financial institutions around the world. These Principles determine the identification and assessment of social and environmental risks and impacts involved in project finance transactions that have an investment amount of US\$ 10 million or more. As of the June 2013 version of this document (Equator Principles III), these guidelines have been applied to project-related corporate loans subject to the following criteria: (1) the loan is mostly used for a single project over which the client has effective operational control; (2) the total aggregated loan amount is, at least, US\$ 100 million; (3) lender's individual commitment is, at least, US\$ 50 million; and (4) loan tenor is at least two years. **GRI DMA-FS1**

We are the only Latin American bank on the Equator Principles Steering Committee, and together with Santander, we coordinate the Latin American Outreach Working Group with a goal to develop communication, support and training strategies for other financial institutions in the region. In September 2014, together with Bradesco and Santander, we organized a workshop for 80 attendees on "Equator Principles: Roles and Opportunities for Consultants". The event prepared technical consultants,

who support banks evaluating projects under Equator Principles criteria, on specific requirements of these Principles. The discussion also encouraged consultants to include these requirements in environmental impact studies compiled for environmental permits' issuance purposes, thus anticipating the conditions for project finance that banks will apply subsequently.

An independent third party expert supports environmental and social risk assessment both in the closing and monitoring phases – a mandatory procedure for high-risk projects. For medium-risk projects, this evaluation may be done by Itaú BBA's social and environmental risk assessment team. **GRI DMA-FS3**

These guidelines are also applied to wholesale operations at our international units. We held training programs for the new version of these Principles for Latin American and IBBA International business units in 2014.

See data on the projects contracted according to the criteria of the Equator Principles III and of our Policy of Socio-environmental Responsibility on page A-188 of this report.

Middle Market and Retail Operations

For social and environmental analysis of small and medium enterprises, social and environmental categorization considering criteria such as water and energy consumption, wastewater discharge, atmospheric emissions, occupational health and safety risk is carried out. Companies are categorized as A, B or C for high, medium and low potential environmental risk. The social and environmental analysis is performed for companies categorized as A and B involving at least a R\$ 5 million bank loan. Companies, involving R\$ 500,000 or more, engaged in branches of business on the restricted list, such as extracting lumber from native forests,

fishing, meat packers, weapons and ammunition and activities using asbestos are also analyzed.

As part of the social and environmental risk analysis, specific tools are used, such as social and environmental self-declaration questionnaires, research on environmental agencies' websites, courts, contaminated area lists and the Ministry of Labor's so-called "dirty list", additional information from the company, and other sources. On identifying a potential risk, the social and environmental team may visit sites and ask a company for additional details. Identified risks are monitored and if action plans

are not developed or the necessary documents supplied, the social and environmental report will issue an unfavorable opinion. Note that customers are periodically analyzed and the maximum validity of a social and environmental report is two years.

We redesigned the contamination risk analysis process for properties pledged to the bank for collateral, with a more assertive version of the Preliminary Environmental Assessment Questionnaire for Properties. We also trained more analysts to apply it.

SMALL AND MEDIUM ENTERPRISES – SOCIAL AND ENVIRONMENTAL REPORTS ISSUED IN 2014

CATEGORY	FAVORABLE SOCIAL AND ENVIRONMENTAL REPORT	UNFAVORABLE SOCIAL AND ENVIRONMENTAL REPORT	COMPLIANCE REQUIREMENTS AND ADJUSTMENTS*
A	540	350	233
B	2,124	388	169
C	27	30	5
Total	2,691	768	407

* Favorable report after measures taken to comply with social and environmental policies and regulations in force.

Vehicle Financing

Our own methodology for assessing environmental risks affecting customers' vehicle financing is aligned with our Corporate Policy for Social and Environmental Risks. The analysis applies for loans to businesses involving R\$ 5 million or more until April 2014. As of May 2014, this criterion was lowered to R\$ 3 million based on existing risks or credit limits available from the bank.

Companies are ranked by ratings for their risk levels. The granting of credit is approved or denied only after credit analysis. Going beyond the limits of analysts, engineers, managers and superintendents' decision, a Credit Committee is held, which will also manage social and environmental risks and determine any mitigating measures required. Our constructive approach to this procedure encourages customers to enhance their social and environmental practices.

In addition to formulating recommendations based on evaluations of business lines and regulatory agency searches. [GRI DMA-FS1](#) | [DMA-FS2](#) | [DMA-FS3](#)

In addition to checking against the prohibited list, we use the Know Your Customer process based on procedures described in sector policy for Prevention of Money Laundering and Combating Financing of Terrorism (AML). [GRI DMA-FS2](#)

To implement this policy, our business credit team attended training programs monitored by the human resources department. [GRI DMA-FS4](#)

Mortgages Loans

Our Mortgages Loans unit also follows Social and Environmental Risk Policy. Guidelines apply to all loans for commercial and residential construction projects in all regions of Brazil. In 2014, our corporate plan was offered mainly to companies posting over R\$ 30 million annual revenues and the portfolio reached R\$ 10,05 billion. [GRI DMA-FS1](#) | [FS6](#)

Our evaluation questionnaire covers general aspects of lands, including environmental issues. For the proposed scope, we retain partner engineering firms, as well as our professionals who are tasked with visual surveys and consultations on websites and portals of municipalities or other entities when necessary. Visual analysis covers apparent contamination issues and site locations. If sites are near gas stations, old factories or cemeteries, there may be indications of contamination. In addition to the initial analysis, a specialist conducts monthly surveys to monitor construction sites. [GRI DMA-FS1](#) | [DMA-FS2](#) | [DMA-FS4](#)

If social and environmental credit or image/reputation risks are identified, the operation is analyzed by our social and environmental unit, which will issue a report. Our credit committee is activated to decide whether the bank will be going ahead with the transaction. Action plans may be developed too. If necessary, our Legal department is activated to take appropriate measures. [GRI DMA-FS1](#) | [DMA-FS2](#)

Insurance

Our evaluation includes the Principles for Sustainable Insurance (PSI) that we signed in 2012, which offers guidance on minimizing social and environmental risk exposure and proper management by insurance companies.

To implement the PSI, we created an internal portal that covers all sustainability topics and also we developed a tool to assess the extent to which a particular product complies with the PSI.

[GRI DMA-FS1](#)

In 2013, we set up our Specific Insurance Committee to ensure proper evaluation processes based on the PSI, the Social and Environmental Risk Policy and the Corporate Guidelines. The committee meets regularly and is chaired by our Insurer's CEO. As part of this continuing process, these committees approved the insurance sustainability planning for 2014 and 2015. [GRI DMA-FS2](#) | [DMA-FS3](#)

In 2014, we put up an online platform with tips and guidance on protection and insurance, and also, video tutorials with tips that didactically explain the main insurance issues. [GRI DMA-FS4](#)

The purpose of this platform is to educate the general public on the importance of this kind of "protection" and help people better understand the insurance universe using simple and uncomplicated terms.

The platform is named Proteja [meaning 'protect'] (www.itau.com.br/proteja) and includes sections with tips, infographics and explanations about the different products offered in this market, featuring intuitively organized data sets. The interface was planned to answer the main insurance-related questions to assist decision-making as to which protection is most appropriate for requirements. We have also posted ten video tutorials to answer questions about the many types of protection and issues that consumers should be aware of before arranging insurance.

This initiative adds to others taken by the bank based on education to help people handle their finances better. These initiatives include educational platforms for Credit (Conscious Use) and Investment (Invest).

Investments **GRI G4-DMA Active Ownership**

Itaú Asset Management signed the Principles for Responsible Investment (PRI) in 2008. Since then, we have developed action strategies to study impacts for investors as well as supporting signatories to incorporate these issues into decision making.

Therefore, we developed a methodology to integrate environmental, social and corporate governance (ESG) in the valuation process of companies that belong to the equity funds. Currently, 100% of Bovespa Index and ISE listed companies have been valued using this methodology. **GRI FS11**

In 2014, we applied ESG methodology to value corporate bonds. Currently, we have 50% of corporate bonds in our portfolios that are covered by this methodology. **GRI DMA-FS1 | DMA-FS2**

We have a dedicated structure to evaluate these criteria, which includes a manager and two SRI analysts who visit companies and make research to refine ESG analysis. In addition, we work in partnership with independent consultants who are specialized in the subject, one of whom is connected to the academic community. **GRI DMA-FS4 | DMA-FS5**

Itaú Asset Management is also responsible for managing social and environmental funds that donate part of their management fees to enhance projects that are developed by non-profit organizations, focusing on education, environment and culture. **GRI FS7**

Furthermore, we attended several industry events in 2014, in order to present our methodology and discuss the integration of environmental, social and governance issues into the valuation procedure for investee companies. **GRI DMA-FS5 | FS10**

We have also joined the Carbon Disclosure Project (CDP). As a signatory investor, together with other signatory investors, we asked companies about climate change impacts on their risks and opportunities management. The information that these companies reported to the CDP is included in our models to integrate environmental, social and corporate governance aspects into the investment process. **GRI G4-15**

Our Proxy Voting Policy (available at www.itaubank.com.br) includes ESG issues in decisions in accordance with Investment Fund Regulations and Best Practices advocated by Anbima (Brazilian Financial and Capital Market Association). **GRI FS12**

Social and Environmental Funds **GRI FS7 | FS8**

- Itaú Social Excellence Funds (Fies): since their launch in 2004, these equity funds have invested in socially responsible companies.

Additionally, 50% of this family of funds' management fees is donated to educational projects developed in Brazil by NGOs and UNICEF. From 2004 to 2014, R\$ 25.6 million were transferred to 146 NGOs, benefiting 28,800 children and 2,600 educators. In 2015, another 11 organizations will receive over R\$ 2.25 million.

- Itaú Eco-Change Funds: Eco-Change funds donate and lend 30% of their management fees to support greenhouse gas reduction (GHG) projects in order to develop urban mobility initiatives; energy efficiency; renewable energy; waste management, sustainable agriculture and forests. The program is also partners with The Nature Conservancy (TNC). Since 2009, the Eco-Change program has invested approximately R\$ 3.77 million in 25 organizations and loaned R\$ 119,000.00 to two more institutions.
- Itaú Future Fund: from 2010 through 2014, the Itaú Future DI Social Fund donated 30% of its management fee amounting to over R\$ 1 million to educational projects developed by the Roberto Marinho Foundation's Future TV channel.

Itaú Asset Management and PRI **GRI DMA-FS5**

In 2014, Itaú Asset Management was responsible for the annual meeting of signatories of the United Nations Principles for Responsible Investment (PRI). Institutional investors, asset managers and service providers attended this event in September, in Montreal. The agenda included discussion of ways of integrating more ESG themes into investment decisions. At this event, we presented our two White Papers¹: "ESG Integration into fundamental equity valuation" and "ESG Integration into fixed income research" (for more details see www.itaubank.com.br). **GRI DMA-FS5**

Internal Audit **GRI FS9 | G4-DMA Audit**

The Internal Audit, under the technical supervision of the Audit Committee, provides the Board of Directors and the Senior Management with independent, impartial and timely evaluations of the effectiveness of risk management, the adequacy of controls and the compliance with the regulations and rules related to the operations of the Conglomerate.

The audit jobs occur periodically, with intervals from 12 to 36 months, and evaluate the observance to the Sustainability and Environmental Responsibility Policy and to the voluntary commitments and agreements engaged by the Bank, including the Equator Principles associated with Project Finance.

Following the best practices and standards of The Institute of Internal Auditors, the Internal Audit methodology requires the assessed area to establish action plans for deficiencies identified, considering the deadlines which vary according to the risk ratings.

Social and environmental opportunities **GRI FS7 | FS8**

Pursuing opportunities for social and environmental initiatives is a given for Itaú Unibanco, therefore we are not only developing specific lines of business and on-lending own funds, but also joining with partners to extend this activity as much as possible.

GRI FS7 | FS8

Standout partners include the IDB (Inter-American Development Bank), IIC (Inter-American Investment Corporation), BNDES (Brazil's Economic and Social Development Bank) and others that assist with on-lending or joint work on projects.

Some of our highlight activities are shown below by business segment.

Retail Bank

Retail Bank serves business customers posting annual revenues of R\$ 30 million or less.

Through the Vision of Success project (Projeto Visão de Sucesso), in partnership with Endeavor Brazil and an Inter-American Development Bank (IDB) grant, we help to develop business ventures focusing on low-income sectors of the population.

In 2014, the last year of the project, we had a group in northeastern Brazil and another group using distance learning training, whereby we provided 50 companies (9 in the Northeast and 41 distance learning) with training. In addition to training, in-person workshops were held in São Paulo. In all, training reached 101 businesses that impact the base of the social pyramid during the project's 3-year life.

In addition, the Endeavor-IDB-Itaú partnership enabled the development of a training program and content on obtaining access to capital in a guide freely available online for all students and for society as a whole.

In 2014, through the Socio-environmental Financing of the Inter-American Investment Corporation (IIC), we allocated USD 280 million to the financing of small and medium companies with practices that are in accordance with the socio-environmental risk of Itaú Unibanco and with IIC's eligibility criteria.

We also offer on-lending through the Low Carbon Agriculture (local acronym ABC) program of Brazilian Economic and Social Development Bank (BNDES) agribusiness facility to finance projects reducing greenhouse gas emissions from agriculture, livestock and deforestation by expanding cultivated forests and recovering degraded areas. By December 2014, there were 128 active financings totaling R\$ 21 million through the program. For more information, please visit: www.bndes.gov.br/apoio/abc.html.

We also support Brazil's National Program for Strengthening Family Agriculture (local acronym Pronaf), which provides finance to cover industrial processing costs for agricultural products. The program develops family farming through access to direct credit or on-lending to members of agricultural cooperatives. By December 2014, the PRONAF Agribusiness product had made 18 loans totaling R\$32,429,482.47 as well as 80 to cooperative members for R\$108,874,692.69.

Wholesale Bank

Our wholesale bank concentrates on customer companies posting revenues of over R\$ 30 million.

Wholesale bank led to environmental benefits mainly by low-rate lending from multilateral development agency funds and own funds. From the former, we disbursed US\$ 200 million from the Inter-American Development Bank for renewable energy, energy

efficiency, clean production, biofuels, sustainable construction and other eco-friendly projects in 2014. In addition, at the end of the year, we signed a facility from the International Finance Corporation in the amount of US\$ 400 million for the same purpose. Finally, investments in the form of project financing from our own funds for wind power projects and cogeneration amounted to R\$ 876 million, in addition to bonds and guarantees issued in the amount of R\$ 1.4 billion.

Other environmental benefits were attained using on-lending facilities from three BNDES products (Finem, BNDES Automatic, and Rural Credit) and from Federal Savings Bank (CEF) funds. Through BNDES Finem, we directed funds to energy efficiency and renewable energy projects including biomass - totaling R\$ 76 million in 2014. Additionally, we on-loaned Federal Savings Bank (CEF) funding for basic sanitation in the amount of approximately R\$ 400 million. Through BNDES Automatic, we financed sanitation projects and renewable energy generation. In 2014, there were twelve projects totaling R\$ 150 million for these types of investments.

In relation to the Rural Credit program, there were environmentally friendly investments in eucalyptus plantations for pulp production - of 13 transactions totaling R\$487,640.

In addition, in 2014, we disbursed US\$ 1.7 billion at low rates to promote social benefits. The International Finance Corporation, Inter-American Investment Corporation and Overseas Private Investment Corporation allocated these funds for projects and companies in Brazil's North and Northeast regions, including small and medium firms run by women.

Finally, we disbursed almost R\$ 5 million from Brazil's Economic and Social Development Bank (BNDES), through the BNDES Finem product for social programs benefiting local communities around projects. These low-rate credits in partnership with public or non-profit associations finance companies that aim for higher levels of corporate social responsibility and work to articulate and strengthen public policies.

In 2014, lending for environmental and social benefits accounted for approximately 5% of Itaú BBA's loan portfolio and totaled some R\$9 billion.

Itaú Microcredit

Itaú Microcredit is for formal- and informal-sector microentrepreneurs who don't have access to the traditional financial system and meets the conditions for Brazil's Guided Productive Microcredit program.

Itaú Microcredit decision-making processes are supported by its Credit Policy, as well as its Lending Process and Credit Analysis Circular. All employees have access to these documents. Every year, operations and internal and external processes are audited to ensure policy application. **GRI DMA-FS1**

Microcredit agents

Its distinctive feature is enabling a social group that has traditionally been excluded from the financial system to obtain credit through microcredit agents trained to assist microentrepreneurs with their decisions concerning financial products and services and with the basics of small business management, thus taking the bank to the customer.

Microcredit agents analyze characteristics of both borrowers and locations, evaluating criteria such as character, repayment ability, capital, conditions and impacts of the credit on the life of entrepreneurs and communities. [GRI DMA-FS1 | DMA-FS2](#)

Agents visit enterprises, fill out forms assessing their economic and financial data, and then forward the evidence required by the Credit Committee, which is responsible for analyzing loans. Their visit also aims to monitor the use of resources and if the client do not use the credit properly a loan may not be renewed. In the event of not meeting the requirements for a loan, the agent will offer advice. [GRI DMA-FS3](#)

Agents' training includes practical and theoretical classes on credit analysis, collection and sales techniques, financial management, ethics, accounting and guidance on the product. In 2014, approximately 60 new employees was trained. [GRI DMA-FS4](#)

Credit Models

For more details of microcredit models, see [\(page A-30\)](#) of this report.

In 2014, first tier operation lent 8,178 credits totaling R\$ 41.7 million, which was up 35% on 2013. [GRI FS6 | FS7](#)

Access points [GRI G4-DMA Local Communities](#)

Itaú Microcredit is available in economically underprivileged regions in the metropolitan areas of São Paulo, Rio de Janeiro and Porto Alegre.

Credit agents use smartphones and tablets to work independently of physical facilities. Each agent has a 5-km² area allocated by georeferencing. The agents also offer our credit-card devices. [GRI FS13](#)

We develop initiatives to facilitate access to financial services for people in vulnerable situations, whereby credit agents provide them with guidance on educational concepts and finance products. [GRI FS14](#)

Women Entrepreneurs Program

In 2014, we joined a partnership with the Inter-American Development Bank (IDB) and the IFC – The World Bank Group, in order to offer financial products and services to female entrepreneurs, with an exclusive R\$ 1 billion credit facility for small businesses owned by women. The online platform offers content related to entrepreneurship, management tools and motivational videos, and may help to connect users. The pilot project reached 57 thousand female entrepreneurs. Also part of the non-financial solutions, workshops and networking events were organized in partnership with top universities. As another part of

this initiative, the bank will test a credit assessment tool based on a psychometric model. The main objective of this is to empower female entrepreneurs in Brazil, who are growing in number and increasing their share in the economy. The bank decided to take part in discussion forums regarding gender inclusion, and was represented at both the Global Banking Alliance for Women and the group Brazilian Women (Grupo Mulheres do Brasil). [GRI FS14](#)

Stakeholder Engagement

Our engagement processes are based on guidelines and criteria of the international standard AA1000 and on an internal circular, developed and published on 2014, that establishes the stakeholder engagement methodology in relation to sustainability strategy. Our methodology begins with prioritization of stakeholders (employees, customers, shareholders, suppliers and society) and the identification of critical issues, selected according to actual and potential social, environmental, and economic for the organization and the stakeholders involved. [GRI G4-24](#)

Our engagement action plan for sustainability issues covers the following stages: defining scope, identifying stakeholders, determining the degree of engagement, selecting method for engagement, assessing the risks involved, and carrying out the engagement process. [GRI G4-25](#)

Financial Education was the focus for 2013's stakeholder engagement process. We held workshops with employees and specialists to discuss the role of the bank and to set short-, mid- and long-term targets and initiatives for the theme. The Contributions from our stakeholder became inputs to review process of our financial education positioning, that happened over 2014. [GRI G4-26](#)

This year, we focus on the theme of Social and Environmental Risk and Opportunities. For discussing the issue, we held meetings with market experts, academics, clients and bank executives to share Itaú Unibanco's strategy and tools and to debate trends and emerging business opportunities. [GRI G4-26](#)

In addition to engagement processes for specific issues, we have a number of tools to involve and preserve continuous dialogue with stakeholders such as: workshops, publications, talks and lectures, surveys, public meetings and social media. We have channels for specific constant contacts available on our website, emails and exclusive telephone lines for press and media relations; ombudsman and consumer protection agencies etc.

Details of our business are easily accessible and are disclosed through the following channels: our investor relations site, the Itaú Shares in Focus publication, our Facebook and Twitter profiles, and public meetings with investment analysts, shareholders and other stakeholders. [GRI G4-26](#)

We strive to address and provide feedback for considerations brought by our stakeholders. Through our consolidated annual report, we offer this accountability covering our material matters and sustainability strategy, thus transparently catering for different groups of stakeholders without distinction.

Employees

Diversity GRI G4-FS14 | G4-DMA Diversity and equal opportunity

As a recognized and valued theme in our culture, diversity is managed by our Human Resources Area and steered by our Internal Policy for Diversity Enhancement based on three basic principles: fair competitiveness in relation to differences; heterogeneity within the organization (gender, people with disabilities, sexual diversity, ethnicity); and implementation of policies and projects that value and promote diversity. We also have specific guidelines, such as Inclusion Policy for People with Disabilities, our Apprentice Program and Human Rights Policy.

Through seminars, training sessions and other communication activities, such as talks or lectures, content posted on the intranet and videos, we aim to show the importance of valuing diversity of sexual orientation, gender, ethnicity, people with disabilities, generation or beliefs, thus fostering respectful dialogue and eliminating judgmental views that lead to discrimination. In order to broaden, disseminate and foster diversity, we held talks and workshops for our suppliers covering selection, training and outsourcers.

In order to support the program for people with disabilities, we arranged awareness talks and workshops with managers and their teams.

GOALS PLANNED FOR 2014	COMPLETED / IN PROGRESS / NOT ADDRESSED OR GOAL REVISED	RESULTS
• Consolidate training on Diversity for leadership;	Completed: Themes covered by Ethics and Legal Training Workshops.	6,269 employees attended the Ethics Workshop. 6,058 employees attended the Labor Legal Training.
• Insert the theme in corporate talks or lectures;	In progress	8 corporate lectures were held on the topic of Diversity and Inclusion of People with disabilities. 202 employees took part in this initiative. 137 employees attended the lecture on "Involvement in the workplace evacuation plan", of which 132 were disabled and 5 were organizers. This lecture aimed to engage and inform disabled employees about the importance of their involvement in fire drills
• Apply the 2nd Diversity Census in partnership with Febraban;	Completed	18 banks took part with a total of approximately 41% responding, out of a total banking population of 458,922 in Dec/2013. Highlights: - Sexual Diversity theme included; - Statistical sample to ensure the survey was technically equivalent to a census; - Inclusion of occupational groups for better analysis.
• Review the intranet to insert topics such as sexual diversity and women;	Completed	We reviewed our position in relation to Diversity. Themes included on the Corporate website: sexual, gender, generational and belief diversity.
• Train managers and staff to coordinate new employees with disabilities;	In progress	Our aim is to include the booklet on the integration of disabled people ("Cartilha sobre inclusão de pessoa com deficiência") in the managers' and coordinators' training grid. This booklet is already available on the Clique conhecimento website and is being reviewed for its launch between January and February 2015.
• Include training on the theme of Racial Inclusion for Recruitment and Selection service providers in partnership with Febraban;	Done	Held in August 2014, with 61 attendees: - 36 bank representatives; and - 25 from R&S companies. Purpose: to discuss social inclusion focusing on ethnicity, prospects and strategies for broadening sources of recruitment while targeting units that manage recruitment and selection for banks, consultancies that act as outside partners for R&S activities and résumé suppliers.
Establish a career path for apprentices.	In progress	By the end of the year, we had designed a study that mapped how these young people could develop within the company. A work group discussed the topic and established the way we will proceed with it. A final proposal is being developed, and will be submitted for approval by the Executive Board of the Institution.

Our Diversity Profile

	TOTAL ¹	% OF TOTAL EMPLOYEES	HIGHLIGHTED INITIATIVES IN 2014
Women	52,896	60.00	On December 31st, 2014, 50.3% of management positions were held by women. On December 31st, 2014, there was one female member of our Executive Committee.
Black people	17,651	20.00	In order to include Afro-descendants, we have taken measures to sensitize our teams and the service providers responsible for recruiting and selecting employees in relation to diversity in general and ethnicity in particular.

GRI 4-DMA DIVERSITY AND EQUAL OPPORTUNITY

TOTAL¹ % OF TOTAL EMPLOYEES HIGHLIGHTED INITIATIVES IN 2014

Disabled people	4,003	4.54	We arranged educational talks or lectures at all administrative centers with sessions on how to assist people with disabilities and reduced mobility, and awareness programs to convey an understanding of how to communicate with people affected by impaired hearing, and sensitivity training. We developed a guidebook for our leaders, their teams and our human resources staff to engage them and their roles in the inclusion process for people with disabilities. We arranged orientation and engagement talks in order to increase the proportion of employees with disabilities involved in Workplace Evacuation Drills (PALT).
Apprentice	1,683	1.91	We reviewed the selection process together with partner entities to take in applicants aligned with the institution's profile. We create a new project for career planning for apprentices, as we believe that their bank's business knowledge by the end of the learning program enables to grow within organization.
Total number of women, black people, disabled people and apprentices:	76,232	86.53	• Percentage on the total number of employees 88,103

1. We use only information about companies managed by the Human Resources department. Companies: Banco Fiat S.A., Banco Itaucard, Bco Itau Bmg, Dibens Leasing, Fai-Financeira, Fic Promotora, Fina Prom Servs, Financeira Itau, Finaustria Part, Hipercard, Icarros Ltda, Itau Financeira, Itau Seguros, Itau Solucoes, Itau Ubb Hold, Itau Unibanco, Itauleasing, Itauprev, Itauseg Saude, Kinea, Kinea Private, Luizacred, Marcep, Megabonus, Microinvest, Pro-Imovel, Provar Negocios and Trishop

Turnover GRI 4-LA1

Turnover is the ratio of new hires and employees terminated (whether voluntarily or involuntarily) in a given period. We track this indicator on a monthly basis and submit numbers to the Executive Committee.

The index for the year, which ended on December 31st, 2014, was 10.9%. We invest in a reallocation program to find internal opportunities, taking into account the availability of positions open and professional profiles of internal candidates. [GRI 4-DMA Employment](#)

Our Reallocation Center caters for employees, during career transition periods, who come from business areas in restructure, among others. The process consists of monitoring referred employees through individual interviews or group dynamics to match them to the opportunities available across all the conglomerate's companies. As a result, 672 employees at various levels were referred to the Relocation Center in 2014, and 578 took up new opportunities internally.

The chart below shows our turnover numbers since 2012.

	2012	2013	2014
Turnover Total	15.60%	11.10%	10.9%
Involuntary	12.80%	7.80%	8.0%
Voluntary	2.90%	3.20%	2.9%

In 2014, the highest number of terminations was in the 30-50 age group, while most new hires were from the under-30 age group.

Employee health and safety GRI 4-DMA Occupational health and safety

Safety

We have a specific department managing, running and developing the activities that make an ongoing contribution to occupational safety and to our facilities, equipment and tools for use in our business. Our other employee safety related activities are the following:

ACTIVITY	DESCRIPTION
Internal Accident Prevention Week (local acronym SIPAT)	Our major administrative centers run this annual accident prevention and awareness event in conjunction with each workplace's Accident Prevention commissions, which represent 36% of all employees* from different hierarchical levels, such as managers, engineers and analysts. GRI 4-LA5
Accident investigation with preventive actions	Analyze causes of accidents to work on prevention and identification in other cases.
Ergonomic analysis for jobs	Preventing employee discomfort when carrying out everyday activities, including checking the state of furniture (desk and chairs), equipment, description of activities, working hours and workplace organization.
Environmental survey	Visit units to survey temperature, lighting, noise, speed and relative humidity of the air, to comply with legally required levels.
Training program for ergonomic adjustments	Provides ergonomic information for telemarketing operators, advice on the correct use of furniture and equipment, in order to ensure quality of life and comfort in workplaces, thus reducing absenteeism. Safety specialists at our São Paulo telemarketing centers lead the training program. There is periodical recycling for this training program using e-learning methods.
E-learning training Workplace safety representatives	At company units where there is no need for an accident prevention committee (CIPA), we provide e-learning training for managers to advise them on accident and disease prevention.
E-learning training Employee Health and Safety (NR-1)	Employees are provided with full guidelines for preventing accidents and occupational illnesses.
Approval of ergonomic accessories	Previous assessment of ergonomic accessories, (office feet support, keyboard, mouse, monitor stand) furniture (desk and chairs) and equipment to ensure better conditions for employees.
Ergonomics training for teller platform operators	New cashier platforms were implemented in branches and all operators have been trained for correct use in order to avoid occupational illnesses.

GRI 4-DMA OCCUPATIONAL HEALTH AND SAFETY

ACTIVITY	DESCRIPTION
Workstation evaluation	In order to ensure better conditions for employees (including people with disabilities), our team of Occupational Safety Specialists and Engineers conducts individual workstation evaluations to improve posture. They issue a technical report to be forwarded to Managers with recommendations and guidance on the adequacy of workplace furniture and equipment.
Environmental Risk Prevention Program (local acronym PPRA)	Rates the performance of business units in order to identify any physical, chemical or biological hazards in the environment and propose adjustments to eliminate exposure to these risks.
Reporting insalubrious or hazardous conditions	Inspecting specific business units - any unhealthy or hazardous conditions must be reported under Brazilian law.

Work

The company uses internal indicators and rules to manage various Occupational Health- and Safety-related programs.

Topics related to Occupational Health and Safety were addressed in the Collective Bargaining Agreements and the Occupational Health and Safety Subcommittee of the National Federation of Banks (local acronym Febraban).

Our employees are not subject to specific occupational illnesses. Incidents are mainly due to carelessness or unsafe actions, such as

falls while travelling to work or returning home and, in such cases, management cannot intervene. [GRI 4-LA7](#)

See more information on health and safety related fees on [page A-181](#).

Quality of life

Our actions and programs focused on health education aim to prevent illnesses and advise on healthy and balanced lifestyles. They are aimed to involve our employees and their families and also communities around our administrative centers, whenever possible. These initiatives include:

PROGRAMS/SERVICES	DESCRIPTION	NUMBER OF EMPLOYEES PARTICIPATING ¹
Nutritional care	Offers nutritional clinical care.	235 people seen to, of which 73 were new members. For 2015, an increase in the number of members is expected, since this program was reorganized in 2014.
Fitness gym	Partner gyms offer discounts to employees, in addition to our own facilities at some offices.	6,932 employees
Check-up	Our conglomerate's officers, directors, senior managers, senior management-level specialists, central administration managers and manager-level specialists are eligible for check-ups.	Around 2,600 eligible executives
Women's Health Program	This program delivers women's preventive, behavioral and reproductive health initiatives through talks, newsletters, electronic guidance and corporate intranet. <ul style="list-style-type: none"> Baby on Board: program focused on basic advice and guidelines for the first few months of pregnancy, such as nutrition, newborn care, psychological issues etc. Mom's Corner: space for drawing and storing breast milk during office hours. Baby at Home: visit from a specialist nurse at the employee's home in the first week after birth, to advise on breastfeeding and caring for babies. 	Baby on Board: 1,460 (people) Mom's Corner: 201 (employees) Baby at Home: 711 families
Be OK program	Personal support program available for all our employees and their families. The program has a multidisciplinary team of psychologists, social workers, lawyers, nutritionists, physical therapists, personal trainer, veterinarian, financial advisor, among others. The service is quick, free of charge and confidentially delivered by phone.	Telephone service: 204,000 Personal customer service at complexes: 828
Emotional Support Program (being introduced)	Ten therapeutic group meetings led by a psychologist to address issues such as sleep, anxiety, relationships, mood swings, self-control and emotional balance. Psychiatric care: 06 psychiatrist's consultations per employee in clinical treatment, referred by the medical department, to issue a report on aptitude for work.	14 employees from the initial group
Flu vaccine	Vaccination offered free of charge to all employees and interns in their workplace or at accredited clinics.	Around 51,000 employees
Vocational Rehabilitation Program	Program for all employees who have or not been off work and being paid by Social Security and who require support to resume or continue with their original work, enabling them to adapt tasks and working conditions to any health problems and helping employees to be welcomed back to the workplace.	1,836 employees/5,795 responses

Performance

Meritocracy

We believe that our meritocratic approach to personnel management ranks us among the most outstanding global companies. Meritocracy means leading, recognizing and differentiating people on the basis of their relative performance.

Honest and transparent feedback is part of this exercise, as are opportunities for development suited to each employee's needs and their role of continually pursuing the best opportunities.

We do so by using performance assessment tools and fostering development, to be described in more detail below.

Performance Management Program [GRI 4-LA10](#)

Our program aims to measure performance over a period of one year using three assessment tools:

- Evaluation of goals: the aim is to assess "what" was achieved by an employee through an annual review, based on predetermined goals and levels of achievement.
- Behavioral evaluation: the aim is to assess "how" results were achieved by the employee, based on analysis of behaviors valued

GRI G4-LA10

in the organization and defined on our corporate culture, "Our Way of Making it Happen".

For more information on "Our Way of Making it Happen" and Our Culture, see the section on [page A-20](#).

- Strategic People Plan (local acronym PEP): consolidating scores relating to evaluation of goals and behavior in order to analyze employee performance relative to their peers on a group basis.

In the assessment for the year ended in December 2013*, approximately 50,297 employees were evaluated as part of the PEP (including foreign units), which corresponds to approximately 53%. Others participate only after an individual evaluation (goals and behavior) or other specific evaluation models, thus ensuring that 100% of eligible employees are subjected to some kind of performance evaluation. The 2014 process is still underway. [GRI G4-LA11](#)

At the end of each process, our employees receive feedback in order to understand their strengths and opportunities for improvement. The process provides each employee with ideas for their Individual Development Plan.

*Data for 2014 not yet available at the time of going to press.

Strategic People Plan – PEP Development

Our meritocracy cycle was completed this year with the inclusion of the PEP Development program (Strategic People Planning). In addition to performance assessment (setting up goals, goals and behavior evaluation and group discussion), we included two new stages focusing development: 1) development committee, 2) Feedback and Individual Development Plan (IDP).

To ensure that each employee's development is continuous and structured, this year 443 senior managers and 80 officers took part in a new process in which performance record and career stage are fed into the discussion of development, in order to define consequential measures.

Training and development

The Itaú Unibanco School devises learning solutions aligned with the organization's culture and strategies and there are specific training programs to meet the needs of different units. It promotes development actions and continuous improvement for teams and leaders, investing consistently in training and development programs for employees, since we see people as the key to business perpetuity and sustainability delivering earnings and benefits for shareholders, employees and society as a whole.

Our training solutions focus on the singularities of each business area, providing technical, behavioral and leadership training, using various methodologies to support employees in their development.

Our Corporate Portal shows our policies for training, education and development, with guidelines for planning and corporate education activities for leaders and their teams. In 2014, we invested R\$109.18 million in training and held over 6,541 traditional classroom courses.

We use two types of indicators to enhance training program management: process (budget, volume and efficiency) and quality (reaction, learning and applicability), thus ensuring the input used to enhance programs. [GRI G4-DMA Training and education](#)

Itaú Business School – numbers:

The average take-up rate
for training events was **93%**

Employees trained: **96,882 participations** in face-to-face courses (numbers may reflect one employee taking more than one program)

1.45 million participants in distance learning training programs with a **60% conclusion rate (866,000)**

5,760 incentives for academic education

Total **1,577,663 million hours** (face-to-face courses)

Leadership training

We also strive to ensure sustainable performance for our business by developing leaders through initiatives and tools for engineers, managers, senior managers and officers.

Itaú Business School's target for 2014-2015 is to have 100% of our leaders taking the basic training grid within two years, based on three pillars: managing people, ethics and labor/employment law. In addition to our internal programs, we support continuing education for leadership, including both classroom and distance learning solutions, such as online platforms for continuing education (e.g. Veduca), language courses, postgraduate and MBA programs, seminars, conferences and short courses in Brazil and abroad.

The training strategy targets leadership roles and each program is aligned with the stage reached in the career path of each executive and their Individual Development Plans.

Special programs for talents

In order to ensure sustainability for our business, we have to prepare leaders for future challenges. Based on this premise, we have attraction and development programs to supply and train our future leadership.

PROGRAM	DESCRIPTION	RECRUITMENT	RETENTION
Internship	The aim is to develop young people who have the potential to become professionals with high performance and strengthen our pool of talents. Interns not only acquire practical experience, but also go through a cycle of developing technical competencies and personal skills in order to facilitate career planning in the organization. In 2014, we introduced a new development grid with the following new features: 8 technical and behavioral training events in the first year and lectures focusing specific aspects of development for the second year, technical tutor to support routine tasks, the program Talentos em Ação (partnering the trainee program) and Encarrear (mobility across business areas program). In the same year, we also implemented both Y Axis (behavior evaluation) and X Axis (relating to activities) evaluations in our Performance System. They began to be carried out in April and October.	1,366 recruited in 2014	58% (calculation based on the following: Hired in 2012 - Training period due to end in 2014 Hired in 2013 - Course due to end in 2014 Hired in 2014 -> Course/training period due to end in 2014
Trainee	For over 30 years, the program has sought to attract and develop the best talents and transform these young people's high potential into exceptional performance. The program rotates them across different business units and includes a development plan, a mentoring program and training in partnership with Brazil's best business schools, with a retention rate of 84% over the last three years. For 2015, we will recruit 42 trainees. In 2014, we launched a Post-trainee Program to accelerate careers and increase retention rates for former trainees that have shown high performance, so that they can take over coordinator positions in the short term. The post-trainee program has three pillars: strategic vision, global mindset and leadership. Currently, 28 former trainees drawn from the 2013 cohort are on our post-program.	55 recruited in 2014	96% from the 2014 cohort
International Sponsorship (MBA, Master, Sloan and LLM)	The program aims to develop our employees on programs such as MBA/ Sloan/MASTER (Master of Laws - LLM/Master in Finance - MIF) at top business schools in the US and Europe, with HR and executives monitoring.	6	100%
MBA Recruitment	We recruit students from the best US and European business schools for full-time opportunities or summer internships. In 2014, we visited more than five universities abroad.	11	Not applicable
Job Swaps and Expatriates	Our employees are offered a chance to work at one of our international units. Job Swaps (exchange program): developing a short-term project (3 to 12 months) at one of our foreign units. Expatriates: employee taking a position at one of our foreign units for a long period of time (1 to 5 years)	Expatriates: 16 Job Swap: 14	75% 93%

Speak Frankly Survey

Our annual Speak Frankly survey measures all employees' satisfaction in relation to the organizational environment and personnel management.

In 2014, 89% of our employees in Brazil and in international units took part voluntarily, with a satisfaction rate of 80%. The overall results were four percentage points higher than the previous years.

BASE YEAR	UNITS	PARTICIPATING EMPLOYEES %	SATISFACTION %
2012	Brazil and international units	89%	76%
2013	Brazil and international units	89%	76%
2014	Brazil and international units	89%	80%

The survey's results were forwarded to all managers and bank employees who may access not only the overall result for the organization as a whole, but also the numbers for their own section or workplace. When they get the results, managers are encouraged to join their teams to draw up an action plan addressing critical aspects shown by the survey. This is an important point to understand the path we are taking to build a better workplace environment.

Recognition

Each year, we hold an awards event to recognize employees and teams who have shown customer focus, passion for performance and strong alignment with "Our Way of Make it Happen". The Walther Moreira Salles Award covers both projects and managers who have achieved outstanding results in the areas of efficiency, quality, innovation and leadership. Each awardee is given a trophy and Itaú Unibanco shares are distributed equally among winners. For the 2014 event, there were 631 cases entered; 9 finalist projects and 3 finalist leaders, and finally 29-awarded employees.

Compensation [GRI G4-DMA Equal remuneration for women and men](#)

Fixed and Variable Compensation Policy [GRI G4-52](#)

The purpose of fixed compensation is to recognize a professional's competence and seniority. Employees may have their fixed compensation change in accordance with our promotion and merit policy, which takes into account individual's consistent performance and exercise of their responsibilities. Fixed compensation for our employees, plus payroll charges and benefits, totaled approximately R\$11.5 billion in 2014.

Variable compensation recognizes individual performance levels, the bank's performance, and its short, medium and long-term

GRI G4-S2 | G4-DMA Equal remuneration for women and men

sustainability. Each employee has targets to meet that are linked to each area's strategy, which in turn, reflects our global strategy.

Our policy for fixed and variable compensation is in line with market practices and our compensation strategies depend on the unit in which each employee works. Market alignment is assessed annually through a survey conducted by specialized consultants. We also take part in surveys held by other companies while also attending forums specialized in this subject.

A committee involving our senior management supervises our governance model and determines general principles and guidelines, in line with market practices and regulations. For more details of compensation practices, see the Our Governance section, Administrative Structure item, Compensation Committee.

Additionally, our employees are assured salary increases and profit sharing based on the collective bargaining agreements signed with the unions for each employee category.

Our variable compensation programs are the following:

TYPES OF VARIABLE COMPENSATION DESCRIPTION

Profits sharing (local acronym PLR)	Distribution of a percentage of our net income up to an amount specified in the collective bargaining agreement signed with the relevant trade union.
Profit Sharing (local acronym PR)	Our profit sharing program reflects our business performance (such as a business area's results) and the individual's performance.
Supplementary Profit Sharing Program (local acronym PCR)	Participation in profit-sharing programs that depend on the results of our corporate performance (example: Itaú Unibanco Holding's performance). It consists of payment of an amount determined in accordance with the trade union concerned.
High Performance Compensation Program (local acronym PRAD)	Additional profit sharing for the 20% of the employees who were best evaluated and not covered by profit sharing programs. This program also depends on our business performance.
Differentiated Performance (local acronym PD)	Differentiated Performance (local acronym PD) is a program for employees in leadership or similar positions in our conglomerate. It grants compensation inform of our preferred shares (ITUB4) and it is deferred. This model reflects individual assessments to reward professionals who have been outstanding for their results and behavior. Its aim is to strengthen personnel management, self-development and team building.

In order to recognize professionals who make a difference and get best results for the bank, while strengthening and spreading our vision and culture, we have a long-term incentive stock option program for employees and management. For more details, see Our Governance section's Management Compensation and Long-term incentive programs item, Consolidated Financial Statements (IFRS), Note 22 - Stock option plan.

Benefits GRI G4-LA2

We offer several benefits under the collective bargaining agreements with trade unions that cover obligations, such as meal or food vouchers, monthly staples packages, day-care / nanny costs, transportation vouchers etc. These benefits are offered only to currently active employees working in Brazil.

We also provide a benefit package with special tariffs and discounts off banking products, partnership programs, healthcare plans with an extensive network of accredited service providers, and other programs for employee health and wellness, such as:

PROGRAM	DESCRIPTION
Health and Dental Care	<ul style="list-style-type: none"> 81,464 employees are currently covered by health plans and 62,769 by our dental care plan.
Private Pensions	<ul style="list-style-type: none"> There are 18 pension plans managed by four closed funds and one open fund. Two main aims are served by these plans: topping up social security benefits and maintaining standards of living for retirees. Our contributions to pension plans totaled approximately R\$ 110 million in 2014. Around 2/3 of employees have voluntarily adhered to some of the plans offered.
Group Life Insurance	Group life insurance covers a beneficiary's death or disability. The plan automatically includes spouses and children and extended funeral assistance coverage. Employees who already have life insurance may get a supplementary policy to increase the amount insured.
Financial products and services with discounts for employees (loans, purchasing consortium schemes, insurance, credit cards)	Banking products at discounts and/or special tariffs, such as paycheck loans, overdrafts, banking charges, auto insurance, home insurance, purchasing consortiums and housing loans.
Pharmaceuticals	Discounted prices for medications and perfumes from the Droga Raia chain stores using an identification card.
Tuition	<ul style="list-style-type: none"> 5,500 tuition grants, 1,000 were primarily for employees with disabilities allocated in the banking sector; 4,000 were for bank employees and 500 for non-banking staff, subsidizing primary, secondary and tertiary education, including postgraduate courses.
Itaú Unibanco Club	Leisure, recreation, cultural and sporting activities foster integration and quality of life for our employees, retirees and their families. We have three clubs, located in Guarapiranga, Itanhaém and São Sebastião.
Itaú Unibanco World Partnership Program	Our Itaú Unibanco World program provides benefits, discounted prices and services from several partners in Brazil and Latin America.

Ethics

At Itaú Unibanco, our business is based on ethics, which reflects the transparency, respect and honesty present in our relationship with stakeholders, the quality of our products and services, as well

as our concern about social and environmental responsibility and financial performance. It is also expressed in internal relationships, which we cultivate environments that are conducive to quality, relevant to those doing the work, to the institution and to society.

Therefore, our Code of Ethics exists to provide guidance, and to prevent or resolve ethical dilemmas or conflicts of interest related to our activities. This document helps in our activities and in the decisions we make throughout the relationship with our stakeholders: employees, customers, shareholders, suppliers, partners, government, competitors, the media and society.

Our Code of Ethics is divided into four basic principles: Identity (aspect that distinguishes us from other companies); Interdependence (the engine of coexistence in society); Good faith (trust building trust); and Excellence (continuously pursuing the highest levels of quality. [GRI G4-56](#))

The Code reflects our attitudes towards building a set of values, corporate culture, beliefs and attitudes practiced at all times by all our employees.

Our Code of Ethics is approved by the Board of Directors and applies to all directors, officers and employees of our conglomerate in Brazil and abroad. It is available in four languages (Portuguese, English, Spanish and Japanese) and we require our employees to formally acknowledge and accept its terms once a year.

In addition, our Code of Ethics stipulates our formal commitment in relation to the themes set forth in the ILO's fundamental conventions and in other international agreements such as eradication of child, forced or compulsory labor, combating all forms of discrimination, fostering appreciation of diversity, preventing workplace and sexual harassment, and respecting the rights of free association and collective bargaining.

In addition to these guidelines, the Code of Ethics stipulates reporting and analysis by the competent areas for cases of misconduct, interpersonal conflicts, violation of rules and conflicts of interest in the context of our operations. More complex cases are referred for decision by our specific bodies for ethical issues.

Our Code of Ethics is available for all employees on the intranet and on our Investor Relations website for others.

In 2014, we held 29 meetings of ethics committees which, together with our biennial ethics survey, monitor the organization's ethical climate and define strategy for our Corporate Ethics Program initiatives. In 2014, we received 1101 complaints from our employees related to ethics, of which 988 were resolved within the year while 113 are still being analyzed. In the same period, we dealt with 145 complaints that had been made prior to 2014. [GRI G4-LA16 | G4-DMA Labor practices grievance mechanisms](#)

As the means of assessing mechanisms for handling complaints, such as the Ombudsman's office and the results he obtained, we have:

- Results from our 2014 Ethical Climate Survey (biennial), whose action plans will be introduced in the course of 2015;
- Evaluation of Entity Level Controls (ELC) - IC -2 - SOX Certification (annual);
- Evaluation of Internal Control System - compliance with CMN Resolution 2554 (semi-annual);
- Meetings between bank union representatives and bank representatives, with Fenaban's presentation of industry statistics and indicators (semi-annual);

- Ethics Committees (corporate and per executive area);
- Audit Committee (annual).

Senior management through the aforementioned ethics committees meeting every six months on average drives our ethics governance. These include ethical conduct committees chaired by the senior executive from each area and by those reporting directly to them. Subjects covered are treated on the operational level. Itaú Unibanco's Ethics Committee is chaired by the Vice-President of Human Resources and consists of directors and officers from all of the organization's business areas. International units also have ethics committees meeting twice a year on average. These forums deal with strategic issues related to ethics in business. The Senior Ethics Committee is chaired by Itaú Unibanco Holding's President and consists of the Executive Committee and other members who may be invited to attend. This forum deals with matters related to corporate ethics in the Financial Holding.

Human Rights

In 2014, we announced our Commitment to Human Rights in order to formalize our position on the theme.

We have adopted a series of premises for actions related to human rights, such as respecting and fostering diversity in the workplace; combating child labor and slavery-like conditions, and any type of discrimination by gender, culture, ethnicity, race, social status, religion, sexual orientation or political beliefs; occupational health and safety policies; privacy policies; and concern for sustainability in our operations. [GRI G4-DMA Non-discrimination](#)

Itaú Unibanco is also a signatory to the Business Charter for Human Rights and Decent Work advocated by the Ethos Institute of Business and Social Responsibility, which prioritizes six themes such as gender equity and equality; racial equity; inclusion for persons with disabilities; fostering children, adolescents and young people's rights; eradication of slave labor; and ensuring freedom to organize in workplaces.

The Ombudsman channel is available to receive all opinions on the subject with confidentiality assured. In all substantiated cases of discrimination, disciplinary measures are based on Itaú Unibanco's Disciplinary Measures Enforcement policy, which is available to all employees. [GRI G4-DMA Non-discrimination](#)

In 2014, we recorded 01 allegation of discrimination, which was not substantiated. [GRI G4-HR3](#)

Combating Corruption [GRI G4-56 | G4-DMA Anti-corruption](#)

Based on best practices worldwide, Itaú Unibanco's purview of corruption covers corrupt relations between public and private actors, as well as those involving private agents only.

Our Bribery Prevention Corporate Policy reinforces our commitment to cooperate proactively with national and international initiatives for preventing and combating all forms of corruption and sets guidelines for conception, execution and continuous improvement of our corporate program for preventing, monitoring and combating corrupt practices; reporting channels; holding awareness campaigns and training programs on the theme.

GRI G4-56 | G4-DMA Anti-corruption

The document is available in English and Spanish for all employees on the intranet and on our Investor Relations website. A multidisciplinary group is tasked with disseminating these concepts through the bank and discussing risks (threats and opportunities) involving these issues.

Based on national and foreign legislation (Brazil's Federal Law 12.846/2013; the Foreign Corrupt Practices Act and the UK Bribery Act), case law and global market information, we have identified countries with the highest risk of corrupt practices. In all countries where we operate, we have processes in place to monitor relations with the public sector, third parties (such as commercial and administrative partners, suppliers and service providers), and due diligence audits for mergers and acquisitions.

Channels are available to respond questions and receive complaints from employees and stakeholders about any suspicions of corruption, which may culminate in dismissal or suspension (in the case of suppliers) and administrative, civil or criminal proceedings. In 2014, we dealt with two substantiated situations involving corruption among private agents. Both cases were thoroughly examined and the appropriate measures taken.

As of 2014, 80% of the workforce's target segment had attended corruption prevention modules as part of training programs. For 2015, we shall keep our continuing education program through distance learning and on-ground facilities, especially for the areas most sensitized by this subject, namely those that have relations with governments or suppliers. Additionally, we are continuing to conduct institutional communication campaigns around our corporate policy for preventing corruption and related guidelines for all employees and managers. **GRI G4-S04**

Clients

We believe that customer satisfaction and financial results are inseparable objectives. Our corporate vision of "being the leading bank in sustainable performance and customer satisfaction" shows how we regard this complementarity in our business approach. For Itaú, ensuring customer satisfaction means being prepared for constant change. Consumers are increasingly aware of their rights, more connected to networks and more likely to collaborate, make suggestions and build a company's reputation.

Our customers are more connected and value speed and convenience in such a way that the use of remote channels (telephone, Internet and mobile) is beginning to overcome the traditional ones. We stepped up our efforts to deliver prompt services to our customers; Itaú's response time on social network improved by 95%, from almost two hours as of December, 2013 to less than 10 minutes as of December, 2014.

The proximity to our clients allows us to identify the main drivers that drive satisfaction and a better experience with the bank. Troubleshooting, transparency, reliability, convenience and speed requirements are recognized by customers as essential for the use of banking services.

Deliver the expected bank and meet the expectations are challenges that move our teams. As a result, significant improvements have already been implemented - the reduction of SAC response periods is one of them. We made a commitment to the Secretaria Nacional do Consumidor, Senacon (National Consumer Bureau), to meet 98% of the demands of our clients in the SAC within three business days, while the current legislation stipulates five working days for that channel. As a result, 99.1% of the records have been resolved in the new term, benefiting more than 11 million clients.

Customer satisfaction survey GRI G4-PR5 |**G4-DMA Product and service labeling**

Our annual telephone survey contacts a representative sample from each segment's portfolio, in order to measure customer satisfaction regarding banking attributes from specific business units and compare our results with competitors' numbers. Survey data collected from each segment are then consolidated into a global customer satisfaction index. In 2014, we achieved a score of 8.11, and since we only began to measure the Rede and Credicard in this same year, we cannot compare them with numbers from 2013. This survey also enables us to obtain customers' perceptions of well-positioned aspects, as well as those that show opportunities for improvement.

SATISFACTION SURVEY - CUSTOMERS	RESULTS	VARIATION %
2014	8.11	-
2013	8.01	-
2012	8.24	3%

Managing complaints GRI G4-57 | G4-58

Our External Ombudsman's office is the bank's highest instance for handling complaints internally. Customers may use this service if they are not satisfied with their responses from the usual channels - branches, call centers or customer assistance service. The service is also tasked with helping business units to enhance their processes, products and services. In addition, the ombudsman acts preventively in the process of evaluating new products or substantial alterations to products in order to mitigate risks that may cause customer dissatisfaction or conflict.

It aims for quick and definitive solutions to complaints raised by customers. Currently, over 97.5% of customers contacting the Ombudsman do not appeal to other entities such as the Central Bank of Brazil (BACEN), the consumer protection agency (local acronym PROCON) or the courts. Over 89% of complaints are settled within 5 business days.

The service also monitors processes handling the most critical complaints, which are those mediated by consumer protection agencies, regulatory agencies and specialist press vehicles. Close relations and constant dialogue with these bodies enable the bank to promptly identify improvements in customer services and critical points that may impact the institution's image and reputation.

COMPLAINT		2014	2013	VARIATION 2014-2013
Demands intermediated by regulatory or consumer protection agencies	Central Bank (valid complaints only)	3,350	3,686	-9%
	PROCON (SINDEC)	81,537	86,333	-6%

In 2014, the Ombudsman's office held over 300 meetings with PROCONs, of which six were regional. It also held the 4th Dialogue Forum, an annual meeting between the bank and PROCONs, BACEN, public defenders, public prosecutors and consumer protection entities. In addition, the Ombudsman's office held monthly meetings with BACEN to deal with issues that impact customer services. [GRI G4-57](#) | [G4-58](#)

According to the data from the National Consumer Protection Information System (local acronym SINDEC), in 2014, complaints to PROCONs citing Itaú were down by 6% in comparison to the previous year. We also had one of the banking industry's highest rates of problems solved (83.2%) and more agreements were reached through hearings (responding to valid complaints) than in 2013.

Another important advance may be seen in the rankings issued by BACEN. The number of complaints deemed valid fell by 9% in 2014 from the previous year. This improvement was directly reflected in the BACEN's monthly ranking, with Itaú alternating between 7th and 9th in the second half of 2014.

Main results in 2014:

- Guided by its principles for ethics, responsibility and transparency, the bank renewed commitments with Brazil's National Consumer and Citizenship Plan (local acronym PLANDEC) on three pillars: customer service, transparency and relations with the Consumer Protection System.
- The task of integrating Ombudsman responses for users of Itaú BMG Consignado, Credicard and Rede portfolios was completed.
- The bank adhered to the government initiative for online solutions to customer demands received directly to companies through the website www.consumidor.gov.br (Consumidor.gov). After its roll-out in May, more than 2,600 demands were solved by this channel, which ended 2014 with high resolution rate.
- In October, our Ombudsman service introduced PROCON Chat online responses to PROCONs, thus handling demands faster.

In 2015, new challenges will encourage the bank to be a leader in customer satisfaction. The Ombudsman's agenda and challenges include strengthening the relationship and dialogue with consumer protection and regulatory agencies, encouraging customers to use the Consumidor.gov website, and tracking the evolution of the conglomerate's main lines of business, such as paycheck loans and insurance.

Communication GRI G4-DMA Marketing communications

Our highlighted communication initiatives in 2014:

Digital platform for wise/smart use of credit:
13.2 million unique users; **0.38%** click
efficiency against market average of **0.10%**

Digital insurance platform - Proteja: **2.3
million** views of insurance videos

Online solutions, considering
3.5 million monthly users for Itaú and Itaú
Personnalité **mobile** phone **apps**

30,000 users per month for the new Itaú and
Itaú Personnalité **iPad apps** (launched at the
end of October);

125,000 customers served by the Personna-
lité segment's 'digital branch' First pension plan:
391,000 views for "Cartas para o Futuro"
[Letters to the Future] (Facebook initiative);

23,000 likes for posts and **12,000** people
involved with the app

2 million card transactions through
mobile phones

Over **400,000** cards and **100,000** insu-
rance policies sold online

Uniclass, Personnalité and Corporate webi-
nars – live events on the Internet focusing
financial education: an Itaú executive offi-
cer answers questions from viewers. There
were **23** broadcasts with **10,400** live
accesses **+ 300,000** YouTube views

Customer Experience at Itaú Unibanco's Bran-
ches: a pilot project applied to **13 bran-
ches** to review customer service, infrastruc-
ture and communication models. It focuses
on solving the following issues: lack of
customer orientation, empty spaces, queues,
autonomy and customer relationship;

Card Renegotiation website: aimed at **11
million** bearers of Itaucards or cards issued
by our financial companies, enabling clients
to reschedule debt over **70 days** past due

Local and **international** events
and conferences on relationships,
generating business, and macroeconomic
issues for our major personal and corpora-
te customers

Marketing business areas ensure compliance with internal and external regulations related to advertising, promotion and sponsorship.

In 2014, we did not detect any cases of non-compliance with marketing and communication practices. In 2011, the Legislative Assembly of the state of Rio de Janeiro (Alerj) brought a public-interest civil action alleging the illegality of a nationally broadcast television advert featuring Itaucard benefits. Its rejection in May 2013 was upheld by the Court of Justice of Rio de Janeiro in April 2014 and no further appeals will be allowed, thus showing that the claims made in the advert aired by the Bank were deemed correct. **GRI G4-PR7**

Information Security

Itaú Unibanco is committed to protecting corporate information and ensuring customers' privacy for all transactions. The purpose of our Corporate Data Security Policy is to ensure that data security and intellectual property principles and guidelines are applied to protect the organization, customers and the general public.

To ensure that the information treated is adequately protected, we adopt the following processes: management of assets, classification of information and access control; risk management for the analysis of vulnerabilities, threats and impacts on information assets; treatment of incidents involving data security; awareness around the theme;

independent evaluation of auditing and governance specifically for critical areas (technology, business units and international units). We also assess risk involved in new or revised products and services; once risk has been identified, we issue security reports and monitor implementation of the measures suggested. Our 24/7 Security Operation Center (SOC) monitors our operation to minimize the risk of a security incident. The following key initiatives were taken in 2014:

- **Information Security:** a new e-learning course on the subject (42,489 employees trained by December, 2014); several campaigns waged throughout the year; talks to raise the level of our awareness for executive levels, international units and new employees (11,186 trained by December, 2014); talks for Procon representatives (103 trained by December, 2014); new data security governance policy, and reformulated intranet security.

Prevention of Fraud and Money Laundering

Itaú Unibanco has a series of measures, rules, policies, processes and awareness and training programs in place for the prevention of fraud and money laundering, and to combat the financing of terrorism, in compliance with current legislation and regulations and with best practices in local and international markets. The following key initiatives were taken in 2014:

- **Preventing Fraud:** training programs were held for managers from Uniclass, Personalidade, operational, banking services points on corporate customer premises, companies and corporate centralizer throughout the year (2,246 were trained by December, 2014). There were lectures and workshops for client companies (95 trained by December, 2014), lectures for quality-of-life program (Viver Mais) participants, for personnel aged over 55 (436 trained by December, 2014), e-learning for fraud prevention and social engineering/grooming for operators (10,423 trained by December, 2014) and lectures for credit-card call center supervisors (717 trained by December, 2014). E-learning to prevent fraud in insurance, pensions and premium-bond savings plans (3,250 trained by December, 2014).
- **Prevention of Money Laundering:** new e-learning courses on corporate and individual KYC and CTE (19,603 trained by December, 2014), corporate training for preventing money laundering and combating finance for terrorism, training for insurance, pension plans and premium-bond savings plans, (73,547 trained by December, 2014), on-ground training courses for employees at branches in border/high-risk areas handling foreign exchange (485 trained by December, 2014).

Preventing Corruption

Itaú Unibanco prohibits the practice of offering or accepting undue advantage for or by persons or public or private companies in exchange for the commission or omission of acts inherent to their duties or to facilitate business deals. The following key initiatives were taken in 2014:

- **Preventing Corruption:** our compliance program evolved to cover all applicable legislation (particularly Brazilian, American and British legislation) and Corporate Policy on Preventing Corruption, comprising an awareness campaign on this theme, e-learning courses for all central management staff (32,015 trained by December, 2014); on-ground training for the business areas most sensitized to corruption (726 trained by December, 2014) and an event held specifically for Itaú Holding executives (attended by 188 executives).

Customer privacy GRI G4-DMA Customer privacy

Our customers' privacy is a sensitive theme, which we handle with confidentiality and strictness. Therefore, the number of complaints on the breach of customers' privacy is a confidential information.

GRI G4-PR8

We have policies that provide guidelines on the subjects related to the prevention of disclosure or leakage of confidential information from customers, in addition to establishing roles and responsibilities.

Shareholders

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

To further dialogue and strengthen our relationship with our shareholders, capital market investors and analysts, disclose the organization's results, strategies and perspectives, public meetings that drew over 3,400 attendees in several cities were held in partnership with the Association of Capital Market Investment Analysts and Professionals (Apimec). In 2014, we held 22 meetings and took part in 24 conferences and 7 road shows in Brazil and abroad.

We held 4 quarterly conference calls during the year on the day after earnings disclosures. All calls are transmitted in real time in Portuguese and English and may be accessed by telephone or on the Internet.

Our corporate information is posted on our Investor Relations website (www.itaubank.com.br/relacoes-com-investidores). In addition, our bank was the first to have an IR profile on Twitter (@itaunibanco_ri) and a Facebook page (facebook.com/itaunibancori).

See the Profile, Our Shares section for more details..

Suppliers GRI G4-12

Our supply chain covers a wide range of segments - such as Telecommunications, Call Centers, Valuables Transportation, Market Research, Furniture, Electricity and Training Programs - in which the relationship with our suppliers is based on values such as transparency, sustainability and adding shared value.

We have 8,000 partners that have been providing goods and services since 2009, and some of our contracts assure minimum amounts of purchases and adjustments in the event of financial imbalances.

Our values include sustainable practices, compliance with legislation and ethical principles as aspects that must be part of business relationship.

GRI G4-DMA Procurement practices | G4-DMA Supplier environmental assessment | G4-DMA Supplier assessment for labor practices

Purchase of goods and services

Our entire procurement process is centrally managed by our Purchasing Department, which is structured into management units by different product categories, thus enabling in-depth understanding of each market and identification of the most appropriate purchasing

GRI G4-12 | G4-DMA Procurement practices | G4-DMA Supplier environmental assessment | G4-DMA Supplier assessment for labor practices

strategy for each type of business for consistent supplier relationships. The process consists of three stages:

Pre-purchase-	- Annual purchase analysis
	- Market analysis
	- Setting goals and writing action plans
	- Suppliers development
Purchase	- Scope development and evaluation
	- Administrative and technical evaluation of suppliers
	- Technical visits
	- Development of purchasing strategy
Post-purchase	- Development of contractual instrument
	- Holding competitions or negotiations
	- Contract Signing
	- Management of performance indicators
	- Consumption control (quantity and value)
	- Monitoring of suppliers' financial, social and environmental conditions

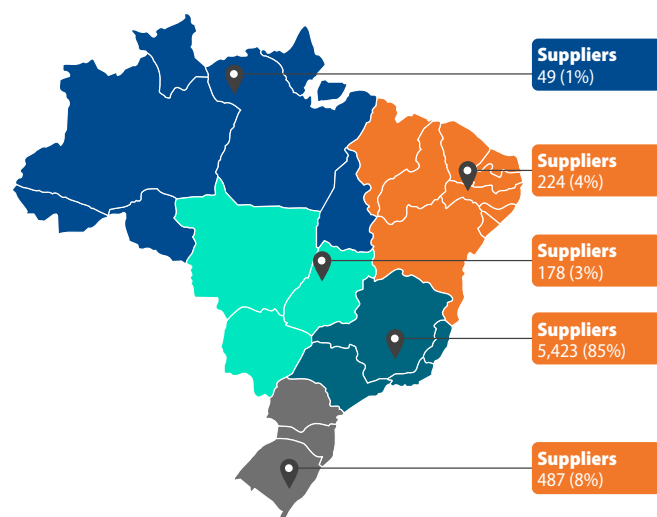
Suppliers Approval

Our suppliers approval process is designed to mitigate risks through technical evaluation and also a social and environmental analysis that weighs sector related risks according to potential economic, environmental and social impacts. [GRI G4-EN32](#)

The procedure is regulated by our Code of Ethics and our Sustainability, Purchasing and Money Laundering Prevention policies. We also require suppliers to comply with our Purchasing policy, Code of Ethics and a standardized contract containing our minimum requirements.

	2014	2013	2012	VARIATION (%) 2013-2012	VARIATION (%)
Approved suppliers (Brazil) GRI G4-EN32 G4-EN33 G4-LA14	6,361	5,786	5,161	12.1	9.9
Purchases from approved suppliers/Total purchases (%)	99.1	98.3	90	9.2	0.8
Purchases from local suppliers (Brazil) (%)	76.7	77.4	77.5	(0.1)	(0.9)

Our approved suppliers are spread across all regions of Brazil, because we encourage hiring local suppliers for the development of the regions where we operate. Among the categories with the highest number of approved suppliers, we highlight the Building and Maintenance that meets the poles and agencies spread throughout the country.



CATEGORY

CATEGORY	%
Building and Maintenance	37.0%
IT	12.8%
Other Expenses	10.1%
Marketing	10.2%
Operational Expenses	8.3%
Legal Expenses	8.2%
Training and Benefits	5.1%
Post Office	2.3%
Telecom	2.2%
Security	1.9%
Business Expenses	0.7%
Call Centers	0.6%
Consulting	0.4%
Valuables Transportation	0.2%
Total	100.0%

Monitoring

In 2014, we modified our approach to monitoring economic, social and environmental aspects of our relationship with suppliers, previously conducted quarterly with high-risk suppliers and biannually with low-risk suppliers. As of 2014, we began monitoring our approved suppliers every six months. These suppliers accounted for 99.2% of this year's spending.

We engage outside specialists to visit our suppliers to audit risk and mitigation plans and ultimately support their development. In addition, we organize visits for our technical staff specializing in our operations and standards to audit information security. In 2014, we also started interviewing outsourcers to detect noncompliance related to issues arising from audits.

In 2014 we surveyed Itaú's major suppliers (accounting for 25% of the total amount spent in the year) with social and environmental questions to identify risks, best practices and corrective action plans for monitoring in 2015. As a result, we held workshops with these companies and their key suppliers to present Itaú's approach to Sustainability and best practices.

Contractual formalization, breaches and penalties

We have a contractual formalization process to minimize any financial, operational or legal impacts during the period of service or in the eventuality of contractual termination.

Supplier contracts also include specific requirements for proper monitoring of social and environmental issues – such as labor and employment obligations, occupational health and safety standards, compliance to environmental legislation, liability for damages and information security – applicable to our suppliers and their supply chain. If irregularities are detected, penalties apply and may result in action plans to address the issue, or in certain situations suspend or terminate contracts.

GRI G4-12 | G4-DMA Procurement practices | G4-DMA Supplier environmental assessment | G4-DMA Supplier assessment for labor practices

Transparency

We provide our suppliers with various communication channels through which they may make suggestions, ask questions or report any violations or misconduct (including socio-environmental issues).

Developing our suppliers and their operating chains leads to sustainable growth for our supply chain as we evolve together through ongoing actions. Our website (www.itaub.com.br/fornecedores) contains our code of ethics and lists measures we believe will ensure good social and environmental practices.

Training

Training addresses both our employees and suppliers technical issues for their deliverables and practical support for their development. Meetings with suppliers strengthen their commitment to our culture, disseminate good practices related to risk mitigation, and discuss opportunities to improve efficiency for our operations. In 2014, we held sustainability and best practices workshops with our suppliers and employees. [GRI G4-26](#)

In addition, we invest in partnerships with organizations that develop training for suppliers in at least one of the three pillars of sustainability (economic - environmental - social), while raising awareness of GHG and GHG Protocol for climate change, measuring emissions and plans to mitigate risks and impacts.

In 2014, our purchasing department staff took part in on-ground training sessions concentrating on sustainability related initiatives and concepts for our supply chain. We also held meetings with technical teams to raise awareness and commitment with sustainability issues. We thus hope to increase the active participation of our employees in the search for initiatives that bring innovation and greater control over our risks and foster the progress of our partners.

INDICATOR	2015	2014 STATUS	NOTES
Risk monitoring for suppliers (recurrence of six months or less)	Suppliers accounting for 70% of amount spent in previous 12 months	73% of amount spent	Pilot study with approved suppliers
Supply chain risk assessment (second-tier suppliers for critical processes)	Suppliers accounting for 15% of amount spent on critical categories in previous 12 months	-	Social-environmental survey of our suppliers to identify 2nd-tier suppliers. In 2015, we will assess risk in these companies
% of suppliers at risk, identified by detailed social-environmental survey	Suppliers accounting for 50% of amount spent on critical categories in previous 12 months	25% of amount spent on all categories irrespective of their criticality	We conducted a social-environmental survey of our 1st tier suppliers
Preparation and monitoring of action plans for suppliers at risk, identified in the RFI program and on-site audits	- Plan preparation: 100% - Monitoring: 20% (critical cases)	-	2014: action plans detected by audits and environmental survey 2015: monitoring action plans
Recommendations for suppliers: • Local contracting, focusing small and medium businesses • Assessment, training and employment of people with disabilities • Active participation in a development agenda • Practices to combat forced labor, child labor, corruption and prostitution	100%	100%	Recommendations sent to suppliers and hosted at www.itaub.com.br/fornecedores

Achievements and challenges

Our purchasing department is structured by product category, allowing each manager a better understanding of each market and the identification of the most appropriate strategy for each type of business.

As examples of significant contribution to cost reduction and resource optimization, we can mention actions such as : partnerships with our suppliers, innovations in our supply chain, development of new suppliers, consolidation of volumes, reconfiguration of the value chain, revision of specifications, initiatives to renegotiate contracts, consumption management, process optimization and assessment of social and environmental benefits.

GRI G4-EC9	2014	2013	2012	VARIATION (%) 2013-2012	VARIATION (%) 2014-2013
Procurement numbers processes	10,740	11,681	12,395	(5.8)	(8.1)
Total purchased (R\$ billion)	11,0	11,7	13,0	(10.0)	(6.0)

In 2013, medium and long-term goals were set for 2015 and 2020 respectively, determining responsibilities and measures required to meet the challenge of implementing engagement actions, risk mitigation and increase transparency through the disclosure of operational and supplier indicators.

Results from these initiatives should improve internal communication, differentiate suppliers by environmental criteria, enhance systemic risk monitoring and qualify purchasing department employees in relation to sustainability.

Progress toward reaching targets (2014):

GRI G4-12 | G4-DMA Procurement practices | G4-DMA Supplier environmental assessment | G4-DMA Supplier assessment for labor practices

INDICATOR	2015	2014 STATUS	NOTES
Supplier engagement (specific discussions, interaction reported in development programs)	With our level 1 suppliers (1 st tier)	With our level 1 suppliers (1 st tier)	We held 2 workshops for 1 st -tier suppliers to present Itaú's approach to sustainability and best practices for Itaú and its suppliers 2 nd tier planned for 2015
Audits conducted on site (% of audits)	90% announced 10% unannounced/semi-announced	93% announced; 7% unannounced/semi-announced by outside audit firm	Audit by an independent company at 1 st tier suppliers' facilities in addition to audits by Itaú's own employees
Internal sustainability engagement (purchasing and technical management areas)	stakeholders who work with 50% of the amount spent per year for critical categories	Stakeholders working with 36% of the amount spent in all categories irrespective of criticality	Workshop/training program for Purchasing department employees; Communication plan and workshop for critical areas' stakeholders
Disclosure of supplier indicators (e.g. certificates, best practices, gas emissions and other indicators)	Indicators for level 1 suppliers (1 st tier)	-	2014: social and environmental survey 2015: indicators disclosure

Society

Our strategy relates to social development initiatives, such as financial education, which are delivered to all communities in which we hold operations. These initiatives are extended to the media, opinion leaders, the market and several social organizations. We also work together with various levels of government in order to improve public policy models in the many countries in which we operate.

Community GRI G4-26 | G4-S01 | G4-DMA Local Communities

We have a program to identify needs and opportunities in regions where we have large operational centers. This process has enabled us to study ways of working together with local community leaders and governments to improve the quality of life in areas around our administrative centers.

We participate in discussions with communities around our Business Center and Technical Operations Center, located respectively in the Jabaquara and Mooca neighborhoods of São Paulo.

Main activities in 2014:

- We concluded structural improvements in the vicinity of the Business Center to ensure accessibility for people with disabilities and improve pedestrian safety;
- We held an event for 17 young people from the Jabaquara Social Network to encourage access to art in our Business Center;
- We offered support for the Jabaquara and Mooca neighborhoods' anniversary festivities;
- We sponsored a sports event held by the Jabaquara Local Development Network and a Children's Day event organized by an NGO on October 12th with activities and games to entertain the participating children.

We are also responsible for the maintenance of public spaces, such as the Alfredo Egydio de Souza Aranha square and the Lina e Paulo Raia park, both located in the surroundings of our head office, and also the "Passarela Verde" [green walkway] in the Pinheiros neighborhood, a pedestrian overpass used daily by 5,000 people. The walkway has been revitalized to reflect concepts of sustainability, such as green roofing, recycled rubber flooring for the visually impaired, and elevators to assist those with limited mobility. This was the first project of its kind in the city and the walkway's maintenance is based on a partnership agreement between Itaú and São Paulo's municipal government.

We also monitor initiatives in Mogi Mirim (São Paulo) together with government entities and the State of São Paulo's Public Prosecutor's Office. We work jointly with community representatives to support local initiatives, including a local orchestra (Banda Lyra), events at FATEC (Institute of Technology), the town's leading college; projects at a local hospital - Santa Casa de Mogi Mirim; donation of fitness equipment for seniors and support of children's parties with games and other activities at Sol Nascente Association.

Press

In order to be an agent of transformation, Itaú Unibanco believes we need open and transparent relations with the media and opinion makers in general. Therefore, in addition to listening to their demands, the bank also promotes discussions of issues that may contribute to society's development. One of the most successful strategies in this respect is holding meetings and workshops to disclose material information on matters that help people understand how the financial sector works and its implications for a globalized world. In 2014, we held over 20 events addressing issues such as macroeconomics, sustainability, urban mobility, encouraging reading and sports, digital channels, external ombudsman services, and female entrepreneurship.

Also in 2014, more than 60 journalists from Brazil's leading media vehicles were hosted by Itaú Unibanco executives, who showed them projects and initiatives undertaken as part of our customer satisfaction focus. At these meetings, we launched initiatives to enhance dialogue and transparency in customer relationships, such as commitments made in relation to Brazil's Consumer Protection System, customer service and transparency. Other issues such as the economic scenario, macroeconomic projections and evolving service channels were also discussed on these occasions.

In early November, the 7th press trip was held, when we brought journalists from around Latin America to visit Brazil. They attended a program of presentations by the bank's executives and a cultural agenda featuring major projects supported by Itaú Unibanco. This initiative reinforced the bank's reputation internationally.

As part of our outbound scope, there is constant dialogue combined with communication strategies to receive and provide

appropriate referrals to demands from media vehicles and opinion makers. From the press alone, we received over 1500 stories in 2014. Among other initiatives, this leads to support for the bank when changing practices, products or services.

Currently, there are about 150 bank spokespersons authorized to talk to the press. This training is also the responsibility of our Corporate Communication area. Courses are held to meet demand as more executives are designated spokespersons. In 2014, more than 15 executives were trained.

Itaú Unibanco's exposure in local and international media is monitored as part of our image auditing conducted by the analysis and research unit of CDN, a communication agency focused on image and reputation building and strengthening. Data are analyzed on quantitative and qualitative levels to produce the Media Exposure Quality indicator which is monitored monthly by our Corporate Communication Superintendent. In 2014, Itaú Unibanco accounted for 35,6% of the financial sector's positive exposure in Brazil's press.

Based on all monthly IQEM (Media Exposure Quality Index) results obtained, we evaluate risks that require mitigating and opportunities for intervening in relation to the media and opinion makers. Actions and initiatives are planned in order to strengthen Itaú's reputation with stakeholders and put into practice through partnerships with areas responsible for each theme.

As of 2008, in order to detect and manage reputational risks and opportunities, Itaú Unibanco's reputation has been monitored by the RepTrak™ DeepDive report compiled annually in partnership with the Reputation Institute (RI), an international consulting firm specialized in corporate reputation. With the pioneering implementation of a dedicated strategic unit for this theme, our monitoring process has been enhanced and two developments may be highlighted: inclusion in the RepTrak™ DeepDive 2013 study of priority stakeholders as defined for the sustainable performance spiral (employees, customers, shareholders and society - press and opinion leaders); conducting qualitative research based on results obtained in the 2013 study, in order to develop strategies that enable us to analyze and plan actions while identifying and prioritizing each stakeholder's specific needs and expectations.

Based on assessments obtained from the RepTrak™ DeepDive study, we set guidelines for further development and strategic use of results, both in Corporate Communication processes (relationships with press and opinion makers, public relations and crisis management initiatives) and in discussion with our areas relating to stakeholders.

The data are for internal use. Like the IQEM, they are used to support strategic communication planning, set performance targets and evaluate results of actions taken by Corporate Communication superintendence.

Government [GRI G4-26](#) | [G4-DMA Public Policy](#)

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 our business or the causes we support.

At the federal level in Brazil:

- We are following the progress of 918 bills in Congress;
- We conducted visits to over a hundred lawmakers and public managers who have significant activity in fields such as safety, consumer rights, urban mobility, judicial mediation, tax issues and The Civil Rights Framework for the Internet ("Marco Civil da Internet").
- With the Executive Branch: partnerships with the Ministries of Cities, Health, Sports, Science and Technology, Justice and Transport;
- With the Ministry of Sports: joint mobilization of 349 volunteers for the 2014 Soccer World Cup, 54 of which were bank employees and worked as volunteers' coordinators;
- We comply with the national Pact for Life campaign, announced through our communication channels; [GRI G4-15](#)
- As a partner of the Health Ministry, we announced in our communication channels various campaigns related to health (Organ donation, Breast Cancer Awareness, HPV Vaccines and Blood donation);
- We also support the Science without Borders (Ciência sem Fronteiras) program; and
- As a Financial supporter, we made improvements to the technology system of the Justice Ministry and to the modernization program of the public administration of the Transport Ministry.

At state and municipal levels in Brazil:

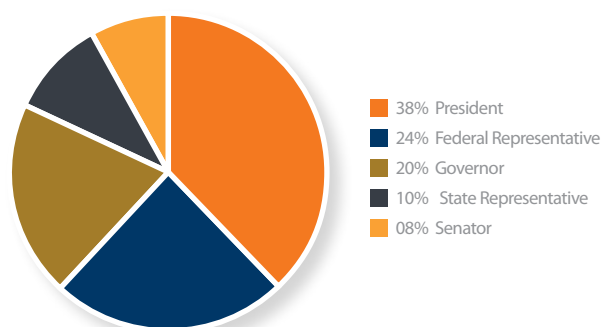
- We closely follow discussions on 2.993 bills, mainly on the following subjects: banking security, consumer rights, taxes and urban mobility;
- We act together with the city council of Mogi Mirim, in the state of São Paulo, to detail the construction of our new data center, as well as to understand the demands of the local government, the community and the Attorney General and contribute to Mogi Mirim's socioeconomic development. Among other actions, we donated bike racks and safety kits for cyclists;
- In São Paulo, we established a cooperation agreement with the City Hall to promote a pilot project which aims to reoccupy public spaces in the city center. In the project, named Centro Aberto, São Francisco and Paissandu Squares where not only reformed but also had cultural activities during two months;
- We are committed to managing the Ibirapuera Auditorium in the city of São Paulo, with support from Instituto Itaú Cultural;
- In 2013 was signed the reform of the Municipal Theatre of Salvador with the renewal of the surrounding community, which has developed; the reopening of the theater took place in December 2014. The place had been closed for more than eight years;
- We also ran the 8th edition of Gincana da Solidariedade, which encourages our employees to donate clothes, shoes, blankets and personal hygiene products. In 2014 145.729 kilograms of those products were donated to NGOs or municipal social development departments. In addition, the bank donated 50.000 kilograms of blankets and bad sheets to NGOs on the cities and states that took part on the Gincana.

Political campaigns and donations GRI G4-S06

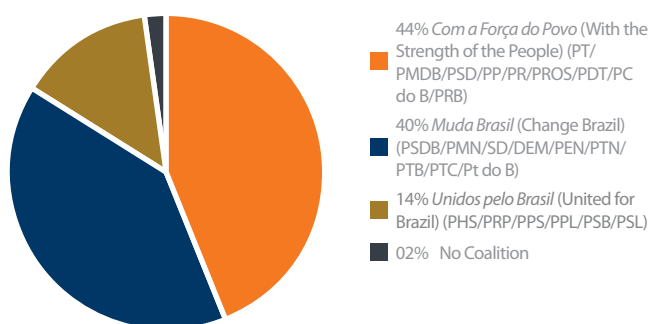
All donations made by our group in connection with political elections are in compliance with Brazilian laws and regulations, duly recorded and follow our policy for donations to political campaigns. Donations are made in a manner to facilitate tracking (through a single entity of our group) and the respective process is conducted by a political assessment committee composed of board members and senior executives, so as to assure transparency.

In 2014, we donated R\$26.6 millions to various candidates, in a balanced manner to the different parties, with the aim to contribute to the democratic process in Brazil.

Donations by role



Donations by Coalition



Government tax incentives GRI G4-EC4

In 2014, we received R\$218 million in tax incentives, donations and sponsorships for sports projects and the extension of maternity leave.

TAX INCENTIVES RECEIVED, BY CATEGORY (R\$)	2014	2013	2012
Donations to fund for child and adolescent rights	22.0	17.2	17.4
Rouanet law for cultural support	107.2	84.1	84.0
Sports sponsorships	21.0	17.3	17.2
Audiovisual activities	4.0	0.0	2.7
Other ⁽¹⁾	57.8	26.9	0.0
Total	212.0	145.6	121.3

(1) Data refer to PRONAS (Programa Nacional de Apoio à Atenção da Saúde da Pessoa com Deficiência), PRO-NON (Programa Nacional de Apoio à Atenção Oncológica) and Estatuto do Idoso.

In addition to these, we had BRL 6 million granted as tax incentive due to programs agreed through a collective bargaining:

TAX INCENTIVES GRANTED PER CATEGORY (BRL MILLION)	2014	2013	2012
Food voucher program for employees	4.8	5.5	5.4
Extended maternity leave	1.2	1.2	1.7
Total	6.0	6.7	7.1

Our causes

Private Social Investment

Investments in the social area – particularly those focused on the improvement of education, health, culture, sports and urban mobility – are aligned with the institution's purpose of transforming the people's world for the better.

Our purpose is to use the same expertise and efficiency that we apply to business in the development of projects, technologies and tools that encourage people to acquire more knowledge and critical awareness in order to make better choices.

In 2014, we invested R\$485.1 million in projects, either through allowances incentivized by laws (Rouanet Law, Sports Incentive Law) or through donations and sponsorships made by Itaú Unibanco, contributing to projects focused on education, health, culture, sports and mobility.

SPONSORSHIP	AMOUNT(R\$ MILLION)	NUMBER OF PROJECTS
Not incentivized⁽¹⁾	273.1	161
Education	134.1	140
Culture	83.2	8
Sports ^(*)	6.2	6
Urban Mobility	49.7	7
Incentivized⁽²⁾	212.0	288
Education	22.0	85
Health	57.8	44
Culture	111.2	142
Sports	21.0	17
Total	485.1	449

(1) Own funds of the bank's companies and own budgets of foundations and institutions.

(2) Funds with tax incentive through laws such as Rouanet, Sports Incentive Law, among others.

(*) It does not consider FIFA World Cup 2014 and Miami Open Tennis sponsorships.

Education

Itaú Social Foundation

Education is the key to a country's sustainable development. Delivering quality education for all Brazilian children and young people is such a large-scale and complex challenge that it requires efficacious government policies combined with the extensive involvement of the different sectors of society.

Itaú set up this social foundation (locally **Fundação Itaú Social**) to organize and deploy social investments all over Brazil; its focus is supporting, devising and strengthening programs for the advancement of public education policies while boosting the engagement of Itaú employees - and society in general - through volunteering culture and systematic evaluation for social projects.

The foundation has been acting together with governments, businesses and NGOs to create, implement and disseminate methodologies for enhancing public education policies.

FRONTS	DESCRIPTION
Integral Education	By Integral Education, we mean more time, space and content for learning in and out of school, based on the concept of developing well-rounded human beings. In this respect, recognizing and mobilizing academic learning, families, communities and cities to promote this development is a prerequisite for high quality integral education. Integral Education for public school system students also means reducing social and economic inequalities to the extent that it broadens their repertoires, horizons and ability to engage in inclusive and creative circulation of learning and ideas in our cities. This concept becomes strategic not only to ensure quality, but also to promote fairness. Therefore, Itaú Social Foundation is developing the following programs: Itaú-Unicef Award (<i>Prêmio Itaú-Unicef</i>), Young People in Cities (<i>Jovens Urbanos</i>), and Advisory Services for Integral Education Policies.
Education Management	Making real improvements to student learning requires efforts to change teaching practices in hundreds of thousands of classrooms, which in turn requires changes and efforts at every level of management - from macro politics to classrooms. Significant and sustainable improvements in teaching and learning in everyday school life require systemic strengthened leadership and active roles for technicians, managers and educators in these systems, at the different levels of management / governance: central, intermediate, school and classroom. Based on this perspective, the foundation invests in Education Management with the aim of helping to strengthen technical teams and enhance management structures and processes for public school systems. The following programs are currently underway: Writing the Future (<i>Escrevendo o Futuro</i>), Mentoring (<i>Tutoria</i>), Improving Education in the City (<i>Melhoria da Educação no Município</i>), Parent Coordinators (<i>Coordenadores de Pais</i>), and Evaluation and Learning.
Economic Evaluation of Social Projects	Itaú Social Foundation believes in evaluation as a key means of enhancing social investments made by public and private organizations, verifying the efficacy of initiatives and finding out whether they are transforming real-life situations or not. Since 2004, the Foundation has been developing its economic evaluation program for social projects with support from the bank's Investment Valuation staff and their skills in the relevant economic area have been applied on the social side. To spread economic-evaluation culture and practices, the Foundation has organized courses, seminars, workshops and events for social-project managers working for NGOs and governmental bodies, while also compiling economic evaluations of the foundation's own projects, partners and public policies.
Social Mobilization	Social mobilization is one of the great forces for social transformation and citizenship. The challenge of finding efficacious solutions for social issues must be shared between government, civil society and the private sector. This requires continuous and sustained dedication to consolidate a collective purpose. Itaú Social Foundation sees social mobilization as a means of expressing the transformative energy that leads people to actively participate in the societal changes they aspire to and putting this into practice. It is a way of going beyond conventional obligations to build cooperative networks that enhance life for everyone. Active citizens must participate on the everyday personal level and professionally too. This investment in social mobilization is also a structural part of building a corporate culture based on shared values. In this respect, Itaú's main assets are being made available to society: the activities of its employees; the capillary reach of its business network; and the strength of its brand. Therefore, the foundation runs the following programs: Itaú for Children (<i>Itaú Criança</i>), Volunteering (<i>Voluntariado</i>) and Community work (<i>Comunidade, Presente!</i>).

For more details see www.fundacaoitausocial.org.br.

2015 Targets

2015 Perspective – Comprehensive Education:

- Implementation of the new format of the Itaú-Unicef Award, that now recognizes and awards schools, as well as NGOs
- In the scope of consultancies to policies of comprehensive education, implementation of a new strategy (cooperative networks of NGOs)

2015 Perspective – Educational Management:

- Expansion of the Tutoria (Mentorship) Program to new locations
- Creation of a distance learning platform of the Melhoria da Educação no Município (Improvement of Education in the Municipal District) Program
- Implementation of the *Coordenadores de Pais* (Parent Coordinators) Program in the entire medium-sized municipal district education network

2015 Perspective – Economic Evaluation of Social Projects::

- Maintenance of qualifications in economic evaluation
- Development of new instruments of economic evaluation, with the aim to qualify the impact of the social projects

2015 Perspective – Social Mobilization:

- Implementation of a new form of operation in the volunteer programs, with the support of volunteer committees and with initiatives focused on territories

Instituto Unibanco

Founded in 1982, Instituto Unibanco was one of the institutions managing private social investment for the Itaú Unibanco conglomerate and it is currently working to raise the quality of Brazilian public education and secondary schools in particular. The institute develops, evaluates and disseminates solutions to ensure that schools provide more educational opportunities for young people, while pursuing a fairer and more broadening society.

Since the institution believes that high-quality and results-oriented school management may significantly impact school results and learning outcomes, it develops educational technologies and methodologies, trains educators and provides technical assistance for state education departments and schools.

PROGRAMS	DESCRIPTION
Jovem de Futuro	<ul style="list-style-type: none"> Provides training and technical assistance to State Departments of Education in order to enhance public school management capacity and to improve students learning outcomes. After the pilot project was initiated in Minas Gerais, Rio de Janeiro, Rio Grande do Sul and São Paulo in 2008, we scaled it up for five other states (Ceará, Goiás, Mato Grosso do Sul, Pará and Piauí) in 2012. Currently, the Jovem de Futuro program is run as a partnership with Programa Ensino Médio Inovador, an initiative of the Ministry of Education of Brazil. In 2014, 2,162 public schools took part in the program, which benefited 981,440 students (according to the 2013 School Census) in seven states. About 4,200 Principals and coordinators of public schools and staff of Education Departments received training in school management. In addition, more than 33,600 professors have enrolled for distance-learning courses covering pedagogic and mobilization methodologies developed by the institute. By 2018, the program is expected to reach almost 2,500 public schools and benefit about 2 million students.
Volunteer program: Estudar Vale a Pena	<ul style="list-style-type: none"> Itaú Unibanco employees help to raise the awareness about the benefits of education of secondary school students from the public system. In 2014, 882 volunteers worked on initiatives that benefited more than 7,080 secondary school students.

For more details, visit www.institutounibanco.org.br

TARGETS	STATUS
Our plans for the Jovem de Futuro program include reaching over 800 schools in the 5-participating Brazilian states in 2014.	773
For 2015, we aim to reach 2,020 schools.	

Instituto REDE

Instituto REDE is a social-responsibility initiative run by REDE, our acquiring company in the electronic payments segment. Its mission is to foster entrepreneurial education, thus spreading knowledge, and helping to strengthen management for micro and small entrepreneurs, social organizations and impact businesses.

In 2014, the institute organized lectures, courses and workshops that reached approximately 3,600 entrepreneurs and also sponsored the Global Entrepreneurship Week organized by Endeavor Brazil. The event reached approximately 2.2 million people and offered more than 5,800 activities all over Brazil.

Culture

Instituto Itaú Cultural

Instituto Itaú Cultural is our main body for managing investments in cultural activities, focusing on the preservation of Brazil's cultural heritage and fostering innovation in national art.

In 2014, Itaú Cultural continued its mission of “inspiring people's sensitivity and creativity, and being inspired by them, thus creating

transformative experiences for Brazil's art and culture.” Highlights included the Ocupação Zuzu Angel, the Oscar Niemeyer exhibition, and a program called Rumos, which was reflected in the institute's work during the year, in addition to a new permanent exhibition area named Espaço Olavo Setubal at their headquarters.

Over 440 local and international activities were held in 2014; programs drew around 330,000 visitors, including 22 exhibitions and Itaú Cultural's site logged more than 12 million unique views.

PROGRAMS	DESCRIPTION
Rumos	Over the past 17 years, Itaú Cultural's Rumos program has provided artistic and cultural activities that reached over 5.1 million people. It has selected 1,130 artists, researchers and producers, built cultural and affective relationships and led to more programs, having reformulated its own concept every year. The program's latest version drew 15,120 entries in 2013 (online). Applications came from all 27 of Brazil's states and from 37 countries on five continents. In 2014, along with the selection process, reviewed the Rumos program's accomplishments over time. In May 2014, announced that 104 projects had been selected and implemented, and are now underway, reflecting the institute's programming.
Auditório Ibirapuera	From January to December 2014, Auditório Ibirapuera named after Oscar Niemeyer drew audiences totaling 383,000 for 175 performances, of which 92 were free of charge. The 2014 program included the International Theater Exhibition, the State of São Paulo Youth Orchestra, Bobby McFerrin, Bibi Ferreira, Jair Rodrigues, O Terno, Gilberto Gil, the São Paulo International Film Festival and many others.
Itaú Unibanco exhibitions	Itaú Unibanco's artwork collection, which is maintained and managed by Itaú Cultural, is one of the world's leading private collections. It was founded in the 1960s, when Olavo Egydio Setubal acquired a work by the Dutch painter Frans Post. It now consists of over 12,000 items, including paintings, engravings, sculptures, photographs, films, videos, installations and pieces from the Itaú Numismática and Brasileira Itaú collections, which were built up over more than 45 years and cover the entire history of Brazilian art - as well key periods from the history of art. Curatorial design projects have tapped this extensive collection - organized by theme and area of artistic expression - for exhibitions throughout Brazil and with partner institutions in other countries. From 2010 to 2014, selections from the collection were visited by 1.5 million people at 45 exhibitions held in 18 Brazilian cities and 8 other countries.
Digital initiatives	<p>Enciclopédias Itaú Cultural - The first encyclopedia of Brazilian arts freely available on the Internet.</p> <p>In addition to detailed entries, the encyclopedias enable access to more data for artists, writers, critics, collectors, institutions, exhibitions and theatrical performances in Itaú Cultural databases available on the Internet, and thus - unlike printed reference works - are able to expand contents, be constantly revised and updated, and easily accessed at any time, free of charge. In February 2014, Itaú Cultural encyclopedias were brought together at Enciclopédia Itaú Cultural de Arte e Cultura Brasileiras. This database has seven segments: Visual Arts, Art and Technology, Theater, Literature, Music, Movies and Dance. There are over 8,000 entries for videos, interviews, biographies, and analyses of artworks with a wide range of information, which are updated on a daily basis.</p> <p>In 2014, the institute's site logged 12 million unique views.</p> <p>Social Networks: Itaú Cultural is also highly active on social networks. The institute has been on Facebook since 2009 and now has 702,000 fans, which is more than any other cultural institution in Brazil. In addition, we have a Twitter account (77,000 followers), a YouTube channel (3 million views for over 4,000 videos on Brazilian art and culture) and an Instagram account (added just over a year ago, which has over 5,000 followers). Digitization: An important process in 2014 was the institute's support of efforts to digitize collections held by institutions such as those of Regina Silveira, Oscar Niemeyer and Elomar Melo. This was in keeping with Itaú Cultural's mission and vision, which is increasingly involved in this project of preserving heritage and collections.</p>
Projeto Cultura na Rede (Culture on the Net)	When tourists and professionals came to Brazil for the World Cup, Itaú Cultural offered them an overview of the best cultural attractions in the host cities by developing an app called Cultura na Rede (http://novo.itaucultural.org.br/explore/blogs/cultura-na-rede/), with some 400 suggestions for sights, historical areas, museums and cultural institutions in host cities. Over 46 days, there were 41,460 page views and its content was accessed by approximately 17,000 people. That equals about 1,000 hits a day.
Espaço Olavo Setubal	Espaço Olavo Setubal was inaugurated in December 2014 and occupies two floors at Itaú Cultural's headquarters. The permanent exhibition shows five centuries of Brazilian history through 1,364 pieces, including paintings, drawings, watercolors and temperas, prints, maps, literary manuscripts, documents, books, coins, medals, decorations, gold bars and other objects. The area holds two collections from the largest holdings of art owned by a private company in Latin America: Brasileira Itaú and Itaú Numismatics. This new space was named to honor Olavo Setubal, who conceived and built these collections.
Espaço Memória	Up to May 2014, Espaço Memória presented its 10th anniversary exhibition, which opened in November 2013 and enabled Itaú employees to interact with its historical collection. A total of 22,588 internal and external visitors were logged. In October, the space opened an exhibition named “Um olhar sobre as cidades: A representação da paisagem urbana brasileira no acervo fotográfico do Instituto Moreira Salles” developed by Instituto Moreira Salles in partnership with Itaú Cultural to honor the bank's 90th anniversary, which ended at the beginning of 2015. The exhibition featured 65 photographic works showing Brazil's cities from 1862 to 2013. The Caminhando com Arte program, a tour through the artworks in the Business Center, guided by the educators of the Espaço Memória, had 3,501 participants. In the same year, Instituto Itaú Cultural secured a partnership with Fundação Bunge by means of the Jornadas Culturais, a series of talks given by experts with extensive experience in their areas. The event was held to discuss topics relevant to Memory Centers and provided training and refresher sessions for 701 participants. There were around 30,000 visitors at Espaço Memória in 2014.

For more details see www.itaucultural.org.br

GOALS FOR 2015

Children's website

Launch of “Channel” (a space on the institute's website covering the editorial work of Itaú Cultural's audiovisual productions)

Sergio Camargo exhibition

Ocupação Hilda Hilst and Ocupação Grupo Corpo

Espaço Itaú de Cinema

Originally opened under the name Espaço Unibanco in 1995, the movie theaters sponsored by Itaú Unibanco now screen independent films all over Brazil at eight different complexes, containing 56 screens in six cities, thus reinforcing access to culture in Brazil. Around 7.6 million people visited these complexes in 2014.

Other cultural events and sponsorships

- Funding the construction of new facilities at the Museu da Imagem e do Som in Rio de Janeiro;
- A support for street carnival in Salvador;
- Itaú Personnalité has sponsored the São Paulo Symphony Orchestra's (OSESP) concerts for the past six years;
- Sponsorship of the Curitiba Theater Festival and the Joinville Dance Festival for six years; and
- Sponsorship of Rock in Rio in Brazil, the world's largest music and entertainment festival, in 2014.

Sport

Appreciation of sport is part of our DNA. We believe that sport - together with education and culture - helps to build citizenship in a changing society. Therefore, Itaú sponsors several different projects that aim to make doing sport a social practice - one that benefits communities and transform people's worlds.

Our involvement with soccer goes back over 20 years, and our sponsorship of TV broadcasts of various competitions ranges from Brazil's national championship to FIFA World Cup qualifying rounds and the Brazilian national team's friendly matches. Since 2008, we have sponsored Brazil's national team in all its categories and in early 2011 we also began sponsoring the national beach soccer team. The IBOPE brand survey for the most recent half-year revealed that Itaú was the second most associated brand with Brazil's national soccer team.

In 2009 we were the first Brazilian company to sign a sponsorship contract for the FIFA World Cup 2014™. According to a survey conducted by IBOPE, our brand was the second most associated with the event by the end of the tournament. Our relationship initiatives managed to impact more than 28,000 customers and our

brand reached around 6 million people at the games and Fan Fests.

In addition to soccer, we are heavily involved in tennis and the bank supports projects such as the Tennis Institute and the School and University Tennis Circuit in order to foster sport-related education. Our sports training programs include sponsorship of one of the most traditional international youth tennis championships, which is presented by Itaú in partnership with Gerdau. We also support the Itaú Women's Tennis Circuit, South America's only all-female event certified by Brazil's Tennis Club (CBT) and by the International Tennis Federation; as well as some rounds of the ATP Challenger Men's Tennis Tournament in Brazil. Our annual Itaú Masters Tour has now reached its 12th year as Latin America's only senior tennis circuit with rounds held in several cities, which constantly draws top players. Our brand was also seen at high-performance tournaments such as the Rio Open, which is South America's only tournament to combine ATP World Tour 500 and WTA International rounds, and the Miami Open, one of the most traditional and reputable ATP World Tour Masters 1,000 and WTA Premier events. As of 2015, Itaú will be this event's main sponsor, thus further strengthening our international presence.

Finally, we support the Sports Convoy program, a traveling program that assists cities referred to us by UNICEF. Since 2009, it has provided training for almost 18,000 teachers in 17 Brazilian states, reaching over 200,000 children directly and 1.8 million indirectly. For yet another year, we sponsored the University Sports League, Brazil's largest project of its kind.

Urban mobility

Urban mobility is one of Itaú's causes and an important topic of our interaction with certain governments. Our focus is to promote the bicycle as an alternative transportation to improve mobility, reduce traffic and emissions of greenhouse gases. We have 3 pillars of action on the theme: bike sharing, urban infrastructure and awareness raising for a more peaceful traffic.

On bike sharing, we sponsor the system on 7 state capitals, as specified above:

PROGRAM	CITIES	LAUNCH DATE	STATIONS	BIKES
<i>Bike Rio</i>	Rio de Janeiro	October 2011	260	2,600
<i>Bike Sampa</i>	São Paulo	June 2012	300	3,000
<i>Bike PE</i>	Recife, Olinda, Jaboatão dos Guararapes	March 2013	80	800
<i>Bike PoA</i>	Porto Alegre	August 2013	40	400
<i>Bike Salvador</i>	Salvador	September 2013	40	400
<i>Bike Brasília</i>	Brasília	May 2014	40	400
<i>Bike BH</i>	Belo Horizonte	June 2014	40	400

In 2014 over 504.400 users were registered with our various bicycle rental programs and more than 3.5 million rentals were made in the period.

On urban infrastructure, we donated bike racks to several city halls, sponsored the mapping of cycle routes in São Paulo and Rio de Janeiro and also established a cooperation agreement with the City Hall in São Paulo to operate the Largo da Batata bike parking, which was launched on August 2014 and is the first 24 hours, free bike parking in Brazil. By the end of the year, we had 1.912 registered users and 11.542 parkings.

Finally, on awareness raising, we have partnerships with several organizations that work to promote mobility by bikes, such as Transporte Ativo, Ciclocidade, BH em Ciclo, AMECICLO, Bike é Legal, Bike Anjo, Vá de Bike, among others. We also sponsored bus drivers' workshops on Salvador and Recife and the first training course for bike mechanics that was approved by the Ministry of Education, which happened in Recife. In addition, we directly promote activities on this topic, such as an workshop realized on Itaú Cultural on September 2014, and produced materials focused on traffic calming to cyclists, bus and taxi drivers.

Eco-efficiency

Our Sustainability Policy provides guidance on mitigating the bank's direct impacts, including the consumption of energy, materials, water and the emission of greenhouse gases. Therefore, reducing and optimizing the use of these resources makes up part of our main goals.

Therefore, we maintain a constant focus on the management and rational use of natural resources. This strategy enables us to reduce the environmental impact of our operations and to boost our operational efficiency. All initiatives related to eco-efficiency are based on four pillars: (1) implementation costs, (2) market availability, (3) the system's technical performance and (4) eco-efficiency gains. [GRI G4-DMA Materials](#) | [G4-DMA Energy](#) | [G4-DMA Water](#) | [G4-DMA Emissions](#) | [G4-DMA Effluents and waste](#) | [G4-DMA Transport](#) | [G4-DMA Overall](#)

We manage our consumption of natural resources, such as water and energy, as well as the waste generated by the conglomerate, while monthly data are monitored by the units responsible. [GRI G4-DMA Materials](#) | [G4-DMA Energy](#) | [G4-DMA Water](#) | [G4-DMA Emissions](#) | [G4-DMA Effluents and waste](#) | [G4-DMA Transport](#) | [G4-DMA Overall](#)

Learn more about our initiatives:

Water

Water shortages have been affecting many parts of Brazil for some time. However, in 2014, the southeastern states had, and still have, to face a great challenge: to maintain the country's largest and most densely populated cities growing, while implementing measures to minimize consumption.

In this sense, an emergency response plan for water and energy rationing was drawn up to ensure the bank's supply and its business continuity. The main actions being implemented are:

- Periodic monitoring of water supply reservoirs, electricity and rainfall levels.
- Developing a risk aversion curve for water and energy rationing. This curve shows the minimum volume that ensures supply without rationing.
- Revalidating the capacity of water vendors (tank trucks) to supply the Bank in the event of water shortage.
- Applying for authorization to use groundwater (from artesian wells) in administrative buildings.
- Campaign encouraging employees to use water and energy responsibly.

Our water comes mostly from public mains supplies with a smaller proportion from artesian wells.

To make this clearer, we will divide our sites as follows:

1. **Administrative centers:** in 2014, our reused water consumption was 48,750m³ with uptake 66% more than in 2013. In 2014, consumption of mains supply and artesian well water was 37,000m³, thus saving R\$ 567,000.
2. **Branch network:** actions taken to boost efficiency included periodic advice on responsible use, consumption deviations monitoring reduction in water use to wash facades. These actions saved 6% in consumption compared to the previous and the economy of 17.1 m³ per branch.
3. **IT:** In 2014, we started the operations at our new data center in Mogi Mirim, São Paulo. The center will comply with the latest hydraulic efficiency standards for data centers and it will support the Bank's expansion until 2024. However, we believe water consumption may be affected by this new operation. Our data centers' water consumption was 300.300m³.

WATER CONSUMPTION GRI G4-EN8	UNIT	2012	2013	2014	GOAL FOR 2014
Total	cubic meters	1,653,082.00	1,675,031.11	1,701,748.60⁵	NE*
Consumption by units					
Administrative buildings^{1,2}					
Public supply	cubic meters	417,896.00	378,315.11	340,657.30	374,000.00
Artesian wells	cubic meters	37,418.00	27,330.00	23,489.30	27,330.00
Branches³					
Public supply	cubic meters	1,197,768.00	1,089,138.00	1,025,697	1,108,256.00
Artesian wells	cubic meters	0	0	0	NE*
IT – Data centers					
Public supply	cubic meters	0	151,787.00	246,453.00	160,408.00
Artesian wells	cubic meters	0	28,461.00	53,847.00	28,500.00
IBBA⁴					
Administrative buildings	cubic meters	0	0	11,605.00	NE*

*NE: Not set

1. Administrative buildings account for 61.6% of all staff.

2. All administrative buildings in Brazil were monitored.

3. All Brazilian branches were monitored.

4. Number for IBBA FL3500 building occupied from July to December, 2014.

5. IBBA buildings not included in target

The reduction in water consumption is due to several initiatives implemented over the year:

Main initiatives in

INITIATIVE	DESCRIPTION	RESULTS	
		REDUCTION IN CONSUMPTION (CUBIC METERS)	SAVING (R\$/YEAR)
Administrative buildings ^{1,2}			
Water supply for cooling towers	Use of groundwater to supply cooling towers	33,600	483,840
Reuse of groundwater and lakes	New model for drawing water from lakes, which reduces consumption from mains supply to zero when in use. Use of groundwater for washing basements	2,442	35,164
Branches ³			
Consumption Reduction	Reduction of the average water consumption per branch reflecting periodic guidance on using water responsibly, monitoring and tracking deviations from the norm and using less water to wash bank facades.	17.1	964.740
IT - Data Center			
Effluent Treatment Plant (local acronym ETE)	The ETE treats 100% of effluents produced by the technology center. Treated water is reused in the cooling infrastructure at the technology center itself. GRI 64-EN10	35,330.3	508,756.00

1. Administrative buildings represent 61.6% of all staff employed.

2. All administrative buildings in Brazil were monitored.

3. All Brazilian branches were monitored.

4. The total volume of recycled water used in the bank was 67,129.30 generating savings of 966,661.92.

Goals and initiatives for reducing use of water in 2015

Our new data center in Mogi Mirim, which uses water mainly for its cooling systems, will also affect water consumption. Therefore, the method used to set targets will be altered in 2015.

We normally set specific goals for branches and administrative centers. For 2015, in addition to these goals, we will have another consolidated goal for the entire bank, based on water consumption by the number of customers. Therefore, we will also adopt new calculation metrics in order to obtain data on efficient water use.

Consolidated goal for the entire bank in 2015: not to exceed 1,851,662.10 m³.

In order to manage our targets in 2015, as in previous years, our branches and administrative buildings will continue to set targets to reduce their consumption:

Administrative centers: Our 2015 target is 8.6 m³/position (there are now 41,361 positions) for administrative centers, excluding data centers, which will mean a total of 354,336.1 m³ in 2015 (including water from artesian wells).

Branches: Since consumption rose and exceeded the projection for 2015, our target for total consumption will be 1,050,470 m³ or less, including additional branches. This target is based on past data.

We have taken drastic measures to improve water uptake and adopted new technologies for reuse. Other ongoing measures include implementation of flow restrictors, monitoring deviations from normal volume and advising on responsible use.

Measures taken in 2014 will continue to have an effect in the coming years with savings of R\$ 209,999 and 23,398m³ in 2015 (*including 1 year's uptake for the project).

IT

IT will be using just over 30% more water when the new Mogi Mirim data center (CTMM) starts operations, so our 2015 target will be 446,856.00m³. Several measures were taken to reduce consumption and use water more efficiently, in particular:

When the new data center at Mogi Mirim (CTMM) starts operating, several measures will be taken to reduce water consumption, in particular:

- Using free cooling at the new data center;
- Wastewater treatment plant for the center;
- Studying rainwater harvesting for reuse at data center facilities;
- Using rainwater to irrigate gardens;
- Fitting sanitary appliances that use less water and reusing water for washbasins and urinals;
- Using 6-liter flush valves and other water saving accessories.

Energy

In 2014 our administrative buildings reduced electricity use by 10,601 MWh or 9% on 2013 to make savings of R\$ 2.3 MM, including our new businesses (Credicard). This reduction exceeded our expectations, and, as a result, we invested approximately R\$4.1 million in projects to modernize equipment and to install new technology in 2014.

Despite our administrative buildings' and branches' reducing electricity use, there was an overall increase for the bank as whole that was already expected due to our new data center coming online at the end of 2014. This new technology center will have LEED Silver certification for sustainable construction, showing that it was built in line with the best sustainable practices and that it uses the most efficient equipment. We estimate that this infrastructure will be capable of supporting the bank's expanding operations up to 2024.

During the process of transition to the new technology center, scheduled for 2015 - 2016, there will be an increase in energy consumption, since this new site will be operating alongside

existing facilities until the transition period ends. As of 2017, two data centers are to be decommissioned, thus reducing energy consumption in relation to the year prior to decommissioning.

An important point to note is that 90% of energy consumed by administrative buildings is from renewable sources, such as small hydroelectric plants, wind and solar sources. [GRI G4-EN6](#)

ENERGY CONSUMPTION GRI G4-EN3	UNIT	2012	2013	2014	GOAL FOR 2014
Total	MWh	615,185.40	612,292.76	673,022.69	NE
	GJ	2,510,910.61	2,204,253.94		
Consumption/units					
Administrative buildings ¹					
Administrative buildings	MWh	122,460.00	114,984.45	104,383.30	110,000.00
Branches ²					
Branches	MWh	351,472.00	347,417.61	349,796.00	349,796.00 ⁵
IT – Data centers ³					
IT – Data centers	MWh	114,137.00	124,235.88	173,431.65	147,100.00
IBBA					
IBBA ⁴	MWh	4,164.60	1,534.71	20,523.44	NE
Latam					
Latam	MWh	22,951.80	25,007.84	24,888.30	NE

1. All administrative buildings in Brazil were monitored.

2. Of the 3,886 branches in Brazil, 3,642 were monitored.

3. All data centers in Brazil were monitored.

4. Includes all IBBA administrative buildings.

5. Target altered from previous year due to corrected weighting calculation.

NE: Not set.

Initiatives taken to reduce energy consumption in 2014 included: [GRI G4-EN6](#)

INITIATIVE	DESCRIPTION	RESULTS	
		REDUCTION IN CONSUMPTION (MWH)	SAVING (R\$/YEAR)
Administrative buildings ¹			
New operational procedure for lighting and air cond.	Reviewed on/off switching procedures for lighting and air conditioning (optimizing operations for buildings) – plan included in BMS, for measures to be automatically scheduled.	102.7	R\$ 500,911
LED lighting	Replacement of fluorescent lamps with LED lighting.	12.36	R\$ 7,553
Restroom exhaust	Scheduled restroom exhaust process and external fans operation altered from a 24-hour period to a 5 a.m. - 10 p.m. period.	528.83	R\$ 148,587
Lighting efficiency	More efficient lighting in parking areas, leading to a reduced consumption.	181.85	R\$ 47,282
Altered centrifuge and fan coil operation (precision air conditioners for data centers)	Rescheduled shutdown of centrifuges and fan coils, aimed at using less energy.	303.01	R\$ 85,517
Coffee machines	Removal of metal plates used to warm cups from about 200 coffee machines. Using disposable cups for coffee eliminated the need to keep cup warmers on and the energy used for that.	35.04	R\$ 20,059
Master plan	Reduced consumption due to decommission of administrative buildings, thus ensuring more efficient use.	1.925,57	R\$ 934,149
Pressurized stairways	Emergency stairway fans integrated with the fire alarm system so that they only power up for emergency situations. Emergency stairway fans were previously powered up at all times.	393.43	R\$ 110,160
IT – Data Center ³			
Natural gas hvac at data centers 1 & 2	Altered data center HVAC - previously used cold water, now using natural gas.	147.70	R\$ 49,347
Modernized data center infrastructure	Modernization of the current data center rooms using the Next Generation Data Center (NGDC) concept, which uses best practices for energy efficiency and operational excellence.	NM	NM
Itaú BBA			
Revised sop for lighting and air cond.	Revised procedures for powering up/down air conditioning (optimized building operations)	NM	NM
LED lighting	LED lamps used for specific locations in some buildings.	NM	NM

1. All administrative buildings in Brazil were monitored.

2. Of the 3,886 branches in Brazil, 3,642 were monitored.

3. All data centers in Brazil were monitored.

GRI G4-EN6

Main initiatives and goals for reducing energy consumption in 2015.

In 2015, in addition to specific targets for each business area, we will be setting a target for the entire bank (for the first time).

The growth of our operations, with the construction of the new data center and expansion of our branch network, will lead to a higher use of natural resources, including electricity. By increasing operational efficiency, our consolidated goal is to avoid additional use of electricity of around 5.2%, to remain below 645,201.00 Mw/h. This target does not include LATAM and IBBA.

To meet this target, we will be setting individual targets for each of the main business units shown below:

Administrative buildings

Our central administrative offices have set a 2015 target of 100 GWh, which is 4% below 2014's and corresponds to 2.42 MWh/position (there are 41,361 positions). To meet the 2015 target, we will be taking the following initiatives at our main administrative buildings:

- Partial change over to LED lighting;
- Researching new technologies to reduce consumption and emissions;

In addition, measures taken in 2014 will continue to make savings in the coming years with a reduction of 7,100 MWh in 2015 and consequent savings of R\$ 641,600.00.

Branches

For 2015, the branch network has a goal of 353,271.20 MWh through using these measures, monitoring consumption, and providing guidance on responsible use.

Air conditioning timer devices and consumption monitoring systems will be installed.

IT

As mentioned previously, our additional IT facilities will be using more power, so a lower target cannot be set. However, since we are committed to growing our business while meeting the highest standards of efficiency, we have set a target of 191,930.31 including our new data processing center.

This will mean taking certain measures to reduce energy consumption, such as:

- Having IT equipment virtualization rates above the world average, ensuring lower power consumption by optimizing data processing devices;

- Using free cooling for the new data center, variable speed pumps, centrifuges and fan coils, granting less power consumption at the two main data centers;
- Fitting more efficient transformers (TP1) specifically designed for data center environments;
- Presence sensors to control lighting in corridors at the new data center, LED lights in various positions outside the building, and efficient fluorescent lamps for indoor facilities;
- Thermal and acoustic insulation in all strategic situations for energy efficiency and thermal and acoustic stability;
- Distributing air conditioning (for corporate use) with the VAV system for higher comfort and more optimized energy consumption for cooling;
- Using high-performance acoustic glass and film for insulation and light-color surfaces for fewer warm-air pockets.

Emissions GRI G4-EN19

As Carbon Disclosure Project (CDP) signatories, we compile annual GHG emission management reports which are inventoried using GHG Protocol methodology¹. In 2014, our combined scopes 1 and 2 emissions rose 24% due to the increase in scope 2 emissions detailed below, which was offset by reductions in scopes 1 and 3 so that Itaú Unibanco's total remained unchanged.

Higher scope 2 emissions were primarily due to the national grid's emission factor (CO₂ quantity emitted per kWh of power produced). Low rainfall led to more use of thermoelectric plants thus substantially higher grid emissions. In addition our projections for the coming years show substantially higher power consumption due to our new data processing center in Mogi Mirim/SP coming on-stream. Very hot weather and low rainfall has also meant heavier use of air conditioning by both branches and data centers that require constant cooling.

There was a substantial fall in scope 1 emissions due mainly to corporate travel being reclassified and air miles flown by our own aircraft reduced.

Greenhouse gas emissions – tCO₂e

SCOPE	2012	2013	2014
Scope 1 (direct emissions) G4-EN15	8,856.80	10,166.53	8,009.00
Scope 2 (indirect emissions) G4-EN16	48,890.50	69,579.01	93,890.60
Total direct and indirect GHG emissions (based on default factors)	57,747.30	81,916.69	101,899.60
Scope 3 (other indirect emissions) G4-EN17	180,723.60	199,029.95	142,917.00
Total	238,470.90	278,775.49	244,816.60

* From 2013 onwards, numbers have been adjusted as per the IPCC's AR-4 report.

1. It has been included the following gases in the emission calculation: CO₂, CH₄, N₂O e HFCs.

GRI G4-EN19

To mitigate emissions, we encourage the use of teleconference rooms and the reduced use of taxis, while working on energy efficiency projects, among other initiatives. [G4-DMA Emissions](#)

Main initiatives to reduce emissions in 2014

INITIATIVE	DESCRIPTION	RESULTS	
		REDUCTION (TCO,E)	SAVING (R\$/YEAR)
Administrative buildings ²			
Virtualizing meetings	Virtual instead of face-to-face meetings avoided travel to other cities and/or administrative centers. Some 13,500 virtual meetings were held in 2014 and the number has risen 231% since the project started.	27,000.00	36.1MM
Taxi-sharing project	Sharing taxis. Optimizing time for employees who may be going to the same destination; Reducing greenhouse gas emissions due to fewer vehicles traveling to the same place. Less spending on taxis;	NM	NM
Documents - Content Management	The inventory process was started to track paper transported from the supplier to its final destination. These demands arise from surveys of documents taken to final destinations and/or recycling companies. According to our estimates, our Retail Bank's electronic media project will lead to reduced emissions resulting from this type of transport in 2015 and 2016.	NM	NM
Branches ²			
Programming of transport of materials	Optimizing transport of materials by programming the branch network. Examples include: transporting ATMs together with furniture for branches - deliveries previously made separately were optimized.	11.22	1.1 MM
"Green Seal"	One of our suppliers in Brazil was awarded the Rio de Janeiro state government's "Green Seal" certification for companies committed to preserving fossil fuels. This company accounts for 8.5% of our cash transportation services nationwide	NM*	NM*
Transport of express mail between branches	Review and shorten routes for express mail transport between branches.	NM*	NM*
Transporting cash and valuables	Reducing transport mileage by reusing cash at 400 branches - incoming money is machine-sorted for reuse, thus avoiding unnecessary transport of cash and valuables. New controls/indicators and more communication with branches requesting transport also avoided unnecessary transport of cash and valuables.	NM*	NM*
Banking Automation	By redefining maintenance contracts, we reduced incidents by 22% with less need to send technicians to branches and reduced CO ₂ emissions, too. Upgrading CPU and server technology: By getting 50,000 devices delivered directly from suppliers to branches, we reduced transport needs.	NM*	NM*

*NM – Not Measured

1. Administrative buildings in Brazil

2. Branches in Brazil were monitored.

Transport GRI G4-EN30

Air and overland business travel data for this period, including units such as Rede and Credicard, show a 3.3% fall from 2012.

TRANSPORT (KM)	2012	2013	2014
Air	162,547,000	133,182,000	157,093,000
Overland	32,519,000	40,704,000	42,966,000
Total	195,066,000	173,886,000	200,059,000

Major initiatives impacting business travel, transport and documents in 2014

INITIATIVE	DESCRIPTION	RESULTS	
		REDUCTION (KM)	SAVING (R\$/YEAR)
Mobility awareness campaign	Our urban mobility awareness campaign was hosted on various internal media (internal magazine and email marketing) in order to encourage virtual meetings, the use of public transport, and the use of collective rather than individual means of transport.	NM*	NM
Paper transported	Paper transported from suppliers to its final destination or to disposal / recycling, thus improving the management of emissions relating to this type of transport and ensuring that measures are taken to reduce them.	NM*	NM
Virtual meetings	Face-to-face meetings replaced by telepresence rooms, saving travel to other cities or administrative centers. Over 13,500 virtual meetings were held in 2014, which was 231% more than in the period when the project started.	75.3MM	36.1MM

NM* Not monitored

To further improve management of business travel in 2015, Itaú Unibanco divided controls into air and overland travel, in order to set appropriate targets.

Target initiatives for 2015:

- By sharing taxis, we avoided having several vehicles going to the same destination at the same time, thus reducing harmful

atmospheric emissions and helping ease traffic in major cities;

- Continuing mobility awareness campaign;
- Monthly bulletins for the managers responsible, showing air and overland journeys that could have been avoided by holding virtual meetings or by using shuttle services (vans) between administrative buildings;
- More coverage of GHG emission reporting with centralized document management in a specific business area (previously

decentralized and controlled by each area).

Paper

In 2014, we substantially altered our process for monitoring use of paper. We will now be reporting a much broader range of uses and certain previous years' data have been recalculated to reflect the new monitoring scope.

Itaú Unibanco has considerably reduced the amount of paper used by internal operations. In 2014, largely due to reviewing internal workflows, awareness campaigns, and particularly by mailing less correspondence to customers (the major factor responsible for paper consumption), there was a significant reduction in the use of paper.

Note that paper used for communications with customers accounted for some 99% of the total volume used. Campaigns

such as digital invoicing and PDF-files for statements of account have helped lower this amount.

We would also emphasize that the paper we use for printing is 100% FSC certified.

Weight of materials used, per ton

TONS GRI G4-EN1	2012	2013	2014
A4	2,373.19	3,168.97	3,631.72
Coils ¹	1,445.08	1,381.07	3,133.17
Checks	593.42	616.00	723.54
Office materials	11.65	32.45	34.64
Others ²	1,998.30	1,314.48	1,166.11
Total	9,521.38	6,512.97	5,589.46

1. They include small and large coils

2. They include envelopes, health insurance forms, handouts and promotional material.

Key initiatives taken to reduce use of paper in 2014

INITIATIVE	DESCRIPTION	RESULTS	
		REDUCTION (TONS)	SAVING (R\$/YEAR)
Sustainability counter	For each currency exchange transaction signed online using our "Itaú 30 hours" facility, we calculate savings in numbers of pages together with greenhouse gases no longer emitted.	67.9	N/A
	From May 2005 through November 2014, about 14,464,692 million pages were saved and we avoided atmospheric emissions amounting to 57,300 tons of CO ₂ .		
Microcredit	The department uses electronic files only for credit visits. In 2014, digitizing documents led to paper savings of approximately 161000 pages. In addition, loan officers used tablets to collect customer data and engaged in interactive media rather than traditional marketing methods.	0.75	4,815.00
Less printing for revision procedures	Fewer documents for customer-companies. Digitized clearing documents. Eliminated printouts of daily cash reconciliation routine.	11.56	NM*
Efficiency for correspondence - documents	This initiative aims to reduce consumption of paper, printing and postage costs for documents and contracts by scanning and uploading them onto our Internet Banking system.	22,57	4,766,355.00
Digital invoicing	Incentives for digitized credit-card invoicing, saving paper and postage by using e-mail and SMS.	NM	NM
Electronic statement of account	Cutting back on mailing statements on paper.	NM	NM

*NM - Not measured.

1. Data for Brazilian operations only.

Goals for 2015:

Due to the large amount of paper that was used across the bank's many units and the extensive range of measures taken to reduce it, by 2015 we will have a consolidated target for reducing paper consumption based on cutting down on printing and postage, which should also lead to lower CO₂ emissions from the use of pouches to transport documents.

Waste

Our commitment is always to lower generation and the best destination for our waste. The management is carried out segregated between administrative buildings and agencies. Therefore:

Branches

Due to their capillarity and volume generated, waste is handled by the public collection system. Batteries, lamps and electronics are separated from waste for public collection and sent for disposal as required by current legislation.

We are now sending away 100% of electronic waste from the branches, the central administration and the stock are separated for sustainable disposal.

Administrative buildings

Our focus for 2014 was to reduce the amount of waste going to landfills. Several measures led to approximately 17% less waste being sent to landfills in 2014 than in 2013. Some measures taken:

- Operational adjustments to improve control of waste generated;
- Encouraging employees to recycle most of the waste through heightened awareness of staff at call center buildings;

The data for Central Administration buildings covers approximately 89% of employees working in them. Data for the other 11% was estimated by being based on the number of people and type of work done in each building (e.g. back office, call center, business, private banking and IT systems). Buildings with more staff working in them have separate collection systems. Another measure taken this year was introducing reverse logistics for lamps at the main buildings. This initiative will lead to annual savings of R\$ 195,000.00.

Waste Treatment

All Itaú Unibanco's waste disposal and treatment complies with legal requirements and our own environmental guidelines.

Main waste treatment initiatives in 2014.

INITIATIVE	DESCRIPTION	RESULTS
Building Management		
Reverse Logistics for lamps in main administrative buildings	In line with Brazil's new policy for solid waste, we signed up for a partnership with the manufacturer to collect all lamps used at the Bank's main administrative building. Previously, lamps were sent for disposal by one of the bank's service providers.	Starting in November 2014, this measure will lead to annual savings of R\$ 195,000. In addition, we estimate that about 35,500 lamps are sent for sustainable disposal each year ¹ .
IT – Data Center		
Sustainable disposal of electrical/electronic waste	All obsolete electronic devices are sent for recycling and sustainable disposal.	In 2014, we sent 6,761,024.00 kg for disposal

1. Estimate based on the number of lamps sent for disposal in 2013.

Goals and initiatives to reduction in 2015:

- Reduce administrative buildings' waste sent to landfills by 0.5% in relation to 2014; which corresponds to a target of 31.5 kg/position.
- Increase in the composting of waste produced by restaurants inside the administrative buildings, another restaurant from a major administrative center to the composting system, in 2015.
- A responsible-use campaign which aims to produce less waste and warn the employees of the correct disposal of every kind of waste, thus encouraging recycling rather than landfill disposal.

Environmental investments and expenses [GRI 4-EN31](#)

In 2014, we invested R\$ 5,8 million in environmental protection, of which R\$ 1.6 million was spent on waste disposal and mitigating emissions and R\$ 4,2 million on environmental prevention and management.

In 2013, we signed a Conduct Adjustment Agreement with the Public Prosecutors Office, the University of São Paulo Support Foundation (local acronym FUSP) and the State of São Paulo's Environmental Company (local acronym CETESB) in relation to environmental compensation measures, managing contaminated areas and restoring vegetation at a permanent preservation area (local acronym APP) related to our Raposo Administrative Center. In 2014, we paid R\$ 1 million to be used by a FUSP environmental project. We invested R\$ 823,924,12 in remediation for contaminated areas in 2014, and plan to invest R\$ 670,000 to restore vegetation in 2015. [GRI 4-DMA Overall](#)

See full table on [page A-191](#) – [GRI Contents](#)

Climate change [GRI 4-EC2](#)

The climate-change issue is part of our sustainability map and our Social and Environmental Sustainability and Responsibility Policy, which provides guidelines on this theme for the entire organization.

We seek to incorporate variables related to climate change into our operations and business affairs by managing risk and developing solutions that adequately respond to greenhouse-gas emission reduction efforts and adapt to climate change. [GRI 4-DMA Economic performance](#)

In addition to using environmental risk analysis criteria for lending, insurance and investments, we adopt practices to mitigate direct impact from our operations. Identifying risks and opportunities involves various themes, such as scarce natural resources, climate

change, paying for environmental services and biodiversity. Plans to adapt to climate change (response to climatic event threats) have been developed to minimize any impacts for the Bank's business continuity while determining procedures required for safeguarding life and property, streamlining communication and activating the contingency process.

In addition, our macroeconomic research team led by our Chief Economist studies various sectors of the economy to gauge climate impacts and uncertainties for growers and commodity prices (coffee, corn, soybeans, wheat, etc.) in order to assist decision-making.

This ongoing agenda is being incorporated into the bank's management by developing and implementing policies, processes and tools. [GRI 4-DMA Economic performance](#)

Itaú Asset Management

Itaú Asset Management is an investor signatory of the Carbon Disclosure Project (CDP) and incorporates environmental, social and corporate governance (ESG) to the investing process using proprietary methodology. The aim is for corporate fixed-income and equity trading desks to include these issues in the traditional process of valuing companies.

Among the environmental issues analyzed, the climate-change theme covers data that companies report for the Carbon Disclosure Project (CDP), such as changing in rainfall patterns, physical assets being exposed to more extreme weather events, and any related costs or revenues, among other factors reported by companies in their responses.

Itaú BBA

Given Itaú BBA's highly refined analysis of opportunities arising from the clean energy market and ability to structure and execute complex financial transactions, the Inter-American Development Bank (IDB) asked Itaú to take part in a pilot project for a tool to measure CO₂ emissions avoided by financing clean-energy projects. The report concluded that 52,000 tons/year of greenhouse gases were avoided through 12 projects funded in Brazil, Peru and Chile, in which Itaú BBA has invested using IDB on-lending funds amounting to approximately US\$ 276 million since 2012 to supply nearly 300 MW of clean energy.

GRI G4-EC2Project Finance:

- Assessing client's level of preparation for climate change and ability to respond to effects
- Monitoring greenhouse gas emissions financed by Itaú Unibanco since 2012
- Disclosure of projects' annual GHG emissions exceeding 100,000 tons of CO₂ was incorporated to negotiations with clients as of 2014.

Itaú Insurance

The insurance industry relationship with climate issues is one of the variables that most affect the essence of this business. Our role is to help current and future customers reduce risk, mitigate effects and adapt in relation to vulnerabilities arising from aspects of climate change.

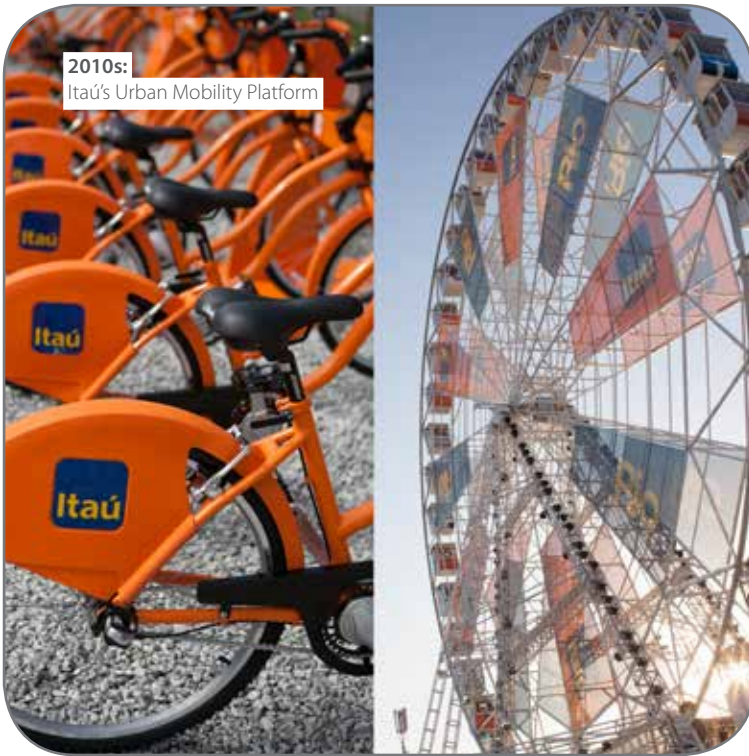
Events such as natural disasters, hurricanes, typhoons or tropical cyclones not only lead to substantial financial loss but may also

cause social, environmental and economic tragedies. If properly drafted and agreed, insurance policies are capable of alleviating deterioration in critical situations.

Given these factors, our pricing of products to reflect climate issues means that each risk is assessed depending on the region in which it is located thus ensuring fair pricing that does not overburden regions less frequently afflicted by these events.

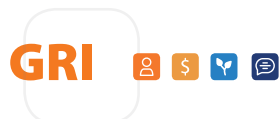
Also in terms of incorporating social and environmental risks (ASG) for claims adjustment and salvage management, we are providing training programs for our suppliers to enable them to include ASG issues in their everyday processes.

In addition, we assess products and services for compliance with Principles of Sustainability for Insurance (PSI), taking into account environmental, social and governance aspects (local acronym ASG).



Attachments





Category: Economic

Economic value generated and distributed **GRI G4-EC1**

2014 – Value distributed – R\$ 52.2 billion

SPHERE	%
Personnel	29.22
Reinvestment profits	32.73
Taxes, levies and contributions	26.54
Payments to capital providers	8.59
Remuneration to third-party capital	2.33

2013 – Value distributed – R\$ 41.9 billion

SPHERE	%
Personnel	33.30
Reinvestment profits	30.00
Taxes, levies and contributions	26.30
Payments to capital providers	7.8
Remuneration to third-party capital	2.60

Unfair Competition – GRI G4-DMA Anti-competitive behavior

No actions alleging unfair competition, trust or monopoly practices were brought against Itaú Unibanco Holding in 2014. **GRI G4-S07**

Our legal department's specialized teams address demands related to unfair competition and protection of intellectual property.

To defend competition and prevent unfair practices, our Code of Ethics stipulates the principle of interdependence in relation to competitors, the need to respect intellectual property and not use competitor information without express consent.

Our Code of Ethics also states that making comments that could affect the image of a competitor, or help spread rumors about them, is unacceptable.

Defense of Competition – Guidelines to Ensure Defense of Competition

We have an area of our legal department that specializes in issues related to trust or monopoly practices and determining guidelines and general rules to ensure the defense of competition and prevention of violations of economic law in corporate operations, business practices or interactions with competitors, directly or through trade associations.

The concept of free competition between producers of goods or service providers requires independence of competitors in the search for the preference of consumers in the same market. In a market where competition for consumers is not limited by illicit arrangements between competitors or by abusive practices, society as a whole may benefit from lower prices and innovation.

In 2014, consistent with the interdependence principle stated in our Code of Ethics, we published the Corporate Antitrust Policy guidelines and general rules to guarantee defense of competition by Itaú Unibanco Holding and its subsidiaries in Brazil.

The Code of Ethics also foresees the need to act in accordance with the principles of free competition, respecting the reputation and the opinions of our competitors. Based on this principle, we take part in business and professional associations in a spirit of cooperation and solely for the sake of further developing sectors of the economy in which we operate.

Cases of client discrimination

In 2014, we recorded 01 case of client discrimination upheld. The only occurrence upheld was the Administrative Procedure and underway in the Secretaria da Justiça e da Defesa da Cidadania do Estado de São Paulo (Department of Justice and Defense of Citizenship of the State of São Paulo), established because of the negative hiring mortgage the HIV positive as a result of the refusal of insurance proposals housing by insurers Itaú Seguros and Tokio Marine, due to medical evaluation. So it was also proposed the conclusion of Conduct Adjustment Agreement, however refused by the Secretariat and maintained the fine payment obligation on the Itaú Unibanco. Itaú Seguros revalued its procedures for accepting risks identified and that the case in question was timely and not the result of discrimination HIV-positive, because there is no rule of not accepting insurance proposals by HIV carriers. **GRI G4-HR3**

Social Category

Employee health and safety

RATE GRI G4-LA6		2012		2013		2014	
		WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
Work Related Injuries	Employees	1.28	0.93	1.29	0.84	1.69	1.15
	Outsourced	0	0	0	0	0	0
	Total	1.28	0.93	1.29	0.84	1.69	1.15
Working Days Lost	Employees	458.92	280.94	480.94	303.12	400.04	247.01
	Outsourced	0	0	0	0	0	0
	Total	458.92	280.94	480.94	303.12	400.04	247.01
Occupational Illness	Employees	1.28	0.77	1.19	0.78	1.59	1.10
	Outsourced	0	0	0	0	0	0
	Total	1.28	0.88	1.19	0.78	1.59	1.10
Absenteeism	Employees	1.17	0.7	1.32 ¹	0.78 ¹	1.34	0.83
	Outsourced	0	0	0	0	0	0
	Total	1.17	0.7	1.32	0.78	1.34	0.83

¹ The higher rate of absenteeism in 2013 is due to the lower number of days worked (the denominator for the calculation).

² The Code of Ethics of Itaú Unibanco is available on its Sustainability website on: https://ww2.itau.com.br/hotsites/sustentabilidade/Pdf/codigo_de_etica_2013.pdf

³ Idem Note 1.

Employee' health and safety by region **GRI G4-LA6**

	INJURY RATE (TL)		DAYS LOST RATE (TDP)		OCCUPATIONAL ILLNESS RATE (TDO)		ABSENTEEISM RATE (TA)	
	2013	2014	2013	2014	2013	2014	2013	2014
South	1.69	2.11	930.76	918.63	1.55	1.97	0.79	0.84
Southeast	0.95	1.21	303.87	225.25	0.87	1.13	1.13	1.25
Mid-West	0.68	0.94	439.31	433.65	0.68	0.94	1.13	0.50
Northeast	2.89	4.88	1,118.85	998.82	2.83	4.83	1.21	1.30
North	0.67	0.93	313.73	230.54	0.67	0.93	0.88	0.89

Deaths – absolute numbers **GRI G4-LA6**

CATEGORY	2012		2013		2014 ¹	
	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
Employees	0	0	0	1	0	1
Outsourced	0	0	0	0	0	0
Total	0	0	0	1	0	1

¹ Death by accidents commuting to work.

Training

Training hours by functional level and gender^{1,2} **GRI G4-LA9**

	TRAINING HOURS						AVERAGE TRAINING HOURS PER EMPLOYEE					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Management	168,974	228,745	164,935	233,437	333,909	462,182	24	33	23	34	24	34
Administrative	389,072	407,733	286,439	340,128	675,511	747,861	25	26	21	25	23	26
Production	553,915	566,049	252,290	274,709	806,205	840,757	20	21	19	22	20	21
Trainees	10,528	7,151	9,326	11,879	19,854	19,030	285	341	259	371	272	359
Interns	66,448	144,713	39,615	72,894	106,063	217,607	33	57	33	48	33	54
Total	1,188,937	1,354,390	752,604	933,047	1,941,541	2,287,437	22	26	21	27	22	26

¹ In 2014, as in previous years, employees of the following companies not managed by the Human Resources department were not included: Itaú BBA, Itaú Corretora, Redecard, Previtec and SFR.

² Calculation based on the total number of employees including officers, management, administrative and production employees, trainees and interns.

Diversity

Employees by functional level **GRI G4-LA12**

FUNCTIONAL LEVEL	2012	%	2013	%	2014	%
Executive Board	107	0	90	0	72	0.08
Management	13,490	15	14,036	16	13,758	15.61
Administrative	45,889	50	29,089	33	29,066	32.99
Production	26,995	30	40,705	46	39,431	44.75
Trainees	87	0	73	0	53	0.06
Apprentices	1,752	2	1,748	2	1,683	1.91
Interns	2,717	3	3,169	4	4,040	4.59
Total	91,037	100	88,910	100	88,103	100

¹ Includes companies managed by the Human Resources department: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic Promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú SegCorp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-Movel, Itaú Adm Prev and Marcep.

Employees by gender **GRI G4-LA12**

GENDER	2012	%	2013	%	2014	%
Female	50,830	59	52,993	59.60	52,896	60
Male	35,544	41	35,917	40.40	35,207	40
Total	86,347	100	88,910	100.0	88,103	100

Employees by gender – 2012 **GRI G4-LA12**

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	13	12	94	88	107	100
Management	6,178	46	7,312	54	13,490	100
Administrative	26,739	58	19,150	42	45,889	100
Production	17,913	66	9,082	34	26,995	100
Trainees	28	32	59	68	87	100
Apprentices	1,252	71	500	29	1,752	100
Interns	1,603	59	1,114	41	2,717	100
Total	53,727	59	37,311	41	91,037	100

Employees by gender – 2013 **GRI G4-LA12**

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	10	0	80	0.2	90	0
Management	6,943	13	7,093	20	14,036	16
Administrative	15,718	30	13,371	37	29,089	33
Production	27,070	51	13,635	38	40,705	46
Trainees	37	0	36	0	73	0
Apprentices	1,230	2	518	1	1,748	2
Interns	1,985	4	1,184	3	3,169	4
Total	53,727	59	37,311	41	91,037	100

Employees¹ by gender – 2014 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	8	0.02	64	0.2	72	0.1
Management	6,854	12.96	6,904	19.6	13,758	15.6
Administrative	15,603	28.50	13,463	38.2	29,066	32.7
Production	26,685	50.45	12,746	36.2	39,431	44.8
Trainees	21	0.04	32	0.1	53	0.1
Apprentices	1,201	2.27	482	1.4	1,683	1.9
Interns	2,524	4.77	1,516	4.3	4,040	4.6
Total	52,896	60	35,207	40	88,103	100

1. Includes companies managed by the Human Resources department: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic Promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú SegCorp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-Imovel, Itaú Adm Prev and Marcep.

Employees by age group [GRI G4-LA12](#)

AGE GROUP	2012	%	2013 ¹	%	2014	%
Under 30	30,609	39	33,211	37	33,083	38
Aged 30 to 50	50,242	55	49,616	56	48,586	55
Over 50	5,523	6	6,083	7	6,434	7
Total	86,374	100	88,910	100	88,103	100

1. Includes companies managed by the Human Resources department, as well as management, administrative and production employees, directors and officers, trainees, apprentices and interns: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic Promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú SegCorp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-Imovel, Itaú Adm Prev and Marcep.

Employees by age group – 2012 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	UNDER 30	%	AGED 30 TO 50	%	OVER 50	%	TOTAL	%
Executive Board	0	0	74	69	33	33	107	100
Management	832	6	11,283	84	1,375	10	13,490	100
Administrative	15,818	34	27,224	59	2,847	6	45,889	100
Production	13,959	52	11,735	43	1,301	5	26,995	100
Trainees	87	100	0	0	0	0	87	100
Apprentices	1,752	100	0	0	0	0	1,752	100
Interns	2,710	100	6	0	1	0	2,717	100
Total	35,158	39	50,322	55	5,557	6	91,031	100

Employees by age group – 2013 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	UNDER 30	%	AGED 30 TO 50	%	OVER 50	%	TOTAL	%
Executive Board	0	0	63	70	27	30	90	100
Management	970	7	11,399	81	1,667	12	14,036	100
Administrative	10,495	36	16,575	57	2,019	7	29,089	100
Production	16,758	41	21,578	53	2,369	6	40,705	100
Trainees	73	100	0	0	0	0	73	100
Apprentices	1,748	100	0	0	0	0	1,748	100
Interns	3,167	100	0	0	1	0	3,169	100
Total	33,211	37	49,616	56	6,083	7	88,910	100

1. Includes companies managed by the Human Resources department: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic Promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú SegCorp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-Imovel, Itaú Adm Prev and Marcep.

Employees¹ by age group – 2014 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	UNDER 30	%	AGED 30 TO 50	%	OVER 50	%	TOTAL	%
Executive Board	0	0	55	76.4	17	23.6	72	100
Management	914	6.6	11,176	81.2	1,668	12.1	13,758	100
Administrative	10,159	35	16,664	57.3	2,243	7.7	29,066	100
Production	16,238	41.2	20,687	52.5	2,503	6.4	39,431	100
Trainees	53	100	0	0	0	0	53	100
Apprentices	1,683	100	0	0	0	0	1,683	100
Interns	4,036	99.9	4	0.01	0	0	4,040	100
Total	33,083	37.6	48,586	55.1	6,434	7.3	88,103	100

Employees by minority, blacks¹ – 2012 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0	0	0	0	0
Management	377	0.41	488	0.54	865	0.95
Administrative	3,142	3.45	2,696	2.96	5,838	6.41
Production	3,761	4.13	1,976	2.17	5,737	6.3
Trainees	1	0	5	0.01	6	0.01
Apprentices	331	0.36	109	0.12	440	0.48
Interns	128	0.14	104	0.11	232	0.25
Total	7,740	8.5	5,378	5.91	13,118	14.41

1. Scope: Brazil. International units do not respond to this item due to local legislation.

Employees by minority, blacks¹ – 2013 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0.00	0	0.00	0	0.00
Management	859	0.97	936	1.05	1,795	2.02
Administrative	2,921	3.29	2,451	2.76	5,372	6.04
Production	5,470	6.15	3,163	3.56	8,633	9.71
Trainees	2	0.00	2	0.00	4	0.00
Apprentices	499	0.56	198	0.22	697	0.78
Interns	501	0.56	286	0.32	787	0.89
Total	10,252	11.53	7,036	7.91	17,288	19.44

1. Includes companies managed by the Human Resources department: Itaú Unibanco, Hipercard, Itaú UBB hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev e Marcep. International units do not respond to this item due to local legislation.

Employees by minority, blacks¹ – 2014 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0	0	0	0	0
Management	856	1	926	1	1,782	2.02
Administrative	2,938	3.3	2,538	2.9	5,476	6.22
Production	5,606	6.3	3,007	3.4	8,613	9.78
Trainees	1	0	2	0	3	0
Apprentices	506	0.5	213	0.2	719	0.82
Interns	701	0.8	357	0.4	1,058	1.20
Total	10,608	12.04	7,043	7.99	17,651	20.03

Employees by minority – disabled¹ – 2012 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0	0	0	0	0
Management	21	0.02	37	0.04	58	0.06
Administrative	916	1.01	999	1.1	1,915	2.1
Production	1,218	1.34	1,157	1.27	2,375	2.6
Trainees	0	0	0	0	0	0
Apprentices	0	0	0	0	0	0
Interns	0	0	0	0	0	0
Total	2,155	2.37	2,193	2.41	4,348	4.78

1. Scope: Brazil. International units do not respond to this item due to local legislation.

Employees by minority – disabled¹ – 2013 [GRI G4-LA12](#)

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0	0	0	0	0
Management	42	0.05	52	0.06	94	0.11
Administrative	764	0.86	930	1.05	1,694	1.91
Production	1,288	1.45	1,121	1.26	2,409	2.71
Trainees	0	0.00	0	0.00	0	0.00
Apprentices	0	0.00	0	0.00	0	0.00
Interns	0	0.00	0	0.00	0	0.00
Total	2,094	2.36	2,103	2.37	4,197	4.72

1 Includes companies managed the Human Resources department: Itaú Unibanco, Hipercard, Itaú UBB hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev e Marcep. International units do not respond to this item due to local legislation.

Employees by minority – disabled¹ – 2014 **GRI 4-LA12**

FUNCTIONAL LEVEL	WOMEN	%	MEN	%	TOTAL	%
Executive Board	0	0	0	0	0	0
Management	46	0.05	52	0.06	98	0.11
Administrative	754	0.86	917	1.04	1,671	1.90
Production	1,221	1.39	1,012	1.15	2,233	2.53
Trainees	0	0	0	0	0	0
Apprentices	1	0	0	0	1	0
Interns	0	0	0	0	0	0
Total	2,022	2.27	1,981	2.23	4,003	4.54

Ratio of women's basic salary to men's – 2014 **GRI 4-LA13**

FUNCTIONAL LEVEL	RATIO
Executive Board	1
Management	0.97
Administrative	0.97
Production	1
Trainees	1
Apprentices	1
Interns	1

Organizational Profile

Employees by hierarchical level **GRI 4-10**

HIERARCHICAL LEVEL	2012		2013		2014 ¹	
	BRAZIL	INTERNATIONAL	TOTAL	BRAZIL	BRAZIL ²	
Executive Board	129	6	135	90	72	
Management	13,578	1,062	14,640	14,036	13,758	
Administrative	46,573	4,914	51,487	29,089	29,066	
Production	27,139	0	27,139	40,705	39,431	
Trainees	94	0	94	73	53	
Apprentices	1,759	0	1,759	1,748	1,683	
Interns	2,719	68	2,787	3,169	4,040	
Total excl. Outsourced	91,991	6,050	98,041	88,910	88,103	
Outsourced ³	38,681	0	38,681	28,943	29,882	
Total incl. outsourced	130,672	6,050	136,722	117,853	117,985	

1 As of the date of publication of this report, data on employees of international units were not available in a consolidated basis and classified according to GRI.

2 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative, production employees and trainees.

Reporting companies remaining in 2014: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep.

3 Call center operations were not included.

Employees – indefinite employment contracts **GRI 4-10**

YEAR	UNIT	MANAGEMENT		ADMINISTRATIVE		PRODUCTION		TOTAL	
		WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
2012	Brazil	6,214	7,364	27,062	19,511	17,971	9,168	51,247	36,043
	International	376	686	2,616	2,298	-	-	2,992	2,984
2013	Brazil	6,943	7,093	15,718	13,371	27,070	13,635	49,731	34,099
2014 ¹	Brazil ²	6,854	6,904	15,603	13,463	26,685	12,746	49,142	33,113

1 As of the date of publication of this report, data on employees of international units were not available in a consolidated basis and classified according to GRI.

2 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees. Reporting companies remaining in 2014: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep.

Employees – other types of employment contract **GRI 4-10**

YEAR	UNIT	EXECUTIVE BOARD		TRAINEES		APPRENTICES		INTERNS		OTHER	
		WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN
2012	Brazil	19	110	29	65	1,255	504	1,604	1,115	0	0
	International	2	4	0	0	0	0	49	19	0	0
2013	Brazil ²	10	80	37	36	1,230	518	1,985	1,184	0	0
2014 ¹	Brazil ²	8	64	21	32	1,201	482	2,524	1,516	0	0

1 As of the date of publication of this report, data on employees of international units were not available in a consolidated basis and classified according to GRI.

2 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees. Reporting companies remaining in 2014: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep.

Own employees and Outsourced by region **GRI 4-10**

REGION	2012		2013		2014 ¹	
	OWN	OUTSOURCED	OWN	OUTSOURCED	OWN	OUTSOURCED
South	7,609	2,909	7,573	3,561	7,298	2,919
Southeast	70,291	24,785	67,089	20,465	66,120	22,630
Mid-West	3,613	1,267	3,515	1,339	3,405	1,402
Northeast	4,634	3,584	4,538	2,897	4,346	2,428
North	1,181	346	1,188	681	1,139	503
Total	87,328	32,891	83,903	28,943	82,308	29,882

1 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees. Reporting companies remaining in 2014: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep.

Own employees by region, age and gender **GRI 4-10**

REGION	WOMEN								MEN							
	UNDER 30		AGED 30 TO 50		OVER 50		TOTAL		UNDER 30		AGED 30 TO 50		OVER 50		TOTAL	
	2013	2014 ¹	2013	2014 ¹	2013	2014 ¹	2013	2014 ¹	2013	2014 ¹	2013 ¹	2014	2013	2014 ¹	2013	2014 ¹
South	1,593	1,529	2,608	2,517	355	367	4,556	4,413	836	779	1,737	1,600	444	506	3,017	2,885
Southeast	13,848	13,688	23,723	23,427	2,072	2,165	39,643	39,280	8,458	8,173	16,319	15,869	2,669	2,798	27,446	26,840
Mid-West	891	832	1,121	1,167	84	89	2,096	2,088	483	421	771	715	165	181	1,419	1,317
Northeast	1,007	867	1,643	1,680	100	125	2,750	2,672	585	520	1,062	1,000	141	154	1,788	1,674
North	363	342	351	356	9	12	723	710	232	213	217	196	16	20	465	429
Total	17,702	17,258	29,446	29,147	2,620	2,758	49,768	49,163	10,594	10,106	20,106	19,380	3,435	3,659	34,135	33,145

1 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees. Reporting companies remaining in 2014: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep.

In 2014, the highest number of terminations was in the 30 to 50 age group and the highest number of new hires was in the under-30 age group.

Terminations^{1, 2, 3} **GRI 4-LA1**

REGION	WOMEN								MEN							
	UNDER 30		AGED 30 TO 50		OVER 50		TOTAL		UNDER 30		AGED 30 TO 50		OVER 50		TOTAL	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
South	121	137	179	241	40	86	53	124	143	170	55	53	591	811		
Southeast	999	1,231	1,723	2,268	346	488	666	1,032	1,277	1,723	394	405	5,405	7,147		
Mid-West	59	72	88	106	12	18	30	83	63	103	19	22	271	404		
Northeast	72	103	102	177	15	19	45	89	71	147	11	10	316	545		
North	17	29	35	37	3	0	24	38	19	36	0	2	98	142		
Total	1,268	1,572	2,127	2,829	416	611	818	1,366	1,573	2,179	479	492	6,681	9,049		

1 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep. **GRI 4-22 | 4-23**

2 Including terminations due to resignation, retirement or death.

3 The 82,308 employees include only – management, administrative, production and trainees.

Turnover (%)^{1, 2, 3} **GRI 4-LA1**

REGION	WOMEN								MEN							
	UNDER 30		AGED 30 TO 50		OVER 50		TOTAL		UNDER 30		AGED 30 TO 50		OVER 50		TOTAL	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
South	7.60	8.96	6.86	9.57	11.27	23.43	6.34	15.92	8.23	10.63	12.39	10.47				
Southeast	7.21	8.99	7.26	9.68	16.70	22.54	7.87	12.63	7.83	10.86	14.76	14.47				
Mid-West	6.62	8.48	7.85	10.39	14.29	0	6.21	17.84	8.17	18.37	11.52	10				
Northeast	7.15	11.88	6.21	10.54	15.00	15.20	7.69	17.12	6.69	14.70	7.80	6.49				
North	4.68	8.65	9.97	9.08	33.33	20.22	10.34	19.71	8.76	14.41	0.00	12.15				
Total	7.16	9.11	7.22	9.71	15.88	22.15	7.72	13.52	7.82	11.24	13.94	13.45				

1 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep. **GRI 4-22 | 4-23**

2 Including terminations due to resignation, retirement or death.

3 Calculation based on total terminations over total number of employees under management of the Human Resources department at the end of 2014, which corresponds to 82,308 employees in Management, Administrative, Production and Trainee positions.

New hires¹ **GRI 4-LA1**

REGION	WOMEN								MEN							
	UNDER 30		AGED 30 TO 50		OVER 50		TOTAL		UNDER 30		AGED 30 TO 50		OVER 50		TOTAL	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
South	410	253	64	36	0	0	271	171	50	51	0	0	795	511		
Southeast	2,663	2,842	418	435	2	4	1,507	1,874	313	475	4	7	4,907	5,637		
Mid-West	160	139	26	16	0	0	104	79	23	20	1	0	314	254		
Northeast	149	148	25	37	0	1	103	104	25	28	0	0	302	318		
North	79	48	3	7	0	0	43	39	5	3	0	0	130	97		
Total	3,461	3,430	536	531	2	5	2,028	2,267	416	577	5	7	6,448	6,817		

1 Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco itaucard, Icarros Ltda, Pró-imóvel, Itaú Adm Prev and Marcep. **GRI 4-22 | 4-23**

New hires (%)¹ **GRI G4-LA1**

REGION	WOMEN						MEN					
	UNDER 30		AGED 30 TO 50		OVER 50		UNDER 30		AGED 30 TO 50		OVER 50	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
South	25.74	16.55	2.45	1.43	0.00	0	32.42	21.95	2.88	3.19	2.88	0
Southeast	19.23	20.76	1.76	1.86	0.10	0.18	17.82	22.93	1.92	2.99	1.92	0.25
Mid-West	21.76	16.71	0.85	1.37	0.00	0	18.53	18.76	2.3	2.8	2.3	0
Northeast	14.80	17.07	1.52	2.2	0.00	0.8	17.61	20	2.35	2.8	2.35	0
North	17.96	14.04	2.32	1.97	0.00	0	21.53	18.31	2.98	1.53	2.98	0
Total	19.55	20	1.82	1.82	0.08	0.18	19.14	22.43	2.07	2.8	2.07	0.19

¹ Compiling only data from Itaú Unibanco companies managed by the Human Resources department, as well as management, administrative production employees and trainees: Itaú Unibanco, Hipercard, Itaú UBB Hold, Megabônus, Microinvest, Banco Itaú BMG, Provar Negócios, LuizaCred, Credicar Promot, Trishop, Fic promotora, Itaú Seguros, Itaú bmg gestão, Kinea, Itaú Seg Corp, Itaúseg Saúde, Kinea, Banco Itaúcard, Icarros Ltda, Pró-Imóvel, Itaú Adm Prev and Marcep. **GRI G4-22 | G4-23**

Memberships in associations **GRI G4-16**

We are engaged with agencies and entities¹ such as:

- Associação Brasileira das Entidades do Mercado Financeiro e de Capitais – ANBIMA (Brazilian Association of Financial and Capital Markets Entities)
- Associação Brasileira de Bancos – ABBC (Brazilian Association of Banks)
- Associação Brasileira de Bancos Internacionais – ABBI (Brazilian Association of International Banks)
- Associação Paulista Viva (Paulista Viva Association)
- Associação Viva o Centro (Viva o Centro Association)
- Bay Brasil
- Brasil Investimentos e Negócios – BRAIN (Brazil Investments and Business)
- Câmara Americana de Comércio – AMCHAM (American Chamber of Commerce)
- Câmara Portuguesa de Comércio no Brasil (Brazil-Portugal Chamber of Commerce)
- Centro Brasileiro de Relações Internacionais – CEBRI (Brazilian Center for International Relations)
- Confederação Nacional das Empresas de Seguros Gerais, Previdência Privada e Vida, Saúde Suplementar e Capitalização – CNseg (National Confederation of General Insurance, Private Pension and Life, Health Insurance, and Capitalization Companies)
- Conselho Empresarial Brasil-China (Brazil-China Business Council)
- Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável – CEBDS (Brazilian Business Council for Sustainable Development)
- Federação Brasileira de Bancos – FEBRABAN (Brazilian Federation of Banks)
- Fundação Abrinq (Abrinq Foundation)
- Global Bank Alliance for Women – GBA
- Instituto Brasileiro de Executivos de Finanças – IBEF (Brazilian Institute of Finance Executives)
- Real Gabinete Português de Leitura (Royal Portuguese Library – Rio)
- Sustainability
- The Nature Conservancy
- World Economic Forum

We also make contributions to the following associations:²

- Akatu
- Associação Brasileira de Ciências (Brazilian Academy of Sciences)
- Estratégia Nacional de Educação Financeira (National Strategy for Financial Education)
- Fundação Dom Cabral (Dom Cabral Foundation)
- Instituto Ethos (Ethos Institute)

We join externally developed initiatives³ such as: **GRI G4-15**

- AA1000
- The Business Charter for Human Rights and Decent Work
- CDP
- The Business Contribution for a Green Inclusive Economy (RIO + 20)
- The GHG Protocol
- Global Reporting Initiative (GRI)
- The International Integrated Reporting Committee (IIRC)
- Global Compact
- The National Pact for Eradication of Slave Labor
- The Equator III Principles
- Principles for Responsible Investment (PRI)
- Principles for Sustainable Insurance (PSI)
- The United Nations Environmental Program – Finance Initiative (UNEP-FI)

Environmental investment and expenses **GRI G4-EN31**

Investments in waste disposal, treatment of emissions, and environmental prevention and management (R\$)

	2012	2013	2014
Waste disposal and treatment of emissions	1,555,936.7	1,639,867.60	1,624,289.40
Treatment of emissions	10,737,175.86	28,369,571.25	-
Expenses – purchase and use of emission certificates ²	20,790	1,585.00	-
Subtotal	12,313,902.56	30,011,023.85	1,624,289.40
Environmental prevention and management			
Outside environmental management services	0	16,913.70	38,489.9 ²
Outside certification of management systems	7,260.16	8,500.05	8,500
Extra expense of fitting cleaner technologies ⁵	286,338,666.97	52,608,882.56	4,099,176
Other environmental management costs	1,097,629.69	232,359.05	125,408 ⁵
Subtotal	287,443,556.82	52,866,655.36	4,271,573.90
Total	299,757,459.38	82,877,679.21	5,895,863.30

¹ Amount shown includes investments in waste management.

² 2012 and 2013 spending totals reflected new BMS system for more efficient use of energy, diesel oil and GHG treatment.

³ Maintenance audit for environmental management system ISO 14001 at Tatuapé administrative center.

⁴ Expenses refer to LEED certification for new buildings (data center) and energy and water efficiency projects.

⁵ ISO 14001 communication campaign, target (Hiring of NBRs applicables to Tatuapé Administrative Center, Âmbito (Legislation Monitoring System) and 'Green Walkway' (see in Community text, on page A-165))

Itaú Insurance

Products and portfolio

Group Life Insurance and Personal Accident Insurance – for public and privately held companies in the industrial, commercial and service sectors, offering benefits to employees, partners and owners – in case of death of the policyholder – such as: indemnification coverage, monthly food staples package, funeral assistance and the *Fique Bem* Program, psychological and financial assistance. **GRI ES7**

¹ Entities in which we participate and/or have formal representation on boards, committees etc. For cases in which our participation arises from a voluntary commitment to which we are signatories, the voluntary commitment is mentioned in the third list.

² Sustainability memberships.

³ Voluntary commitments and guidelines.

Borrower Protection – financial protection for clients who arrange a loan, finance or take on a commitment to make monthly repayments to the bank. Insurance covers full or partial repayment of debt for the following types of coverage: dismissal of workers employed under Labor Code (CLT) conditions, total or temporary incapacity for self-employed or independent professionals, permanent disability due to accident or death. There is also Borrower Protection for microcredit finance. In 2014, there were 6,586,442 Borrower Protection policies. Numbers for borrower insurance, overdrafts and credit cards were not shown in the 2013 report, but have now been included for 2014. [GRI FS7](#)

Percentage of portfolio by business line and sector – 2014 [GRI FS6](#)

BUSINESS LINE	SECTOR ¹	PORTFOLIO VALUE (IN R\$ MILLIONS)	TOTAL VALUE OF BUSINESS LINE (R\$ MILLION)	PORTFOLIO VALUE (PERCENTAGE)
Property insurance	Other activities	1.65	98.35	1.68
Property insurance	Building Materials trade	1.26	98.35	1.28
Property insurance	Food products and beverages trade	4.43	98.35	4.50
Property insurance	Apparel trade	1.37	98.35	1.39
Property insurance	Automotive and auto parts trade	1.10	98.35	1.12
Property insurance	Commerce – non-classified companies	57.70	98.35	58.67
Property insurance	Civil Eng. & Construction	1.03	98.35	1.04
Property insurance	Companies operating in multiple fields	1.99	98.35	2.02
Property insurance	Industry – non-classified companies	2.81	98.35	2.86
Property insurance	Other activities	10.47	98.35	10.64
Group Life insurance and Group Personal Accident Insurance	Transportation	20.46	704.73	2.90
Group Life insurance and Group Personal Accident Insurance	Banco Multiplô	40.59	704.73	5.76
Group Life insurance and Group Personal Accident Insurance	Foods and beverages trade	19.59	704.73	2.78
Group Life insurance and Group Personal Accident Insurance	Commerce – non-classified companies	54.94	704.73	7.80
Group Life insurance and Group Personal Accident Insurance	Civil Eng. & Construction	51.73	704.73	7.34
Group Life insurance and Group Personal Accident Insurance	Companies operating in multiple fields	20.25	704.73	2.87
Group Life insurance and Group Personal Accident Insurance	Automotive and auto parts industry	14.19	704.73	2.01
Group Life insurance and Group Personal Accident Insurance	Industry – non-classified companies	73.95	704.73	10.49
Group Life insurance and Group Personal Accident Insurance	Metalwork	10.23	704.73	1.45
Group Life insurance and Group Personal Accident Insurance	Public-sector services	51.81	704.73	7.35
Group Life insurance and Group Personal Accident Insurance	Services – non-classified companies	114.11	704.73	16.19
Group Life insurance and Group Personal Accident Insurance	Management/Admin. Services	42.42	704.73	6.02
Group Life insurance and Group Personal Accident Insurance	Repair, maintenance and installation services	7.53	704.73	1.07
Group Life insurance and Group Personal Accident Insurance	Medical and veterinary services	7.91	704.73	1.12
Group Life insurance and Group Personal Accident Insurance	Technical and professional services	7.66	704.73	1.09
Group Life insurance and Group Personal Accident Insurance	Other activities	35.00	704.73	4.97

1. Only the sectors representing over 1% of the portfolio were disclosed.

Percentage of portfolio by business line and region – 2014 [GRI FS6](#)

BUSINESS LINE	REGION	PORTFOLIO VALUE (IN R\$ MILLIONS)	TOTAL VALUE OF BUSINESS LINE (R\$ MILLION)	PORTFOLIO VALUE (PERCENTAGE)
Property insurance	AM	1.23	98.35	1.25
Property insurance	BA	3.74	98.35	3.80
Property insurance	CE	2.51	98.35	2.55
Property insurance	ES	1.07	98.35	1.09
Property insurance	GO	3.29	98.35	3.35
Property insurance	MG	7.60	98.35	7.73
Property insurance	MT	1.31	98.35	1.33
Property insurance	PE	3.71	98.35	3.77
Property insurance	PR	5.48	98.35	5.57
Property insurance	RJ	12.94	98.35	13.15
Property insurance	RN	1.19	98.35	1.21
Property insurance	RS	2.58	98.35	2.62
Property insurance	SC	2.84	98.35	2.89
Property insurance	SP	41.62	98.35	42.31
Property insurance	DF	1.99	98.35	2.02
Group Life insurance and Group Personal Accident Insurance	BA	17.28	704.73	2.45
Group Life insurance and Group Personal Accident Insurance	CE	8.57	704.73	1.22
Group Life insurance and Group Personal Accident Insurance	GO	9.66	704.73	1.37
Group Life insurance and Group Personal Accident Insurance	MG	68.75	704.73	9.76
Group Life insurance and Group Personal Accident Insurance	PE	12.78	704.73	1.81

Vehicle Financing

Product Portfolio

Vehicle Financing Portfolio percentages

by sector – 2014 [GRI FS6](#)

SECTOR	PORTFOLIO VALUE (IN R\$ MILLIONS)		TOTAL VALUE OF BUSINESS LINE (IN R\$ MILLIONS)		PORTFOLIO VALUE (PERCENTAGE OF BUSINESS LINE)	
	2014	2013	2014	2013	2014	2013
Transport	5,198.10	5,116.51	9,736.92	9,867.63	53.4%	51.85
Construction materials	1,011.25	696.28	9,736.92	9,867.63	10.4%	7.06
Light-and-heavy-duty vehicles	512.93	358.33	9,736.92	9,867.63	5.3%	5.28
Food Industry	842.18	520.84	9,736.92	9,867.63	8.6%	3.63
Other (whose portfolio value is significantly smaller than the four main sectors)	2,172.48	3,175.66	9,736.92	9,867.63	22.3%	32.18

Percentage of the portfolio of the Vehicle

Financing by region – 2014 [GRI FS6](#)

REGION	PORTFOLIO VALUE (IN R\$ MILLIONS)		TOTAL VALUE OF BUSINESS LINE (IN R\$ MILLIONS)		PORTFOLIO VALUE (PERCENTAGE OF BUSINESS LINE)	
	2014	2013	2014	2013	2014	2013
Southeast	4,035.17	4,181.57	9,736.92	9,867.63	41.4%	42.38
South	3,139.75	3,184.78	9,736.92	9,867.63	32.2%	32.28
Mid-West	896.25	898.91	9,736.92	9,867.63	9.2%	9.11
Northeast	1,230.30	1,188.60	9,736.92	9,867.63	12.6%	12.05
North	435.45	413.77	9,736.92	9,867.63	4.5%	4.19

Percentage of the portfolio of the Vehicle

Financing area by size – 2014 [GRI FS6](#)

SIZE OF BUSINESS	PORTFOLIO VALUE (IN R\$ MILLIONS)		TOTAL VALUE OF BUSINESS LINE (IN R\$ MILLIONS)		PORTFOLIO VALUE (PERCENTAGE OF BUSINESS LINE)	
	2014	2013	2014	2013	2014	2013
Micro enterprises (0 – 2,400.00MM)	2,836.21	3,643.11	9,736.92	9,867.63	29.1%	36.92
Small enterprises (2,400.01 – 16,000.00MM)	4,029.52	3,907.33	9,736.92	9,867.63	41.4%	39.60
Medium enterprises (16,000.01 – 90,000.00MM)	2,009.36	1,739.97	9,736.92	9,867.63	20.6%	17.63
Medium / Large enterprises (90,000.00 – 300,000.00MM)	690.14	463.19	9,736.92	9,867.63	7.1%	4.69
Large enterprises (over 300,000.01MM)	170.53	107.24	9,736.92	9,867.63	1.7%	1.09
Information not available	1.16	6.78	9,736.92	9,867.63	0.0%	0.07

Waste

Waste by disposal – tons [GRI G4-EN23](#)

DISPOSAL (T)	NON-HAZARDOUS			HAZARDOUS		
	2012	2013	2014	2012	2013	2014
Recycling ¹	9,558.54	7,809.88 ¹	1,285.00	145.47	6,432.09	2,894.67
Composting	554.25	431.76	368.82	N/A	N/A	N/A
Landfill ²	3,043.81	2,776.63 ²	1,618.82	N/A	N/A	N/A
Other ⁴	203.90	827.60	44.35	N/A	N/A	N/A

1. Non-hazardous waste recycled: trimmings, plastic, paper, metal, glass and wood.

2. Non-hazardous waste sent to sanitary landfill: organic waste.

3. Hazardous waste for recycling: approximately 96% electronics waste and 97% batteries. Includes components replaced after repairs such as TV tubes, monitors, wire, plastic parts, electronic boards, cables and electric motors, UPS batteries.

4. Building debris.

*62,144 lamps were also disposed of in 2014.

Itaú BBA

Itaú BBA Portfolio [GRI FS6](#)

Itaú BBA only operates with large companies, with a portfolio totaling R\$194.593,35 million.

Percentage of Itaú BBA portfolio by sector – 2014

SECTOR	PORTFOLIO VALUE (IN R\$ MILLION)	TOTAL VALUE OF THE BUSINESS LINE (R\$ MILLION)	PORTFOLIO VALUE (PERCENTAGE OF BUSINESS LINE)
Corporate and Investment Banking (CIB)	187,912.94	194,593.35	96.57%
Treasury	6,680.41	194,593.35	3.43%

Percentage of Itaú BBA portfolio by region – 2014

REGION	PORTFOLIO VALUE (IN R\$ MILLION)	TOTAL VALUE OF BUSINESS LINE (IN R\$ MILLION)	PORTFOLIO VALUE (PERCENTAGE OF BUSINESS LINE)
Mid-West and North	1,906.61	187,912.94	1.01%
South	18,556.70	187,912.94	9.88%
Southeast	148,975.65	187,912.94	79.28%
Northeast	4,590.02	187,912.94	2.44%
Others	13,883.96	187,912.94	7.39%

Social and Environmental Risk Policy and Equator Principles

Project Finance¹ closed (Equator Principles III criteria) – 2014

	NUMBER OF PROJECTS	TOTAL INVESTMENT (R\$ MILLION ²)	ITAÚ BBA'S SHARE (R\$ MILLION ²)
Category			
A	0	0	0
B	2	5,014.1	496.3
C	0	0	0
Sector			
Logistics	1	2,400.00	104.2
Sanitation	1	2,614.1	392.1
Location			
Southeast Brazil	2	5,014.1	496.3
Independent Consultant			
Transactions analyzed WITH independent consultant	2	5,014.1	496.3
Transactions analyzed WITHOUT independent consultant	0	0	0
Total			
Total	2	5,014.1	496.3

1 - Project Finance as per Basel definition at www.bis.org/publ/bcbs107.pdf

2 - If in a different currency, transaction-day exchange rate was used.

NB: Brazil is a Non-Designated country

Project Finance¹ approved by Itaú BBA – pre-drawdown² (Equator Principles III criteria) – 2014

	PROJECTS APPROVED	APPROVED VOLUME IBBA'S SHARE (R\$ MM ³)
Business sector of the Project Finance approved (not approved yet)		
Energy	2	812.3
Mining	3	228.3
Location of the Project Finance approved (not contracted yet)		
Chile	1	177.3
North Brazil	2	103.1
Southeast Brazil	1	125.3
Brazil ⁴	1	635.0
Total of the Project Finance approved (not contracted yet)		
Total	5	1,040.6

1. Project Finance as per Basel definition at www.bis.org/publ/bcbs107.pdf

2. No drawdown in 2014 for various reasons.

3. If in a different currency, transaction-day exchange rate was used.

4. Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

NB: Projects to be definitively categorized as per Principle 1 before drawdown.

NB: Brazil is a Non-Designated Country, while Chile is a Designated Country.

Project Related Corporate Loans closed (Equator Principles III criteria) – 2014

	NUMBER OF PROJECTS	TOTAL INVESTMENT (R\$ MILLION ²)	ITAÚ BBA'S SHARE (R\$ MILLION ²)
Categorization of the Corporate Finance Contracted			
A	0	0	0
B	1	424.6	300.9
C	0	0	0
Business sector of the Corporate Finance Contracted			
Cement	1	424.6	300.9
Location of the Corporate Finance Contracted			
Southeast Brazil	1	424.6	300.9
Independent Consultant			
Transactions analyzed WITH independent consultant	0	0	0
Transactions analyzed WITHOUT independent consultant	1	424.6	300.9
Total			
Total	1	424.6	300.9

1. IBBA Social and Environmental Risk Policy.

2. If in a different currency, transaction-day exchange rate was used.

3. Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

N.B. Corporate-finance projects are usually covered by existing credit limits rather than approved for specific operations.

NB: Brazil is a Non-Designated Country.

Advisory mandates in 2014

	ADVISORY MANDATED
Sector – projects associated with mandates	
Sugar & Alcohol	1
Cement	1
Energy	7
Forestry	1
Logistics	1
Location – projects associated with mandates	
Northeast Brazil	4
Southeast Brazil	4
South Brazil	1
Brazil ¹	1
Uruguay	1
Total	
Total	11

1. Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Corporate Finance projects closed and assessed using Social and Environmental Policy criteria¹ in 2014

	NUMBER OF PROJECTS	TOTAL INVESTMENT (R\$ MILLION ²)	ITAÚ BBA'S SHARE (R\$ MILLION ²)
Categorization of the Corporate Finance			
A	0	0	0
B	4	1,862.3	393.0
C	29	2,229.4	1,158.0
Business sector of the Corporate Finance Projects			
Sugar & Alcohol	23	1,683.4	958.6
Agribusiness	5	540.1	149.6
Energy	3	1,525.5	281.6
Industry	1	48.6	30.9
Telecommunications	1	294.2	130.4
Location of the Corporate Finance Projects			
Mid-West Brazil	5	352.9	214.8
Northeast Brazil	2	1,495.2	271.3
Southeast Brazil	20	1,486.0	787.6
South Brazil	3	377.4	87.0
Brazil ³	3	380.3	190.4
Total			
Total	33	4,091.7	1,551.1

1. IBBA Social and Environmental Risk Policy.

2. If in a different currency, transaction-day exchange rate was used.

3. Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

N.B. Corporate-finance projects are usually covered by existing credit limits rather than approved for specific operations.

Other project-related transactions closed in 2014 and assessed using Social and Environmental Policy criteria¹

	NUMBER OF TRANSACTIONS APPROVED		
	BRIDGE LOAN	PROJECT SURETYSHIP	TOTALS
Number of transactions	9	7	16
Amounts – transactions drawdown			
Total investment (R\$ million) ²	67,810.0	11,775.7	79,585.7
Itaú BBA's share (R\$ million) ²	1,852.8	869.7	2,722.6
Categories – transactions drawdown			
A	2	0	2
B	6	7	13
C	1	0	1
Location – projects associated with transactions drawdown			
Mid-West Brazil	1	2	3
North Brazil	1	0	1
Northeast Brazil	4	2	6
Southeast Brazil	1	1	2
South Brazil	0	2	2
Brazil ³	2	0	2
Sector – projects associated with transactions drawdown			
Energy	7	3	10
Logistics	1	3	4
Oil and Gas	1	1	2

1 - IBBA Social and Environmental Risk Policy.

2 - If in a different currency, transaction-day exchange rate was used.

3 - Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Other project-related transactions approved by Itaú BBA in 2014 and assessed using Social and Environmental¹ Policy criteria in 2014, but not closed yet ²

	NUMBER OF TRANSACTIONS APPROVED (PRE-DRAWDOWN)		
	BRIDGE LOAN	PROJECT GUARANTEE	TOTALS
Number of projects	12	6	18
Total transactions approved (pre-drawdown)			
Volume approved – IBBA participation (R\$ MM) ³	2,705.0	1,170.0	3,875.0
Location – projects associated with transactions approved (pre-drawdown)			
Brazil ⁴	2	0	2
Mid-West Brazil	1	1	2
Northeast Brazil	5	3	8
Southeast Brazil	3	2	5
South Brazil	1	0	1
Sector – projects associated with transactions approved (pre-drawdown)			
Energy	10	6	16
Logistics	2	0	2

1 - IBBA Social and Environmental Risk Policy.

2 - No drawdown in 2014 for various reasons.

3 - If in a different currency, transaction-day exchange rate was used.

4 - Projects located in more than one region of Brazil (e.g. linear infrastructure, CAPEX for chain stores etc.).

Project-related transactions canceled due to social and environmental issues in 2014

	NUMBER OF TRANSACTIONS
Type of transaction canceled	
Advisor	1
Location – projects associated with canceled transactions	
North Brazil	1
Sector – projects associated with canceled transactions	
Mining	1
Totals	
Total	1

GRI Content Index for

"In accordance" – Core

GRI G4-32

GENERAL STANDARD DISCLOSURES						
General Standard Disclosures	Page Number (or Link)				External Assurance	Global Compact (Principles)
STRATEGY AND ANALYSIS						
G4-1	A-8				No	
G4-2	A-59				No	
ORGANIZATIONAL PROFILE						
G4-3	A-10				No	
G4-4	A-24				No	
G4-5	A-42				No	
G4-6	A-7, A-71				No	
G4-7	We are a publicly traded corporation				No	
G4-8	A-34 to A-36				No	
G4-9	A-7, A-20, A-34				Yes, A-194 to A-195	
G4-10	A-184, A-185				Yes, A-194 to A-195	6
G4-11	A-20 to A-21				No	3
G4-12	A-162 to A-165				Yes, A-194 to A-195	
G4-13	A-14 to A-18				Yes, A-194 to A-195	
G4-14	A-78				No	
G4-15	A-44, A-149, A-166, A-186				Yes, A-194 to A-195	
G4-16	A-186				No	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES						
G4-17	A-10				No	
G4-18	A-138 to A-142				Yes, A-194 to A-195	
G4-19	A-140, A-141, A-142				Yes, A-194 to A-195	
G4-20	A-138				Yes, A-194 to A-195	
G4-21	A-138				Yes, A-194 to A-195	
G4-22	A-14, A-15, A-185, A-186				Yes, A-194 to A-195	
G4-23	A-15, A-185, A-186				Yes, A-194 to A-195	
STAKEHOLDER ENGAGEMENT						
G4-24	A-138, A-151				Yes, A-194 to A-195	
G4-25	A-151				Yes, A-194 to A-195	
G4-26	A-151, A-164, A-165, A-166				Yes, A-194 to A-195	
G4-27	A-143				No	
REPORT PROFILE						
G4-28	A-10, A-11				Yes, A-194 to A-195	
G4-29	2013				Yes, A-194 to A-195	
G4-30	A-10				No	
G4-31	A-10				No	
G4-32	A-191				No	
G4-33	A-138				Yes, A-194 to A-195	
GOVERNANCE						
G4-34	A-142 to A-143				Yes, A-194 to A-195	
G4-36	A-143				Yes, A-194 to A-195	
G4-39	A-45				No	
G4-41	A-45				No	
G4-51	A-56				Yes, A-194 to A-195	
G4-52	A-156 to A-157				No	
ETHICS AND INTEGRITY						
G4-56	A-138, A-158 to A-159				Yes, A-194 to A-195	10
G4-57	A-144, A-159 to A-160				Yes, A-194 to A-195	10
G4-58	A-144, A-159 to A-160				Yes, A-194 to A-195	10
SPECIFIC STANDARD DISCLOSURES						
DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance	Global Compact (Principles)
CATEGORY: ECONOMIC						
MATERIAL ASPECT: ECONOMIC PERFORMANCE						
G4-DMA	A-178	-	-	-	No	
G4-EC1	A-181	-	-	-	Yes, A-194 to A-195	
G4-EC2	A-178 to A-179	-	-	-	Yes, A-194 to A-195	7
G4-EC4	A-167	-	-	-	Yes, A-194 to A-195	

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
MATERIAL ASPECT: PROCUREMENT PRACTICES						
G4-DMA	A-162 to A-165	-	-	-	No	
G4-EC9	A-164	1 – total in Brazilian reais allocated to be spent on suppliers in the year of the report. 2 – of this value, what percentage is spent with the locals.	The information is subject to specific confidentiality constraints	Total expenditures of all our operations' suppliers, is a sensitive information for the company therefore we prefer not to disclosure it.	No	
CATEGORY: ENVIRONMENTAL						
MATERIAL ASPECT: MATERIALS						
G4-DMA	A-172	-	-	-	No	
G4-EN1	A-177	-	-	-	No	7 8
MATERIAL ASPECT: ENERGY						
G4-DMA	A-172	-	-	-	No	
G4-EN3	A-174	-	-	-	Yes, A-194 to A-195	7 8
G4-EN6	A-174 to A-175	-	-	-	Yes, A-194 to A-195	8 9
MATERIAL ASPECT: WATER						
G4-DMA	A-172	-	-	-	No	
G4-EN8	A-172	-	-	-	Yes, A-194 to A-195	7 8
G4-EN10	A-173	-	-	-	Yes, A-194 to A-195	8
MATERIAL ASPECT: EMISSIONS						
G4-DMA	A-172, A-176	-	-	-	No	
G4-EN15	A-175	-	-	-	Yes, A-194 to A-195	7 8
G4-EN16	A-175	-	-	-	Yes, A-194 to A-195	8
G4-EN17	A-175	-	-	-	Yes, A-194 to A-195	8
G4-EN19	A-175 to A-176	-	-	-	Yes, A-194 to A-195	8 9
MATERIAL ASPECT: EFFLUENTS AND WASTE						
G4-DMA	A-172	-	-	-	No	
G4-EN23	A-188	-	-	-	No	8
MATERIAL ASPECT: TRANSPORT						
G4-DMA	A-172	-	-	-	No	
G4-EN30	A-176	-	-	-	Yes, A-194 to A-195	8
MATERIAL ASPECT: OVERALL						
G4-DMA	A-172, A-178	-	-	-	No	
G4-EN31	A-178, A-186	-	-	-	Yes, A-194 to A-195	7 8 9
MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT						
G4-DMA	A-162 to A-165	-	-	-	No	
G4-EN32	A-163	-	-	-	No	8
G4-EN33	A-163	* The number of suppliers identified as causers of Real and potentially significant negative environmental impacts. c. Real and potentially significant negative environmental impacts identified on the chain of suppliers d. Percentage of suppliers identified as causers of real and potentially significant negative environmental impacts with which the improvements were approved as a result of the evaluation performed. e. Percentage of suppliers identified as causers of real and potentially significant negative environmental impacts with which the organization ended the relationship based on the evaluations made and the reason given	The information is currently unavailable	We have developed an action plan for monitoring and reporting such information in 2015.	No	8
CATEGORY: SOCIAL						
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK						
MATERIAL ASPECT: EMPLOYMENT						
G4-DMA	A-153	-	-	-	Yes, A-194 to A-195	
G4-LA1	A-153, A-185, A-186	-	-	-	Yes, A-194 to A-195	6
G4-LA2	A-157	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY						
G4-DMA	A-153 to A-154	-	-	-	Yes, A-194 to A-195	
G4-LA5	A-153	-	-	-	No	
G4-LA6	A-181, A-182	-	-	-	Yes, A-194 to A-195	
G4-LA7	A-154	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: TRAINING AND EDUCATION						
G4-DMA	A-155	-	-	-	No	
G4-LA9	A-182	-	-	-	Yes, A-194 to A-195	6
G4-LA10	A-154 to A-155	• The transition programs to facilitate the employability in case of retirement or of termination of the employment contract.	The information is currently unavailable	We have an action plan to start a pilot project in 2015 and therefore, this will be reported in the 2016 report	Yes, A-194 to A-195	
G4-LA11	A-155	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY						
G4-DMA	A-152 to A-153	-	-	-	Yes, A-194 to A-195	
G4-LA12	A-182, A-183, A-184	-	-	-	Yes, A-194 to A-195	6

Context	Our profile	Our governance	Our risk management	Performance	Sustainability	Attachments
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN						
G4-DMA	A-156 to A-157	-	-	-	Yes, A-194 to A-195	
G4-LA13	A-184	-	-	-	Yes, A-194 to A-195	6
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES						
G4-DMA	A-162 to A-165	-	-	-	Yes, A-194 to A-195	
G4-LA14	A-163	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS						
G4-DMA	A-158	-	-	-	Yes, A-194 to A-195	
G4-LA16	A-117, A-158	-	-	-	Yes, A-194 to A-195	
SUB-CATEGORY: HUMAN RIGHTS						
MATERIAL ASPECT: NON-DISCRIMINATION						
G4-DMA	A-158	-	-	-	Yes, A-194 to A-195	
G4-HR3	A-158, A-181	-	-	-	Yes, A-194 to A-195	6
SUB-CATEGORY: SOCIETY						
MATERIAL ASPECT: LOCAL COMMUNITIES						
G4-DMA	A-165	-	-	-	No	
G4-SO1	A-165	• The percentage of operations that implemented programs of engagement of the community	The information is currently unavailable	It is complex and challenging to treat and measure this information in our segment. So we are committed to conduct a feasibility study for management and operational deployment theme, bringing the results of this study in the next report.	No	1
MATERIAL ASPECT: ANTI-CORRUPTION						
G4-DMA	A-158 to A-159	-	-	-	Yes, A-194 to A-195	
G4-SO4	A-159	-	-	-	Yes, A-194 to A-195	10
MATERIAL ASPECT: PUBLIC POLICY						
G4-DMA	A-166	-	-	-	No	
G4-SO6	A-167	-	-	-	Yes, A-194 to A-195	10
MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOR						
G4-DMA	A-181	-	-	-	Yes, A-194 to A-195	
G4-SO7	A-181	-	-	-	Yes, A-194 to A-195	
SUB-CATEGORY: PRODUCT RESPONSIBILITY						
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING						
G4-DMA	A-159	-	-	-	Yes, A-194 to A-195	
G4-PR5	A-159	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: MARKETING COMMUNICATIONS						
G4-DMA	A-161	-	-	-	Yes, A-194 to A-195	
G4-PR7	A-161	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: CUSTOMER PRIVACY						
G4-DMA	A-162	-	-	-	Yes, A-194 to A-195	
G4-PR8	A-162	-	-	-	Yes, A-194 to A-195	
SECTOR SUPPLEMENT – FINANCIAL SERVICES						
FORM OF MANAGEMENT: PRODUCT PORTFOLIO						
DMA-FS1	A-146, A-147, A-148, A-149, A-150, A-151	-	-	-	Yes, A-194 to A-195	
DMA-FS2	A-146, A-148, A-149, A-151	-	-	-	Yes, A-194 to A-195	
DMA-FS3	A-147, A-148, A-151	-	-	-	Yes, A-194 to A-195	
DMA-FS4	A-147, A-148, A-149, A-151	-	-	-	Yes, A-194 to A-195	
DMA-FS5	A-147, A-149	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: PRODUCT PORTFOLIO						
G4-DMA	A-90	-	-	-	No	
FS6	A-148, A-151, A-187, A-188	-	-	-	Yes, A-194 to A-195	
FS7	A-149 to A-150, A-151, A-186, A-187	-	-	-	Yes, A-194 to A-195	
FS8	A-149 to A-150	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: AUDIT						
G4-DMA	A-149	-	-	-	No	
FS9	A-149	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: ACTIVE OWNERSHIP						
G4-DMA	A-149	-	-	-	No	
FS10	A-149	-	-	-	No	
FS11	A-149	-	-	-	Yes, A-194 to A-195	
FS12	A-149	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: LOCAL COMMUNITIES						
G4-DMA	A-151	-	-	-	No	
FS13	A-151	-	-	-	No	
FS14	A-151, A-152	-	-	-	Yes, A-194 to A-195	
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING						
G4-DMA	A-143	-	-	-	No	
FS15	A-143 to A-146	-	-	-	Yes, A-194 to A-195	
FS16	A-143 to A-146	-	-	-	Yes, A-194 to A-195	

Independent auditor's limited assurance report on the sustainability information included in the Consolidated Annual Report for 2014

To the Management of
Itaú Unibanco Holding S.A.
São Paulo - SP

Introduction

We have been engaged by **Itaú Unibanco Holding S.A.** ("Itaú Unibanco") to present our limited assurance report (i) on the compilation of sustainability information included in the Consolidated Annual Report for 2014 of **Itaú Unibanco Holding S.A.**, for the year ended December 31, 2014, and (ii) on compliance with the principles defined in AA1000 AccountAbility Principles Standards 2008 ("AA1000APS") as regards the process of engaging stakeholders and defining materiality.

Management's responsibility

The management of Itaú Unibanco Holding S.A. is responsible for the preparation and fair presentation of the sustainability information included in the Consolidated Annual Report for 2014, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4) and for such internal control as it determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error, and is also responsible for complying with the principles defined in AA1000APS as regards the process of engaging stakeholders and defining materiality.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the information related to sustainability included in the Consolidated Annual Report for 2014, 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 related to sustainability included in the Consolidated Annual Report for 2014, taken as a whole, is free from material misstatement.

Our responsibility is also to express a conclusion on the process of engaging stakeholders and defining materiality, based on our limited assurance engagement conducted in accordance with

AA1000 Assurance Standard ("AA1000AS") 2008 - Type 1, which establishes the following procedures:

- confirm the existence of a process for identification and participation of key stakeholders;
- confirm the existence of a transparent procedure for determining the materiality of significant issues; and
- confirm the existence of a communication process with key stakeholders, and also for the presentation of a well-defined structure in the Consolidated Annual Report, as regards the process of responsiveness to sustainability-related issues.

A limited assurance engagement conducted in accordance with NBC TO 3000, ISAE 3000 and AA1000AS 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 sustainability 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 sustainability information included in the Consolidated Annual Report for 2014, 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 related to sustainability included in the Consolidated Annual Report for 2014 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 Consolidated Annual Report for 2014; and
- (d) obtaining evidence about the most material GRI-G4 indicators included in the Consolidated Annual Report for 2014 and presented in the "GRI Summary".

Our limited assurance engagement also included checking compliance with the principles of AA1000APS in the process of engaging stakeholders and defining materiality.

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

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the sustainability information included in the Consolidated Annual Report for 2014 and compliance with the principles of AA1000APS. Consequently, we were unable to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement, the objective of which is the 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 sustainability information included in the Consolidated Annual Report for 2014 or instances of non-compliance with the principles of AA1000APS. Therefore, we do not express an opinion on these matters.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate 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 years, nor future projections and goals.

Itaú Unibanco Holding S.A.

Conclusion

Based on the procedures performed, described herein, no matter has come to our attention that causes us to believe (i) that the sustainability information included in the Consolidated Annual Report for 2014 of Itaú Unibanco Holding S.A. for the year ended December 31, 2014, has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI-G4), and (ii) that the process of engaging stakeholders and defining materiality has not been performed in accordance with the guidelines established in the AA1000 AccountAbility Principles Standard.

São Paulo, April 24, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Selected Statistical Information

The following information is included for analytical purposes and should be read in together with our section Performance, item Financial Performance, Significant Accounting Policies, Assets and Liabilities and Item Consolidated Financial Statements (IFRS).

The data included or referenced in this section are presented in accordance with IFRS, unless otherwise indicated.

Average Balance Sheet and Interest Rate Data

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and

liabilities accounts, the related interest income and expense amounts and the average real yield/rate for each period.

We calculated the average balances using monthly book balances as we believe such balances are representative of our operations and it would be too costly to produce average balances using daily book balances in IFRS.

The majority of our business is composed of retail banking operations, which have grown organically and without significant fluctuations over short periods. Non-accrual loans and leases are disclosed as a non-interest earning asset for the periods indicated in the table below:

(In millions of R\$, except percentages)

ASSETS	2014			2013			2012		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)
Interest-earning assets ⁽¹⁾	955,416	120,115	12.6	882,472	94,127	10.7	784,686	96,364	12.3
Interbank deposits	24,019	1,286	5.4	19,880	583	2.9	24,873	1,042	4.2
Securities purchased under agreements to resell	170,327	17,929	10.5	162,865	12,630	7.8	122,546	10,096	8.2
Central Bank compulsory deposits	69,882	5,904	8.4	62,492	4,314	6.9	70,416	5,334	7.6
Financial assets held for trading	134,695	15,128	11.2	138,667	10,860	7.8	126,160	13,324	10.6
Available-for-sale financial assets	78,559	7,272	9.3	86,571	5,067	5.9	62,527	3,771	6.0
Held-to-maturity financial assets	24,317	2,347	9.7	4,473	486	10.9	3,094	471	15.2
Loan operations and lease operations (accrual)	403,447	69,248	17.2	362,330	59,546	16.4	335,127	61,139	18.2
Other Financial Assets	50,170	1,001	2.0	45,193	641	1.4	39,943	1,187	3.0
Non-interest-earning assets	97,526			83,025			70,758		
Cash and deposits on demand	17,038			13,806			12,814		
Central Bank compulsory deposits	4,025			3,850			4,141		
Derivatives	12,647			11,224			9,502		
Non-accrual loans	17,040			19,216			20,055		
Allowance for loan and lease losses	(21,655)			(24,103)			(24,962)		
Fixed assets, net	7,145			5,958			5,360		
Investments in unconsolidated companies	3,964			3,233			3,032		
Goodwill	1,798			147			-		
Intangible assets, net	6,019			5,110			4,243		
Tax assets	35,000			33,155			28,151		
Assets held for sale	137			119			100		
Other assets	14,369			11,311			8,423		
Total	1,052,942			965,497			855,444		

(1) For the net yield on total average interest-earning assets, see "Net Interest Margin and Spread".

(In millions of R\$, except percentages)

LIABILITIES	2014			2013			2012		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/RATE (%)
Interest-bearing liabilities	793,069	72,977	9.2%	738,535	46,361	6.3%	649,026	48,067	7.4%
Interest-bearing deposits	234,000	12,064	5.2%	209,347	9,802	4.7%	206,652	10,544	5.1%
Savings deposits	111,473	6,905	6.2%	92,964	5,014	5.4%	73,404	4,069	5.5%
Interbank Deposits	6,131	692	11.3%	7,446	300	4.0%	8,661	286	3.3%
Time deposits	116,395	4,467	3.8%	108,937	4,488	4.1%	124,587	6,188	5.0%
Securities sold under repurchase agreements	266,527	26,771	10.0%	256,025	16,865	6.6%	204,358	17,539	8.6%
Interbank market debt and Institutional market debt	183,981	25,099	13.6%	174,834	16,216	9.3%	154,852	13,440	8.7%
Interbank market debt	113,522	14,404	12.7%	104,002	6,245	6.0%	94,555	5,747	6.1%
Institutional market debt	70,459	10,695	15.2%	70,832	9,971	14.1%	60,297	7,693	12.8%
Reserves for insurance and private pension and Liabilities for capitalization plans	107,880	8,987	8.3%	97,818	3,436	3.5%	82,820	6,513	7.9%
Other interest-bearing liabilities	682	56	8.2%	511	42	8.2%	344	30	8.9%
Non-interest bearing liabilities	169,247			148,215			130,293		
Non-interest bearing deposits	43,840			36,726			30,324		
Derivatives	13,107			10,355			8,251		
Other non-interest-bearing liabilities	112,300			101,134			91,718		
Total stockholders' equity attributed to the owners of the parent company	89,458			78,747			76,125		
Non-controlling interests	1,168			878			880		
Total	1,052,942			965,497			855,444		

Changes in Interest Income and Expenses – Volume and Rate Analysis

The following table sets forth the allocation of the changes in our interest income and expense in terms of average volume and changes in the average yields/rates. Volume balance and rate variations have been calculated based on variations of average balances over the period and changes in average interest yield/rates on interest earning assets and interest-bearing liabilities from one period to the other.

(In millions of R\$, except percentages)

	INCREASE/(DECREASE) DUE TO CHANGES IN:								
	2014-2013			2013-2012			2012-2011		
	VOLUME ⁽¹⁾	YIELD/ RATE ⁽²⁾	NET CHANGE ⁽³⁾	VOLUME ⁽¹⁾	YIELD/ RATE ⁽²⁾	NET CHANGE ⁽³⁾	VOLUME ⁽¹⁾	YIELD/ RATE ⁽²⁾	NET CHANGE ⁽³⁾
Interest-earning assets	9,533	16,455	25,988	12,673	(14,910)	(2,237)	6,217	(7,204)	(987)
Interbank deposits	142	561	703	(184)	(275)	(459)	267	(115)	152
Securities purchased under agreements to resell	602	4,697	5,299	3,084	(550)	2,534	437	(301)	135
Central Bank compulsory deposits	550	1,041	1,590	(570)	(449)	(102)	(1,688)	(216)	(3,848)
Financial assets held for trading	(302)	4,570	4,268	1,533	(3,997)	(2,464)	604	(1,956)	(1,352)
Available-for-sale financial assets	(417)	2,623	2,206	1,404	(108)	1,296	1,137	(254)	883
Held-to-maturity financial assets	1,909	(48)	1,861	41	(26)	15	(1)	112	111
Loan and lease operations (accrual)	6,973	2,729	9,702	7,182	(8,775)	(1,593)	5,609	(2,961)	2,647
Other Financial Assets	77	282	359	183	(729)	(545)	(148)	433	284
Interest-bearing liabilities	2,717	23,898	26,615	(4,577)	2,872	(1,706)	8,332	(15,863)	(7,532)
Interest-bearing deposits	1,030	1,231	2,261	306	(1,047)	(741)	571	(2,213)	(1,642)
Saving deposits	1,083	807	1,890	1,052	(107)	945	313	(236)	78
Interbank deposits	(43)	435	392	(25)	39	14	147	(30)	117
Time deposits	(11)	(11)	(21)	(721)	(979)	(17)	111	(1,948)	(1,837)
Securities sold under repurchase agreements	718	9,188	9,906	(8,392)	7,717	(675)	1,133	(5,727)	(4,594)
Interbank market debt and Institutional market debt	568	8,315	8,883	1,998	778	2,776	5,293	(7,894)	(26)
Interbank market debt	620	7,539	8,159	566	(68)	498	656	(445)	211
Institutional market debt	(52)	777	724	1,431	846	2,277	4,637	(7,449)	(2,812)
Reserves for insurance and private pension and Liabilities for capitalization	387	5,163	5,551	1,497	(4,574)	(3,077)	1,304	(30)	1,274
Other Interest-bearing liabilities	14	-	14	13	(2)	11	31	-	31

(1) Volume change has been computed as the change in the average interest-earning assets or interest-bearing liabilities from one period to the other multiplied by the average yield/rate in the earlier period.

(2) Yield/rate change has been computed as the change in the yield/rate in the period multiplied by the average interest-earning assets or interest-bearing liabilities in the earlier period.

(3) We allocated the net change from the combined effects of volume and yield/rate proportionately to volume change and yield/rate change, in absolute terms, without considering positive and negative effects.

Net Interest Margin and Spread

The following table sets forth our average interest-earning assets, total average interest bearing liabilities, net interest income and the comparative net interest margin and net interest spread.

(In millions of R\$, except percentages)

	2014	2013	2012
Total average interest-earning assets	955,416	882,472	784,686
Total average interest-bearing liabilities	793,069	738,535	649,026
Net interest income ⁽¹⁾	47,138	47,766	48,297
Average yield on average interest-earning assets ⁽²⁾	12.6%	10.7%	12.3%
Average rate on average interest-bearing liabilities ⁽³⁾	9.2%	6.3%	7.4%
Net interest spread ⁽⁴⁾	3.4%	4.4%	4.9%
Net interest margin ⁽⁵⁾	4.9%	5.4%	6.2%

(1) Is the sum of total interest income less total interest expense.

(2) Total interest income divided by total average interest-earning assets.

(3) Total interest expense divided by total average interest-bearing liabilities.

(4) Difference between the average yield on interest-earning assets and the average rate on interest-bearing liabilities.

(5) Net interest income divided by total average interest-earning assets.

Return on Equity and Assets

The following table sets forth certain data with respect to return on equity and assets.

(In millions of R\$, except percentages)

	2014	2013	2012
Net income attributable to owners of the parent company	21,555	16,424	12,634
Average total assets	1,052,942	965,497	855,444
Average stockholders' equity	89,458	78,747	76,125
Net income as a percentage of average total assets ⁽¹⁾	2.0%	1.7%	1.5%
Net income as a percentage of average stockholder's equity ⁽¹⁾	24.3%	21.1%	16.9%
Average stockholder's equity as a percentage of average total assets	8.5%	8.2%	8.9%
Dividend payout ratio per share ⁽²⁾	31.1%	34.5%	43.5%

(1) Attributable to owners of the parent company.

(2) Dividend and interest on stockholders' equity per share divided by basic earnings per share. Please refer to section Our profile, item In numbers – Selected Financial Data for additional information on the computation of both dividend and interest on shareholders' equity and basic earnings per share.

Exchange Rates

Currently, the Brazilian foreign exchange system allows the purchase and sale of foreign currency and the performance of international transfers in *reais* by any individual or legal entity, subject to certain regulatory procedures.

The Brazilian government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. Brazilian law allows the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to foresee a serious imbalance. We cannot predict whether the Brazilian government will impose remittance restrictions in the future. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

Please refer to section Our Risk Management, item Risk Factors, Macroeconomic Risks, item Instability of foreign exchange rates may negatively affect us, for further details.

As of March 31, 2015, the U.S. dollar-*real* exchange rate (PTAX) was R\$3.2080 to U\$1.00.

The following table sets forth information on the selling rate for U.S. dollars and euro as reported by the Central Bank for the periods and dates indicated.

YEAR	EXCHANGE RATE OF BRAZILIAN CURRENCY PER US\$1.00				EXCHANGE RATE OF BRAZILIAN CURRENCY PER €1.00			
	LOW	HIGH	AVERAGE ⁽¹⁾	YEAR-END	LOW	HIGH	AVERAGE ⁽¹⁾	YEAR-END
2010	1.6554	1.8811	1.7589	1.6662	2.1699	2.6139	2.3237	2.2280
2011	1.5345	1.9016	1.6709	1.8758	2.1801	2.5565	2.3354	2.4342
2012	1.7024	2.1121	1.9588	2.0435	2.2465	2.7633	2.5277	2.6954
2013	1.9528	2.4457	2.1741	2.3426	2.5347	3.2682	2.8947	3.2265
2014	2.1974	2.7403	2.3599	2.6562	2.8900	3.4320	3.1113	3.2270
2015 (through March 31, 2015)	2.5754	3.2683	2.8702	3.2080	2.9080	3.5268	3.2213	3.4457

Source: Economática System.

(1) Represents the average of the exchange rates on the last day of each month during the relevant period.

MONTH	EXCHANGE RATE OF BRAZILIAN CURRENCY PER US\$1.00				EXCHANGE RATE OF BRAZILIAN CURRENCY PER €1.00			
	LOW	HIGH	AVERAGE ⁽¹⁾	YEAR-END	LOW	HIGH	AVERAGE ⁽¹⁾	YEAR-END
September 2014	2.2319	2.4522	2.2749	2.4510	2.8900	3.1158	2.9215	3.0954
October 2014	2.3914	2.5341	2.3879	2.4442	3.0337	3.2208	3.0161	3.0572
November 2014	2.4839	2.6136	2.4746	2.5601	3.1039	3.2485	3.0741	3.1914
December 2014	2.5607	2.7403	2.5681	2.6562	3.1538	3.4320	3.1546	3.2270
January 2015	2.5754	2.7107	2.5599	2.6623	2.9080	3.2379	2.9679	3.0097
February 2015	2.6894	2.8811	2.7208	2.8782	3.0527	3.2715	3.0792	3.2276
March 2015	2.8655	3.2683	3.1395	3.2080	3.2082	3.5268	3.3954	3.4457

Source: Economática System.

(1) Represents the average of the closing exchange rates of each day during the relevant period.

Considerations for ADS holders

Risks related to our ADSs

Before investing in our shares and ADSs, it is important for the investor to know that, in addition to the risks related to our business, which may impact the value of our securities and our ability to perform certain obligations, including the payment of dividends and interest in equity, the investor will be exposed to additional risks, as described below. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us and/or ADS holders.

The relative price volatility and limited liquidity of the Brazilian capital markets may significantly limit the ability of our investors to sell the preferred shares underlying our ADSs, at the price and time they desire

The investment in securities traded in emerging markets frequently involves a risk higher than an investment in securities of issuers from the U.S. or other developed countries, and these investments are generally considered more speculative. The Brazilian securities market is smaller, less liquid, more concentrated and can be more volatile than markets in the U.S. and other countries. Thus, an investor's ability to sell preferred shares underlying ADSs at the price and time the investor desires may be substantially limited.

The preferred shares underlying our ADSs do not have voting rights, except in specific circumstances.

Pursuant to our Bylaws, the holders of preferred shares and therefore of our ADSs are not entitled to vote in our general shareholders' meetings, except in specific circumstances. Even in such circumstances, ADS holders may be subject to practical restrictions on their ability to exercise their voting rights due to additional operational steps involved in communicating with these shareholders, as mentioned below.

According to the provisions of the ADSs deposit agreement, in the event of a general shareholders' meeting, we will provide notice

to the depositary bank, which will, to the extent practicable, send such notice to ADS holders and instructions on how such holders can participate in such general shareholders' meeting, and ADS holders should instruct the depositary bank on how to vote in order to exercise their voting rights. This additional step of instructing the ADS depositary bank may make the process for exercising voting rights longer for ADS holders.

Holders of ADSs may be unable to exercise preemptive rights with respect to our preferred shares

We may not be able to offer the U.S. holders of our ADSs preemptive rights granted to holders of our preferred shares in the event of an increase of our share capital by issuing preferred shares unless a registration statement relating to such preemptive rights and our preferred shares is effective or an exemption from such registration requirements of the Securities Act is available. As we are not obligated to file a registration statement relating to preemptive rights with respect to our preferred shares, we cannot assure the preemptive rights will be offered to you.

In the event such registration statement is not filed or if the exemption from registration is not available, The Bank of New York Mellon, as depositary bank, will attempt to sell such preemptive rights within the exercise period, and, in case such a sale is effective, our ADS holders will be entitled to receive the proceeds from such sale. However, the U.S. holders of our ADSs will not receive any value from the granting of such preemptive rights if the depositary bank is unable to sell the preemptive rights during the exercise period.

The surrender of ADSs may cause the loss of the ability to remit foreign currency abroad and of certain Brazilian tax advantages

While ADS holders benefit from the electronic certificate of foreign capital registration obtained in Brazil by the custodian for our preferred shares underlying the ADSs, which permits the depositary bank to convert dividends and other distributions with respect to the preferred shares underlying the ADSs into

foreign currency and remit the proceeds abroad, the availability and requirements of such electronic certificate may be adversely affected by future legislative changes.

If an ADS holder surrenders the ADSs and, consequently, receives preferred shares underlying the ADSs, such holder will not be able to remit abroad foreign currency upon disposition of preferred shares or receipt of distributions unless the investor obtains (i) an electronic certificate of foreign capital registration, the Electronic Declaratory Registration of Foreign Direct Investment (RDE-IED), or (ii) qualifies under Brazilian foreign investment regulations that entitle certain foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining a separate electronic certificate of foreign capital registration, the Electronic Declaratory Registration of Portfolio (RDE – Portfolio). Moreover, upon receipt of the preferred shares underlying the ADSs, Brazilian regulations require the investor to enter into corresponding exchange rate transactions and pay taxes on these exchange rate transactions, as applicable.

The tax treatment for the remittance of dividends and distributions on, and the proceeds from any sale of, our preferred shares is less favorable in case a holder of preferred shares obtains the RDE-IED instead of the RDE-Portfolio. In addition, if a holder of preferred shares attempts to obtain an electronic certificate of foreign capital registration, such holder may incur expenses or suffer delays in the application process, which could impact the investor's ability to receive dividends or distributions relating to our preferred shares or the return of capital on a timely manner.

The holders of ADSs have rights that differ from those of shareholders of companies organized under the laws of the U.S. or other countries

Our corporate affairs are governed by our Bylaws and Brazilian Corporate Law, which may have legal principles that differ from those that would apply if we were incorporated in the U.S. or in another country. Under Brazilian Corporate Law, the holders of ADSs and the holders of our preferred shares may have different rights with respect to the protection of investor interests, including remedies available to investors in relation to any actions taken by our Board of Directors or the holders of our common shares, which may be different from what is provided in U.S. law or the law of another country.

Taxation for the ADS holders

This summary contains a description of the main Brazilian and U.S. federal income tax considerations of the acquisition, ownership and disposition of our preferred shares or ADSs, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to these matters. This summary is based upon tax laws of Brazil and the United States in effect as of the date hereof, which laws are subject to change and to differing interpretations (possibly with retroactive effect). Although there is at present no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may result in such a treaty. No assurance can be given, however, as to whether or when a treaty will enter into force or how it will affect a U.S. Holder (as defined below) of our preferred shares or ADSs.

Prospective purchasers of our preferred shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of our preferred shares and

ADSs, including, in particular, the effect of any non-U.S., non-resident, state or local tax laws.

Brazilian Tax Considerations

The following discussion summarizes the main Brazilian tax consequences related to the acquisition, ownership and disposition by Non-Resident Holders of our ADSs.

Non-Resident Holders Resident or Domiciled in Tax Havens

In accordance with Brazilian law, as regulated by Article 1 of Normative Instruction No. 1,037 of June 4, 2010, as amended, a "tax haven" is defined as a country or location (a) that does not impose any income tax or where the maximum income tax rate is 20% or below or (b) where the local legislation imposes restrictions on disclosure regarding shareholder composition or investment ownership. A list of current tax havens has been published per such Normative Instruction. Non-Resident Holders resident or domiciled in tax havens may be subject to tax in Brazil at higher rates than Non-Resident Holders not resident or domiciled in tax havens, as described below.

Taxation of Dividends

Payment of dividends derived from profits generated after January 1, 1996, including dividends paid in kind, are not subject to withholding income tax in Brazil. Payment of dividends derived from profits generated before January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, according to the year when the profits have been generated.

Taxation of Interest on Net Equity

Law No. 9,249, dated December 26, 1995, as amended, allows a Brazilian corporation, such as ourselves, to make payments of interest on net equity instead of dividend distributions. Please refer to section Our Risk Management, item Regulatory Environment, Taxation for further information. A payment of interest on net equity is subject to withholding income tax at the rate of 15%, or 25% in the case of a Non-Resident Holder that is resident or domiciled in a tax haven.

Taxation of Gains

(a) Sales or Other Dispositions of ADSs

Gains realized outside Brazil by a Non-Resident Holder from the sale or other disposition of ADSs to another Non-Resident Holder are not subject to Brazilian taxation. However, according to Law No. 10,833/03, the disposition of assets located in Brazil by a Non-Resident Holder may be subject to Brazilian withholding income tax at a general rate of 15% (a 25% rate may apply if the foreign beneficiary is resident or domiciled in a jurisdiction deemed to be a tax haven for Brazilian tax purposes). Although Law No. 10,833/03 is not completely clear with respect to what is considered to be an asset located in Brazil, ADSs generally should not be considered to be assets located in Brazil for purposes of such Law because they represent securities issued and negotiated in an offshore exchange market. It is important to note, however, that even if ADSs were considered to be assets located in Brazil, Non-Resident Holders not resident or domiciled in tax havens may still apply for exemption from capital gains tax according to Article 81 of Law No. 8,981/95.

(b) Conversion of Our Preferred Shares into ADSs

The deposit by a Non-Resident Holder of our preferred shares with the depositary for conversion into ADSs may be subject to Brazilian capital gains tax, if such Non-Resident Holder is resident or domiciled in a tax haven or if such preferred shares have not registered with the Central Bank according to CMN Resolution No. 2,689/00. In those cases, the difference between the acquisition cost of such preferred shares or the amount otherwise previously registered with the Central Bank and the average price of such preferred shares, according to CMN Resolution No. 1,927/92, may be considered taxable capital gain, and may be subject to income tax at a general rate of 15%. Please refer to section Our Risk Management, item Regulatory Environment, Funds of foreign investors, for further details.

Non-Resident Holders that are resident or domiciled in tax havens may be subject to 25% capital gain tax on the sale or transfer of shares out of the financial markets upon such a conversion.

On the other hand, when Non-Resident Holders that are not resident or domiciled in tax havens deposit preferred shares registered according to CMN Resolution No. 2,689/00 in exchange for ADSs, such deposit should not be subject to capital gain tax.

(c) Sales or Other Dispositions of Our Preferred Shares

Non-Resident Holders not resident or domiciled in tax havens that register their portfolio according to CMN Resolution No. 2,689/00 benefit from a special tax treatment according to which any capital gain arising from the sale of securities within Brazilian stock exchanges is exempt from income tax. On the other hand, sale of shares not registered according to CMN Resolution No. 2,689/00 or made outside of Brazilian stock exchanges is generally subject to 15% capital gain tax.

Such special treatment is not applicable to Non-Resident Holders resident or domiciled in tax havens, who are subject to general taxation rules applicable to Brazilian residents on the sale of their investments in financial markets, including stock exchanges and over-the-counter markets. The taxation rate is then generally 15%. If such Non-Resident Holders sell shares outside of the financial markets, the income taxation rate will instead be 25%. Any exercise of preemptive rights related to our preferred shares (and in connection with the ADS program) will not be subject to Brazilian taxation. The gains from the sale or assignment of preemptive rights will be subject to income tax according to rates that vary depending on the location of the Non-Resident Holder and the market in which such rights have been sold. If the Non-Resident Holder is not resident or domiciled in a tax haven, the sale of preemptive rights is exempt from tax if made within the Brazilian stock exchange markets or is subject to 15% income tax if made outside such stock exchange markets. If the Non-Resident Holder is resident or domiciled in a tax haven, the sale of preemptive rights is generally subject to 15% income tax if made within Brazilian financial markets or 25% tax if the rights have been sold outside such markets.

Tax on Financial Transactions

IOF/Exchange (IOF/FX) and IOF/Securities

According to the Decree No. 6,306/07, and further amendments, Tax on Financial Transactions may levy some foreign exchange transactions. Please refer to section Our Risk Management, item Regulatory Environment, Taxation, for further details about Tax on Financial Transactions.

The acquisition of ADSs is not subject to IOF tax. As of December 24, 2013, pursuant to Decree No. 8,165, the IOF/Securities tax levied on the assignment of shares traded in the Brazilian stock exchange market in order to permit the issuance of depositary receipts to be negotiated overseas has been reduced to 0%.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the transfer of ownership or title (ownership without beneficial interest) of our preferred shares or ADSs or the vesting of free beneficial interest of such shares or ADSs outside Brazil by a Non-Resident Holder, except for gift, inheritance and legacy taxes that are levied by some states of Brazil if bestowed in such states of Brazil or abroad when the receiver is resident or domiciled in these states of Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by Non-Resident Holders of our preferred shares or ADSs.

U.S. Federal Income Tax Considerations

The following is a general discussion of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of our preferred shares or ADSs by U.S. Holders (as defined below) who hold such preferred shares or ADSs as capital assets within the meaning of section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). This discussion does not address all of the U.S. federal income tax considerations that may be relevant to specific U.S. Holders in light of their particular circumstances or to U.S. Holders subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, retirement plans, regulated investment companies, real estate investment trusts, dealers in securities, brokers, tax-exempt entities, certain former citizens or residents of the United States, U.S. Holders that hold our preferred shares or ADSs as part of a "straddle," "hedging," "conversion" or other integrated transaction, U.S. Holders that mark their securities to market for U.S. federal income tax purposes, U.S. Holders that have a functional currency other than the U.S. dollar, U.S. Holders that own (or are deemed to own) 10% or more (by voting power) of our shares or U.S. Holders that receive our preferred shares or ADSs as compensation. In addition, this discussion does not address the effect of any U.S. state, local or non-U.S. tax considerations or any U.S. estate, gift or alternative minimum tax considerations.

This discussion is based on the Code, U.S. Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect, or subject to differing interpretations. This discussion also assumes that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, the term “U.S. Holder” means a beneficial owner of our preferred shares or ADSs that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust (x) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (y) that has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity treated as a partnership for U.S. federal income tax purposes invests in our preferred shares or ADSs, the U.S. federal income tax considerations relating to such investment will depend in part upon the status and activities of such entity and the particular partner. Any such entity should consult its own tax advisor regarding the U.S. federal income tax considerations applicable to it and its partners relating to the purchase, ownership and disposition of such preferred shares or ADSs.

Investors are advised to consult their own tax advisors as to the U.S. federal, state and local tax considerations relating to the purchase, ownership and disposition of our preferred shares or adss in light of their particular circumstances, as well as the effect of any non-U.S. tax laws.

Except where specifically described below, this discussion assumes that we are not and will not be a passive foreign investment company (a “PFIC”), for U.S. federal income tax purposes. Please see the discussion under “Passive Foreign Investment Company Considerations” below.

Treatment of ADSs

A U.S. Holder of ADSs generally will be treated for U.S. federal income tax purposes as the owner of such U.S. Holder’s proportionate interest in our preferred shares held by the depository (or its custodian) that are represented and evidenced by such ADSs. Accordingly, any deposit or withdrawal of our preferred shares in exchange for ADSs generally will not result in the realization of gain or loss to such U.S. Holder for U.S. federal income tax purposes.

Distributions

A U.S. Holder that receives a distribution with respect to our preferred shares (whether held through ADSs or directly), including payments of interest on net equity as described above under “– Brazilian Tax Considerations – Taxation of Interest on Net Equity,” generally will be required to include the amount of such distribution (without reduction for any Brazilian withholding tax with respect thereto) in gross income as a dividend to the extent of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) on the date such U.S. Holder (or the depository, in the case of ADSs) actually or constructively receives such distribution, and will not be eligible for the dividends received deduction

allowed to corporations. A distribution on our preferred shares (whether held through ADSs or directly) in excess of current and accumulated earnings and profits generally will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s basis in such preferred shares or ADSs, as the case may be, and thereafter as gain from the sale or exchange of such preferred shares or ADSs (which will be treated in the same manner described below under “Sale, Exchange or Other Disposition of Preferred Shares or ADSs”). We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. As a result, a U.S. Holder may need to include the entire amount of any such distribution in income as a dividend.

The U.S. dollar value of any distribution on our preferred shares made in Brazilian reais generally should be calculated by reference to the exchange rate between the U.S. dollar and the Brazilian real in effect on the date of receipt of such distribution by the U.S. Holder (or the depository, in the case of ADSs), regardless of whether the reais so received are in fact converted into U.S. dollars. Such U.S. Holder generally will have a basis in such reais equal to the U.S. dollar value of such reais on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such reais by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States.

Distributions treated as dividends that are received by certain non-corporate U.S. persons (including individuals) in respect of shares of a non-U.S. corporation (other than a corporation that is, in the taxable year during which the distributions are made or the preceding taxable year, a PFIC) that is readily tradable on an established securities market in the United States generally qualify for a 20% reduced maximum tax rate (and potentially additional tax discussed below under “Medicare Tax”) so long as certain holding period and other requirements are met. Since the ADSs will be listed on the NYSE, unless we are treated as a PFIC with respect to a U.S. Holder, dividends received by such a U.S. Holder in respect of the ADSs should qualify for the reduced rate. Based on existing guidance, it is not entirely clear whether dividends received by such a U.S. Holder of our preferred shares in respect of such shares will qualify for the reduced rate, because our preferred shares are not themselves listed on a United States exchange. Special rules apply for purposes of determining the recipient’s investment income (which may limit deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax advisor regarding the possible applicability of the reduced tax rate and the related restrictions and special rules.

Sale, Exchange or Other Disposition of Preferred Shares or ADSs

Upon a sale, exchange or other disposition of our preferred shares or ADSs, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount realized on such sale, exchange or

other disposition and such U.S. Holder's adjusted tax basis in such preferred shares or ADSs. Any gain or loss so recognized generally will be long-term capital gain or loss if such U.S. Holder has held such preferred shares or ADSs for more than one year at the time of such sale, exchange or other disposition. Certain non-corporate U.S. Holders are entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited.

A U.S. Holder that receives Brazilian reais from the sale, exchange or other disposition of our preferred shares generally will realize an amount equal to the U.S. dollar value of such reais on the settlement date of such sale, exchange or other disposition if (i) such U.S. Holder is a cash basis or electing accrual basis taxpayer and our preferred shares are treated as being "traded on an established securities market" or (ii) such settlement date is also the date of such sale, exchange or other disposition. Such U.S. Holder generally will have a basis in such reais equal to the U.S. dollar value of such reais on the settlement date. Any gain or loss on a subsequent conversion or other disposition of such reais by such U.S. Holder generally will be treated as ordinary income or loss and generally will be income or loss from sources within the United States. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of receiving reais from the sale, exchange or other disposition of our preferred shares in cases not described in the first sentence of this paragraph.

Foreign Tax Credit Considerations

Distributions on our preferred shares (whether held through ADSs or directly), including payments of interest on net equity as described above under "– Brazilian Tax Considerations – Taxation of Interest on Net Equity," that are treated as dividends, before reduction for any Brazilian withholding taxes with respect thereto, will generally be included in the gross income of a U.S. Holder. Thus, such U.S. Holder may be required to report income for such purposes in an amount greater than the actual amount such U.S. Holder receives in cash. Distributions treated as dividends generally will constitute income from sources outside the United States and generally will be categorized for U.S. foreign tax credit purposes as "passive category income" or, in the case of some U.S. Holders, as "general category income." Subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a U.S. foreign tax credit against its U.S. federal income tax liability for any such Brazilian withholding taxes. Under current law, gain resulting from a sale or other disposal of our preferred shares or ADSs may be subject to Brazilian income or withholding taxes. A U.S. Holder's use of a foreign tax credit with respect to any such Brazilian income or withholding taxes could be limited, as such gain generally will constitute income from sources within the United States. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Brazilian taxes, but only for a taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes paid or accrued by such U.S. Holder in such taxable year. Foreign currency

exchange gain or loss generally will constitute income from sources within the United States. The rules relating to foreign tax credits are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Passive Foreign Investment Company Considerations

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. A non-U.S. corporation generally will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying relevant look-through rules with respect to the income and assets of certain subsidiaries, either: at least 75% of its gross income is "passive income," or on average at least 50% of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties, gains from the disposition of passive assets and gains from commodities transactions.

The application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The United States Internal Revenue Service (or "IRS"), has issued a notice, and has proposed regulations, that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank, also known as the Active Bank Exception. The IRS notice and proposed regulations have different requirements for qualifying as a foreign bank, and for determining the banking income that may be excluded from passive income under the Active Bank Exception. Moreover, the proposed regulations have been outstanding since 1994 and will not be effective unless finalized.

Based on estimates of our current and projected gross income and gross assets, we do not believe that we will be classified as a PFIC for our current or future taxable years. The determination of whether we are a PFIC, however, is made annually and is based upon the composition of our income and assets (including income and assets of entities in which we hold at least a 25% interest), and the nature of our activities (including our ability to qualify for the Active Bank Exception).

Because final regulations have not been issued and because the notice and the proposed regulations are inconsistent, our status under the PFIC rules is subject to considerable uncertainty. While we conduct, and intend to continue to conduct, a significant banking business, there can be no assurance that we will satisfy the specific requirements for the Active Bank Exception under either the IRS notice or the proposed regulations. Accordingly, U.S. Holders could be subject to U.S. federal income tax under the rules described below.

If we are treated as a PFIC for any taxable year during which a U.S. Holder owns our preferred shares or ADSs, any gain realized on a sale or other taxable disposition of such preferred shares or ADSs and certain “excess distributions” (generally distributions in excess of 125% of the average distribution over the prior three-year period, or if shorter, the holding period for such preferred shares or ADSs) will be treated as ordinary income and will be subject to tax as if (i) the excess distribution or gain had been realized ratably over the U.S. Holder’s holding period for such preferred shares or ADSs, (ii) the amount deemed realized in each year had been subject to tax in each such year at the highest marginal rate for such year (other than income allocated to the current period or any taxable period before we became a PFIC, which would be subject to tax at such U.S. Holder’s regular ordinary income rate for the current year and would not be subject to the interest charge discussed below), and (iii) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

We do not expect to provide information that would allow U.S. Holders to avoid the foregoing consequences by making a “qualified electing fund” election.

If we are treated as a PFIC and, at any time, we invest in non-U.S. corporations that are classified as PFICs (“Subsidiary PFICs”), U.S. Holders generally will be deemed to own, and also would be subject to the PFIC rules with respect to, their indirect ownership interest in any such Subsidiary PFIC. If we are treated as a PFIC, a U.S. Holder could incur liability for the deferred tax and interest charge described above if either (i) we receive a distribution from, or dispose of all or part of our interest in, any such Subsidiary PFIC or (ii) such U.S. Holder disposes of all or part of our preferred shares or ADSs.

A U.S. holder of shares in a PFIC (but possibly not a Subsidiary PFIC, as discussed below) may make a “mark-to-market” election, provided the PFIC shares are “marketable stock” as defined under applicable Treasury regulations (i.e., “regularly traded” on a “qualified exchange or other market”). Under applicable Treasury regulations, a “qualified exchange or other market” includes (i) a national securities exchange that is registered with the U.S. Securities and Exchange Commission or the national market system established under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or (ii) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and meets certain trading, listing, financial disclosure and other requirements set forth in applicable Treasury regulations. The ADSs are traded on the NYSE and the preferred shares are traded on the BM&FBovespa. The NYSE constitutes a qualified exchange or other market. Although the IRS has not addressed whether the BM&FBovespa meets the requirements to be treated as a qualified exchange or other market, we believe that the BM&FBovespa should be so treated. PFIC shares traded on a qualified exchange or other market are regularly traded on such exchange or other market for any calendar year during which such shares are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. We cannot assure U.S. Holders that our preferred shares or ADSs will be treated as “marketable stock” for any taxable year.

The tax consequences that would apply if we were a PFIC would be different from those described above if a “mark-to-market” election is available and a U.S. Holder validly makes such an election as of the beginning of such U.S. Holder’s holding period. If such an election were made, such U.S. Holder generally would (i) include in gross income, entirely as ordinary income, an amount equal to the excess, if any, of the fair market value of our preferred shares or ADSs as of the close of each taxable year and such U.S. Holder’s adjusted tax basis in such preferred shares or ADSs, and (ii) deduct as an ordinary loss the excess, if any, of such U.S. Holder’s adjusted tax basis in such preferred shares or ADSs over the fair market value of such preferred shares or ADSs at the end of the taxable year, but only to the extent of the net amount previously included in gross income as a result of the mark-to-market election. Any gain from a sale, exchange or other disposition of our preferred shares or ADSs in a taxable year in which we were a PFIC would be treated as ordinary income, and any loss from such sale, exchange or other disposition would be treated first as ordinary loss (to the extent of any net mark-to-market gains previously included in income) and thereafter as capital loss. A U.S. Holder’s adjusted tax basis in such preferred shares or ADSs would increase or decrease by the amount of the gain or loss taken into account under the mark-to-market regime. Even if a U.S. Holder is eligible to make a mark-to-market election with respect to our preferred shares or ADSs, however, it is not clear whether or how such election would apply with respect to the shares of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC shares might not be marketable stock. The mark-to-market election is made with respect to marketable stock in a PFIC on a shareholder-by-shareholder basis and, once made, can only be revoked with the consent of the IRS. Special rules would apply if the mark-to-market election is not made for the first taxable year in which a U.S. Holder owns any equity interest in us while we are a PFIC.

A U.S. Holder who owns our preferred shares or ADSs during any taxable year that we are treated as a PFIC generally would be required to file an information return with respect to us and any Subsidiary PFIC in which the U.S. Holder holds a direct or indirect interest. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our preferred shares or ADSs and the availability and advisability of making a mark-to-market election should we be considered a PFIC for any taxable year.

Medicare Tax

In addition to regular U.S. federal income tax, certain U.S. Holders that are individuals, estates or trusts are subject to a 3.8% tax on all or a portion of their “net investment income,” which may include all or a portion of their income arising from a distribution with respect to a preferred share or ADS and net gain from the sale, exchange or other disposition of a preferred share or ADS.

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to certain U.S. Holders with respect to payments made on or proceeds from the sale, exchange or other disposition of our preferred shares or ADSs. A U.S. Holder not otherwise exempt from backup withholding generally can avoid backup withholding by providing a properly executed IRS Form W-9. Backup withholding is not an additional tax. Any amounts withheld

under the backup withholding rules generally will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished by the U.S. Holder to the IRS.

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any "specified foreign financial asset" generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. "Specified foreign financial asset" generally includes any financial account maintained with a non-U.S. financial institution and may also include our preferred shares or ADSs if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this filing requirement.

Disclosure Requirements for Certain U.S. Holders Recognizing Significant Losses

A U.S. Holder that claims significant losses in respect of our preferred shares or ADSs for U.S. federal income tax purposes (generally (i) US\$10 million or more in a taxable year or US\$20 million or more in any combination of taxable years for corporations or partnerships all of whose partners are corporations, (ii) US\$2 million or more in a taxable year or U.S.\$4 million or more in any combination of taxable years for all other taxpayers, or (iii) US\$50,000 or more in a taxable year for individuals or trusts with respect to a foreign currency transaction) may be required to file Form 8886 for "reportable transactions." U.S. Holders should consult their own tax advisors concerning any possible disclosure obligation with respect to our preferred shares or ADSs.

U.S. Foreign Account Tax Compliance Act (FATCA)

Please refer to section Our risk management, item Regulatory Environment, Taxation, U.S. Foreign Account Tax Compliance Act (FATCA) for more clarification on FATCA.

Glossary

A

- ABEL – *Associação Brasileira de Empresas de Leasing* (Brazilian Association of Leasing Companies)
- Aberje – *Associação Brasileira de Comunicação Empresarial* (Brazilian Association of Corporate Communication)
- ABRASCA – *Associação Brasileira de Companhias Abertas* (Brazilian Association of Public Companies)
- ADS – American Depositary Shares
- ANBIMA – *Associação Brasileira das Entidades dos Mercados Financeiros e de Capitais* (Brazilian Association of Stock and Financial Markets Entities)
- APIMEC – *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais* (Association of Capital Markets Analysts and Investment Professionals)
- ATM – Automatic Teller Machine

B

- Banco Itaú Argentina – Banco Itaú Argentina S.A.
- Banco Itaú Chile – Banco Itaú Chile S.A.
- Banco Itaú Paraguay – Banco Itaú Paraguay S.A.
- Banco Itaú Uruguay – Banco Itaú Uruguay S.A.
- BCBA – Buenos Aires Stock Exchange
- BCBS – Basel Committee on Banking Supervision
- BIS – Bank for International Settlements
- BM&FBovespa – *Bolsa de Valores, Mercadorias e Futuros S.A.* (Securities, Commodities and Futures Exchange)
- BNDES – *Banco Nacional de Desenvolvimento Econômico e Social* (Brazilian Social and Economic Development Bank)
- BNY Mellon – The Bank of New York Mellon
- Brazilian Corporate Law – Law No. 6,404, of December 15, 1976, as amended (including by Law No. 11,638)
- Brazilian Payment System – encompasses the institutions, the systems and the procedures related to the transfer of funds and of other financial assets, among the diverse economic agents of the Brazilian market, or that involve the processing, the clearing and settlement of payments in any of its forms.

C

- CADE – *Conselho Administrativo de Defesa Econômica* (Administrative Council for Economic Defense)
- CCR – Counterparty Credit Risk
- CDC – *Código de Defesa do Consumidor* (Consumer Protection Code)
- CDI – *Certificado de Depósito Interbancário* (Interbank Deposit Certificate)
- CEDEAR – Argentine Certificates of Deposits
- Central Bank – *Banco Central do Brasil* (Brazilian Central Bank)
- CFC – *Conselho Federal de Contabilidade* (Federal Accounting Council)
- CGRC – Capital and Risk Management Committee
- Cia E. Johnston – Companhia E. Johnston de Participações
- CMN – *Conselho Monetário Nacional* (National Monetary Council)
- CNSP – *Conselho Nacional de Seguros Privados* (National Council of Private Insurance)
- CNR – Risk Policies Committee
- COAF – *Conselho de Controle de Atividades Financeiras* (Financial Activities Control Council)

- COFINS – *Contribuição Para o Financiamento da Seguridade Social* (Social Security Financing Contribution)
- CONSIF – *Confederação Nacional do Sistema Financeiro* (National Association of the Financial System)
- CSB – Corporate Site Branch
- CSAGRO – Superior Audit and Operational Risk Management Committee
- CSC – Superior Credit Committee
- CSEXT – Superior Foreign Units Committee
- CSLL – *Contribuição Social Sobre o Lucro Líquido* (Social Contribution on Profits)
- CSP – Superior Product Committee
- CSRisc – Superior Risk Policies Committee
- CSTI – Superior Institutional Treasury Committee
- CSTIL – Superior Institutional Treasury and Liquidity Committee
- CVM – *Comissão de Valores Mobiliários* (Brazilian Securities and Exchange Commission)

D

- DJSI – Dow Jones Sustainability Index

F

- FATF – Financial Action Task Force
- FEBRABAN – *Federação Brasileira de Bancos* (Brazilian Federation of Banks)
- Fed – U.S. Federal Reserve System
- FGC – *Fundo Garantidor de Crédito* (Credit Insurance Fund)

I

- IASB – International Accounting Standards Board
- IBEF – *Instituto Brasileiro de Executivos de Finanças* (Brazilian Institute of Financial Executives)
- IBRACON – *Instituto de Auditores Independentes do Brasil* (Institute of Independent Auditors of Brazil)
- IBRI – *Instituto Brasileiro de Relações com Investidores* (Brazilian Investor Relations Institute)
- ICAAP – Internal Capital Adequacy Assessment Process
- IFRS – International Financial Reporting Standards
- IOF – *Imposto Sobre Operações Financeiras* (Tax on Financial Transactions)
- IRPJ – *Imposto de Renda da Pessoa Jurídica* (Corporate Income Tax)
- IRS – U.S. Internal Revenue Service
- ISE – *Índice de Sustentabilidade Empresarial* (Corporate Sustainability Index)
- ISSQN – *Imposto sobre Serviços de Qualquer Natureza* (Service Tax)
- Itaú BBA Colombia – Itaú BBA Colombia S.A. Corporación Financiera
- Itaú BBA International – Itaú BBA International plc
- Itaucard – Banco Itaucard S.A.
- Itaú Holding Financeira – Itaú Holding Financeira S.A.
- Itaú Unibanco Group – Itaú Unibanco Holding S.A. and all its subsidiaries and affiliates
- Itaúsa – Itaú Investimentos S.A.
- IUPAR – Itaú Unibanco Participações S.A.

L

- LCR – Liquidity Coverage Ratio

N

- NSFR – Net Stable Funding Ratio
- NYSE – New York Stock Exchange

P

- PEP – Politically Exposed Person
- PFIC – Passive Foreign Investment Company
- PIS – *Programa de Integração Social* (Social Integration Program)

R

- RAET – *Regime Especial de Administração Temporária* (Temporary Special Administration Regime)
- RMCCI – *Regulamento de Mercado de Câmbio e Capitais Internacionais* (Regulation of Exchange and Capital Markets)

S

- SEC – U.S. Securities and Exchange Commission
- SELIC – *Sistema Especial de Liquidação e de Custódia* (Special Clearing and Settlement System)
- SISBACEN – *Sistema do Banco Central do Brasil* (the Brazilian Central Bank System): a database that collects information provided by financial institutions to the Central Bank
- SOX – The Sarbanes-Oxley Act of 2002
- STF – *Superior Tribunal Federal* (Brazilian Federal Supreme Court)
- STJ – *Superior Tribunal de Justiça* (Brazilian Superior Court of Justice)
- Superior Committees – Superior Risk Policies Committee (CSRisc), Superior Credit Committee (CSC), Superior Institutional Treasury Committee (CSTI), Superior Institutional Treasury and Liquidity Committee (CSTIL), Superior Tax Committee (CST*), Superior Audit and Operational Risk Management Committee (CSAGRO), Superior Accounting Policies Committee (CSPC*), Superior Ethics Committee (CSE*), Superior Product Committee (CSP), Superior Foreign Units Committee (CSEXT), Superior Remuneration Committee*, Risk Policies Committee (CNR), Disclosure and Trading Committee (CDN*) (*) not related to risk
- SUSEP – *Superintendência de Seguros Privados* (Superintendency of Private Insurance)

T

- TR – *Taxa Referencial* (Brazilian Reference Interest Rate)

U

- Unibanco – União de Bancos Brasileiros S.A.

V

- VaR – Value at Risk