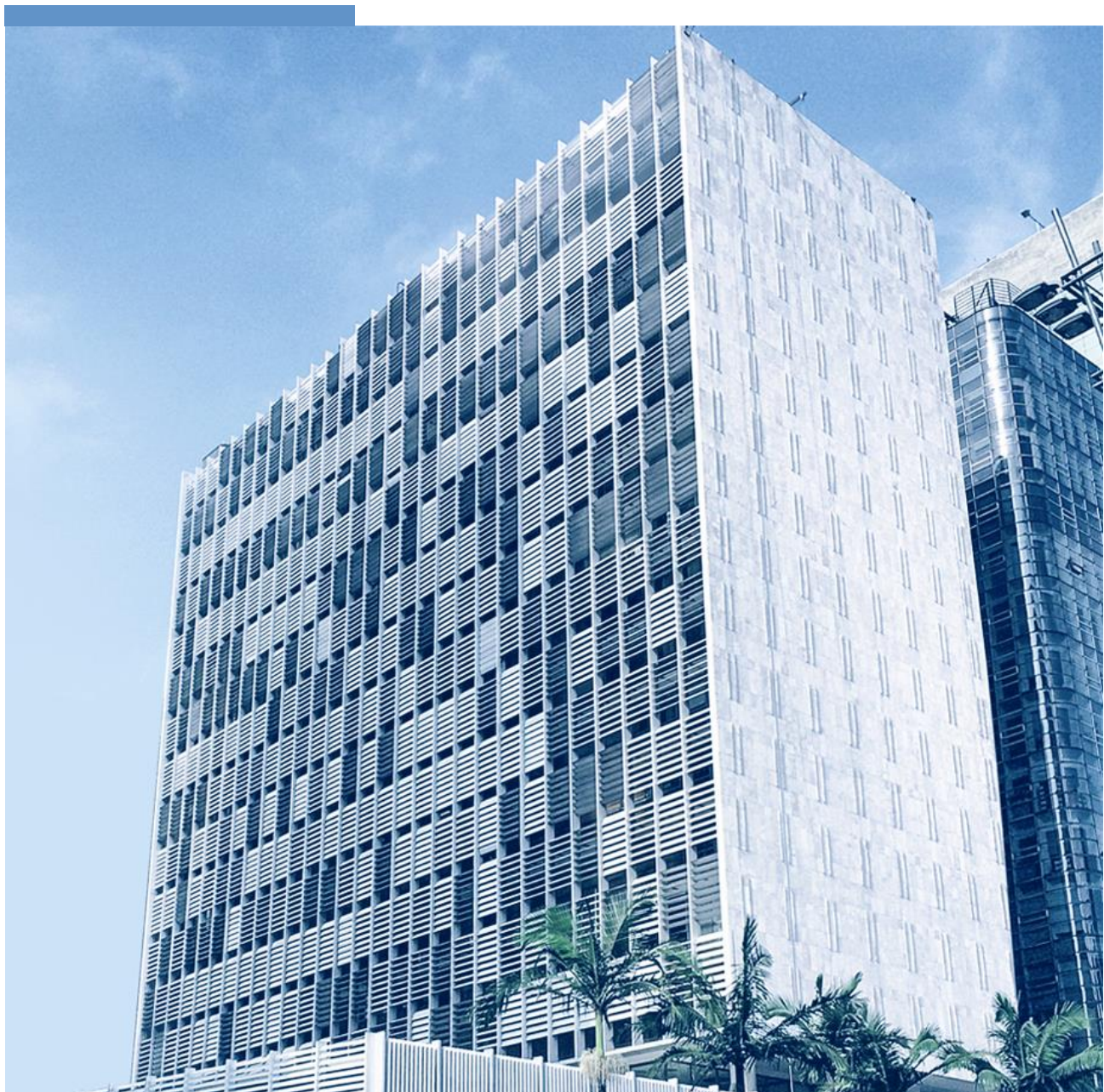


ITAÚSA



Itaúsa Headquarters | Av. Paulista - SP

Management Report

4th quarter of 2020 | 4Q20

Management Report

We present the Management Report and the Individual and Consolidated Financial Statements of Itaúsa S.A. (Itaúsa) for the fourth quarter of 2020 (4Q20) and for the fiscal year 2020. These Financial Statements were prepared in accordance with the standards established by the Accounting Pronouncement Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM), as well as the International Financial Reporting Standards (IFRS).

Independent auditor's report

The Financial Statements were audited by PricewaterhouseCoopers Auditores Independentes (PwC) and have received an unqualified opinion from the external auditor. The Financial Statements were approved by the Fiscal Council. The Financial Statements were made available to the market on the websites of Itaúsa, B3 S.A. – Brasil, Bolsa, Balcão ("B3"), and the CVM (Brazilian Securities and Exchange Commission).

1. Message from Management

As a result of the Covid-19 pandemic, the socioeconomic dynamics in the world have been through quite a change in 2020, prompting responses from government and central banks, including Brazil's, with the provision of relief aids and stimulus packages aimed at mitigating the economic impacts from such pandemic, even though giving rise to volatility in the markets and the economic prospects for 2021.

Itaúsa's 2020 results depict this scenario accordingly. Our investees have shown both ability to adjust to new consumer habits and resilience to the restrictions imposed on the markets they operate. Cost and expense pressures driven by the economic slowdown and idle industrial plants, such is the case for Alpargatas and Duratex, as well as the impact on sales and higher provision for losses, such is the case for Itaú Unibanco, were counteracted by measures to ensure liquidity and financial strength. Operational adjustments suitable to the scenario and greater use of digital means have mitigated these impacts, giving rise to better business conditions over the second half of 2020.

As a result of the effects from the pandemic, the operating results of the companies we invested registered strong impacts in the first half and a significant improvement from the middle of the year. Alpargatas and Duratex have recorded significant recovery in sales, margins and results, with industrial plants resuming full capacity operation and in online sales, which have remained consistent, even with the reopening of physical channels, thus evidencing that the trend to use online channels should be consolidated. The financial sector witnessed lower interest rates and increased volume of loan renegotiations, resulting in lower financial margins. On the other hand, the bank's efficiency significantly improved and considerable technology investments, focusing on digital, were made, thus leading to lower general and administrative expenses in Brazil in 2020, down on a year-on-year basis, when non-recurring effects are excluded.

On the ESG front, it is worth mentioning the initiatives taken by Itaúsa, investees and their controlling stockholders to minimize the effects of the pandemic on society, through donations made totaling approximately R\$1.5 billion and the thoughtfulness with the employees' health and safety. Still regarding the ESG front, we have set up the Corporate Governance Committee, a momentous step towards the advancement of this topic in Itaúsa. We also joined the Business Integrity and Anti-Corruption Pact and confirmed our presence in the ESG indices, now for over a decade, and were included for the first time ever in the FTSE4Good index.

When it comes to strengthening management and governance of investees, in December 2020 Itaú Unibanco announced, in connection with its CEO succession process, the new members of its Executive Committee, whose composition is mainly aimed at becoming even closer to the business by streamlining the bank's operations and management model, therefore allowing greater autonomy and quicker decision making.

With respect to the portfolio, in December 2020 we completed the acquisition of a 48.5% stake in Copagaz, which became the leading company in its sector after combining operations with Liquigás, therefore increasing our exposure to the energy sector. Also in early 2021, after the announcement and approval of the corporate restructuring involving Itaú Unibanco's investment in XP, we entered into an agreement with XP and its controlling stockholders setting out Itaú's rights in this investment, which should then be held by Itaú and IUPAR after completion of Itaú Unibanco spin-off, with this transaction still pending approval from the Federal Reserve (FED, the American central bank). Itaú believes that both investments will contribute to the creation of long-term sustainable value to stockholders, prioritizing the exercise of discipline and caution in decision-making in an efficient capital allocation process.

We feel positive about the prospects of our investment portfolio in 2021, and we remain alert to the pandemic related developments and the economic recovery scenario, which may still pose possible risks and yet come up with new business opportunities.

2. Itaúsa Highlights

Efficient capital allocation

Investment in Copagaz completed with acquisition of Liquigás



On November 18, 2020, CADE, the Brazilian antitrust agency, approved the acquisition of Liquigás by the Acquiring Group composed of Itaúsa, Copagaz, and Nacional Gás Butano. On December 23, 2020, Itaúsa announced the completion of such transaction and its contribution (R\$1.23 billion) to acquire equity interest of approximately 48.5% in Copagaz. This transaction reinforces the movement to expand the portfolio to non-financial sectors, with an asset of consolidated position in the liquid petroleum gas (LPG) distribution segment for over 35 million residential consumers and stable cash flow generation. This investment will enable Itaúsa to increase its share in the energy market and join a partner with over 60 years of experience in the LPG market.

It is worth mentioning that this R\$1.23 billion contribution was financed by third-party funds, raised through non-convertible debentures worth R\$1.3 billion, as announced to the market on December 10, 2020.

This investment was recorded by Itaúsa under the equity method, and the Stockholders' Agreement entered into by and between Itaúsa and Copagaz's founders provides for Itaúsa's involvement in governance bodies, being entitled to nominate two (2) out of a total of five (5) members to the Board of Directors and their Audit and Personnel and Compensation committees.

Subsequent event: Corporate restructuring involving the investment in XP

In early 2021, Itaúsa announced to the market that Itaú Unibanco had approved at EGM the corporate restructuring involving the equity interest held by Itaú Unibanco in XP Inc. through the spin-off of the conglomerate's companies to set up XPart, whose incorporation is still pending approval from the FED. It was also informed that Itaúsa has executed an agreement, together with IUPAR - Itaú Unibanco Participações S.A., XP Inc. and its controlling stockholders, setting the main terms and conditions to be in force after the merger of XPart into XP



Inc., including the nomination of members to XP Inc.'s Board of Directors and Audit Committee. With the conclusion of the transaction, Itaúsa will hold approximately 15% of XP Inc.'s total share capital, directly and indirectly and, as a result, this will become the second largest investment in Itaúsa's portfolio in market value.

For further information on the aforementioned transactions, please access the Material Facts and Notices at: www.itausa.com.br/material-facts-and-notice

Environmental, Social and Governance (ESG)

Itaúsa has been committed to different Corporate Sustainability related issues for decades. This commitment reflects the values shared by its stockholders and employees and can be illustrated by initiatives such as the set-up of Instituto Itaú Cultural in 1987 and Fundação Itaú Social in 1993. Today FIEC - Fundação Itaú de Educação e Cultura contributes significantly to Brazil in the Education, Culture, Health and Mobility fields. The set of actions carried out by the holding company itself and the leading role of its investees, in consistent social and environmental responsibility programs, account for the outstanding position in their corresponding sectors and the market recognition conveyed by important awards, engagement with benchmark practices, attested by its making up of top indices worldwide.

Endeavoring to create positive impact on society and promote sustainable development, Itaúsa adopts Corporate Sustainability initiatives and unrelentingly seeks to encourage investees to make headway in ESG practices likewise, validating its engagement with and support to management with the set-up in 2019 of a Social Impact Committee aimed at advising and supporting the drive and identification of ESG-related opportunities. In addition, by actively participating in boards of directors and committees, it seeks to support the programs of these companies and influence their progress, discussing and proposing paths for achieving effective sustainable business and products, relationship with communities, diversity and partnerships for sustainability, among others.

These consistent activities have resulted in Itaúsa making up top corporate sustainability indices in Brazil and in the world in 2020. Itaúsa has also been recognized by Forbes as one of the best companies to work for, in view of the stance taken up in the Covid-19 crisis and of the set of ESG related initiatives. Itaúsa is the only Brazilian holding company to make up the Dow Jones Sustainability Index (DJSI) portfolio. For over one decade, it has been one in a handful of global companies, which includes seven Brazilian companies only.

Moreover, it is worth mentioning that it makes up other global indices and initiatives, such as the London stock exchange (LSE) FTSE4Good, the Carbon Disclosure Project (CDP), and Sustainalytics. In Brazil, it also makes up other top ESG indices of the Brazilian stock exchange (B3), such as the Corporate Sustainability Index (ISE) and the Carbon Efficient Index (ICO2).



All these achievements and recognition have been brought about by Itaúsa's long-term commitments to ethical business conduct, transparency and focus on sustainable performance.

3. Itaúsa's economic performance

Itaúsa's results are basically derived from its Equity in the Earnings of Investees, determined based on the profit of its subsidiaries and revenues from investments in financial assets. The main indicators of individual results are shown in the table below:

	2020	2019	Change	12.31.2020	12.31.2019	Change
PROFITABILITY AND RETURN ⁽¹⁾						
Net income	7,056	10,312	-31.6%	0.84	1.23	-31.6%
Recurring net income	7,220	9,768	-26.1%	0.86	1.16	-26.1%
Return on equity (annualized)	13.0%	19.4%	- 6.5 p.p.			
Recurring Return on equity (annualized)	13.3%	18.4%	- 5.1 p.p.			
BALANCE SHEET ^{(1) (2)}						
Total assets	62,985	58,571	7.5%			
Stockholders' equity	57,343	55,232	3.8%	6.82	6.57	3.8%
CAPITAL MARKETS						
Market Value ⁽³⁾	98,659	118,508	-16.7%			
Average Daily Traded Volume (ADTV) on B3 ⁽⁴⁾	313	284	10.2%			

(1) Attributable to controlling stockholders.

(2) For better comparability, all periods include the merger of Itaúsa Empreendimentos.

(3) Calculated based on the closing price of preferred shares in the last day of the period.

(4) It includes Itaúsa's preferred shares (ITSA4).

Pro Forma Individual Result of Itaúsa^{1,2}

As a result of the merger of wholly-owned subsidiary Itaúsa Empreendimentos into Itaúsa, carried out on August 30, 2019, the Individual Statement of Income of Itaúsa, presented in the pro-forma table below, had the 2019 figures adjusted in the lines for better comparability of the data submitted, without, however, resulting in any change in profit.

In millions of R\$	4Q20		4Q19		Δ%	2020		2019		Δ%
INVESTEES' RECURRING RESULTS	2,918	100%	2,677	100%	9.0%	7,707	100%	10,292	100%	-25.1%
FINANCIAL SECTOR	2,390	82%	2,408	90%	-0.7%	7,133	93%	9,854	96%	-27.6%
NON-FINANCIAL SECTOR	549	19%	286	11%	92.0%	710	9%	603	6%	17.7%
Alpargatas	60	2%	58	2%	3.8%	131	2%	129	1%	1.6%
Duratex	103	4%	58	2%	77.6%	193	3%	101	1%	91.1%
NTS ⁽³⁾	386	13%	170	6%	127.1%	386	5%	373	4%	3.5%
Other Companies	4	0%	3	0%	33.3%	1	0%	(8)	0%	-
Income Not Arising from Profit ⁽⁴⁾	(25)	-1%	(20)	-1%	25.0%	(137)	-2%	(158)	-2%	-13.3%
RESULTS OF ITAÚSA	(81)		(60)		35.7%	(383)		(438)		-12.6%
Financial Income/Expenses	(4)		(13)		-69.2%	(26)		(49)		-46.9%
Administrative Expenses	(33)		(31)		6.5%	(128)		(125)		2.4%
Tax Expenses	(46)		(22)		110.0%	(236)		(274)		-13.9%
Other Operating Revenues	2		6		-70.0%	7		10		-30.0%
INCOME BEFORE INCOME TAX/SOCIAL CONTR	2,837		2,617		8.4%	7,324		9,854		-25.7%
INCOME TAX/SOCIAL CONTRIBUTION ⁽⁵⁾	(105)		(42)		148.3%	(104)		(86)		21.2%
RECURRING NET INCOME	2,732		2,575		6.1%	7,220		9,768		-26.1%
NON-RECURRING RESULT	931		875		-	(163)		545		-130.0%
ITAÚSA'S RESULTS	(2)		-		n.a.	(56)		28		-301.8%
FINANCIAL SECTOR	970		845		14.8%	63		521		-87.9%
NON-FINANCIAL SECTOR ⁽⁶⁾	(37)		30		-223.3%	(170)		(4)		4150.0%
NET INCOME	3,662		3,450		6.2%	7,056		10,312		-31.6%

(1) Attributable to controlling stockholders.

(2) For better comparability, all periods include the merger of Itaúsa Empreendimentos in the Statement of Income.

(3) It includes dividends/interest on capital received, adjustment to fair value of shares, and expenses on time installment of the invested amount denominated in U.S. dollars and corresponding foreign exchange variation.

(4) It refers to PPA (purchase price allocation) of goodwill from the investment in Alpargatas and the IUPAR's results.

(5) In 2019, the Company no longer recognized deferred tax assets on income tax and social contribution loss carryforwards and temporary differences.

(6) Reclassification to non-recurring for Alpargatas: 2019 – profit or loss, net, from Argentina and Mizuno operations; 1Q20 and 2Q20 – profit or loss, net, from Mizuno operations.

Results of Investees, as recorded by Itaúsa

Recurring equity in the earnings of investees in 2020 totaled R\$7,707 million, down 25% on a year-on-year basis, and was mainly driven by the performance below par of **Itaú Unibanco's** results, which was adversely impacted by higher Expected Loan Losses in connection with the change in the macroeconomic scenario (Covid-19) and lower Interest Margin, due to lower basic interest rate and change in the mix of retail products (also impacted by loan renegotiations), in spite of being partially offset by more controlled General and Administrative Expenses.

The remarkable responsiveness in the demand resumption process, together with the improvement in cost and expense management, have boosted the investees' results of the consumer goods and materials for civil construction segments, which have performed well in the year, in spite of the more challenging scenario driven by the pandemic and the restrictions imposed on physical sales across all regions worldwide. **Alpargatas** recorded a 3% increase in revenue, as a result of better performance in Havaianas and the favorable exchange variation effect, in addition to better performance in its many channels, making up for increased costs of production and of certain inputs. **Duratex** also recorded a significant increase in sales in all Divisions, productivity gains and greater efficiency in costs and expenses, in addition to the full consolidation of Cecrisa's results, which have led to greater cash flow generation and lower leverage level. At last, the results recorded in Itaúsa arising from the investment in **NTS** improved mainly driven by the appreciation of the fair value of the asset, as a result of the revisited valuation model and the discount rate used, whose revaluation is carried out from time to time, and of the higher amount of dividends received.

Further information on the operations of each investee is available in Section 5 (Comments on the Performance of Investees).

Itaúsa's Results

Administrative expenses totaled R\$33 million and R\$128 million in 4Q20 and 2020, respectively, up 2% over a year-on-year basis. This change in the year, below the inflation for the period, was mainly driven by the increase in personnel expenses, mostly arising from the resolution taken at the latest ESM, higher share bookkeeping expenses due to the increase of over 140% in the stockholder base over the prior 12 months, and IT expenses, partially offset by lower condominium expenses.

Tax expenses totaled R\$46 million and R\$236 million in 4Q20 and 2020, respectively, a reduction from the previous year, mainly driven by lower PIS/COFINS expenses due to lower interest on capital received from Itaú Unibanco.

Finance Result totaled R\$4 million and R\$26 million in expenses in 4Q20 and 2020, respectively, down 47% on a year-on-year basis, mainly driven by the effect of lower interest rate on net debt and update of contingent liabilities.

Itaúsa's Results in 2020 were also impacted by the non-recurring event in connection with the R\$50 million donation made by the Company to the "Todos pela Saúde" Program.

Profit totaled R\$7.1 billion in 2020, down 32% on a year-on-year basis, mainly driven by lower equity in the earnings of Itaú Unibanco, the reasons for which were mentioned above, and non-recurring effects highlighted below. Recurring net income was R\$7.7 billion, down 25% from 2019.




Reconciliation of Recurring Net Income

Equity in the Earnings of Investees was affected by non-recurring events, which totaled a positive result of R\$931 million in 4Q20 and a negative result of R\$163 million in 2020. At Itaú Unibanco, the highlight goes to the positive effect of the disposal of 4.5% of the investment in XP Inc., partially offset by the mark-to-market of collateralized securities in Itaú Unibanco and the donation made to the "Todos pela Saúde" (All for Health) program. At Alpargatas, the highlights were the expenses on the closure of shops, provisions for restructuring and write-off of assets arising from the disposal of Mizuno operations and Covid-19 related expenses, such as the finance costs on the non-recurring funding carried out early in the pandemic to increase liquidity and idle plant costs. At last, the main non-recurring events at Duratex were related to the dissolving wood pulp (DWP) plant construction project, provisions for contingencies, and donations made in the scope of the Covid-19 relief efforts.

	4T20	4T19	2020	2019
Recurring Net Income	2,732	2,575	7,220	9,768
Inclusion/(Exclusion) of Non-Recurring Effects D = (A + B + C)	931	875	(163)	545
Own (A)	(2)	-	(56)	28
Donation to the "Todos pela Saúde" Program	-	-	(50)	-
Other	(2)	-	(6)	28
Arising from Ownership Interest in the Financial Sector (B)	970	845	63	521
Gain from the partial sale of equity interest in XP Inc.	1,220	-	1,220	-
Treasury Shares	2	3	132	221
Liability Adequacy Test - LAT	56	25	56	22
Impairment of Goodwill in Itaú Corpbanca	-	-	(543)	-
Donation to the "Todos pela Saúde" Program	-	-	(317)	-
Mark to Market of Collateralized Securities	(142)	-	(243)	-
Provision Structural Adjustment	(82)	-	(82)	-
Impairment of assets, mainly IT assets	(34)	(14)	(34)	(14)
Gain due to the primary issue of shares of XP Inc.	-	739	-	739
Voluntary Severance Program	-	-	-	(536)
Other	(50)	92	(125)	88
Arising from Ownership Interest in the Non-Financial Sector (C)	(37)	30	(170)	(4)
Alpargatas	(44)	(38)	(143)	(73)
Duratex	7	46	(27)	47
Other Investees	-	22	-	22
Net Income	3,662	3,450	7,056	10,312

Main Indicators of Itaúsa Conglomerate Companies

We present below the main indicators of Itaúsa Conglomerate companies, based on the Consolidated Financial Statements under IFRS.

In millions of R\$	January to December			
Operating Income ⁽¹⁾	2020	166,656	3,364	5,880
	2019	188,893	3,280	5,012
Net Income ⁽²⁾	2020	18,896	140	454
	2019	27,113	274	406
Recurring Net Income ⁽⁴⁾	2020	19,077	449	528
	2019	26,311	450	275
Stockholders' Equity ⁽²⁾	2020	142,993	2,949	5,187
	2019	136,925	2,643	4,931
Annualized return on average equity (%) ^{(2) (3)}	2020	14.2%	5.0%	9.3%
	2019	21.8%	11.0%	8.5%
Annualized recurring return on average equity (%) ^{(3) (4)}	2020	14.3%	15.9%	10.8%
	2019	21.1%	17.4%	5.8%
Internal fund generation ⁽⁵⁾	2020	59,491	313	1,508
	2019	35,160	531	1,108
Interest of Itaúsa in companies ^{(6) (7)}	2020	37.4%	29.2%	36.6%
	2019	37.5%	28.7%	36.7%

(1) Operating revenue by area of operations was obtained as follows:

Itaú Unibanco Holding: Income from interest, yield and dividend, adjustments to fair value of financial assets and liabilities, income from foreign exchange operations and foreign exchange variations on transactions abroad, service revenue, income from insurance and pension plan operations.

Alpargatas and Duratex: Sale of products and services.

(2) Net Income, Stockholders' Equity and ROE correspond to the amounts attributable to controlling stockholders.

(3) It represents the ratio of net income for the period and the average equity (+Dec/20+Sep/20+Jun/20+Mar/20+Dec/19)/5).

(4) It corresponds to the amounts attributable to controlling stockholders (proforma).

(5) It refers to funds arising from operations as reported by Statements of Cash Flows.

(6) It corresponds to direct and indirect interest in the capital of companies.

(7) The interest presented includes total shares issued excluding treasury shares.

4. Capital Markets

Share performance

Itaúsa's preferred shares (traded on B3 under ticker ITSA4) closed December 2020 at R\$11.73, up 34.7% in 4Q20, when adjusted by dividends and interest on capital, whereas Ibovespa, B3's main index, increased by 25.8% in the same period. In 2020, Itaúsa's preferred share quotes adjusted by dividends and interest on capital dropped by 12.2%, whereas Ibovespa increased by 2.9%.

The daily average financial volume of Itaúsa's preferred shares traded in 2020 was R\$313 million, with average of 38,600 daily trades, up 11.1% and 39.6%, respectively, on a year-on-year basis.

A broader stockholder base

On December 31, 2020, Itaúsa had 886,000 stockholders (of which 99.5% individual stockholders), a 142% increase from the 367,000 stockholders on a year-on-year basis, being the national private company with the largest active base of investors on B3.

Return to stockholders

Earnings declared in the fourth quarter of 2020, the financial settlement of which will be carried out in 2021, were as follows:

- **Quarterly dividends** of R\$0.02 per share paid on January 4, 2021 to stockholders holding stockholding position on November 30, 2020.
- **Interest on Capital:** to stockholders holding final stockholding position on December 10, 2020, in the amount of R\$0.10165 per share (net of income tax: R\$0.0864025) to be paid out on March 12, 2021.

Investors who remained as stockholders for the last 12-month period ended on December 31, 2020 were entitled to receive R\$0.6450 per share as dividends and interest on capital paid/declared (gross) which, divided by the preferred share quoted on December 31, 2020, resulted in a 5.5% dividend yield.

In view of the investee's activities downturn, market conditions and regulatory measures (such as temporary restriction on dividend distribution imposed by the Central Bank of Brazil on financial institutions), the cash inflow received by Itaúsa decreased, which has led to a reduction in the dividends paid out by the Company.

Additionally, at the meeting of the Board of Directors held on January 18, 2021, the Company announced interest on capital in the amount of R\$0.0208 per share (net of income tax: R\$0.01768) based on the final stockholding position recorded on January 22, 2020, which will be paid out on March 12, 2021.

The complete history of earnings paid and payable can be accessed at: www.itausa.com.br/dividends-and-ioc

Value of Assets and Discount

Market capitalization on December 31, 2020, based on the price of the most liquid share (ITSA4), was R\$98.7 billion, whereas the sum of interests in investees at market value totaled R\$127.6 billion, resulting in a 22.7% discount, up 400 bps on a year-on-year basis.

Discount is an indicator resulting from the difference between the market price ascertained for Itaúsa's shares and the theoretical value obtained through the sum of the market, fair or investment values of the parts that compose the holding company's investments ("sum of the parts").

Part of this discount can be justified in view of the holding company's maintenance expenses, taxes levied on a fraction of the earnings received (tax inefficiency), and risk assessment, among other factors. In spite of the discount reduction in the last years, driven by the improvement in some of these factors and a better market perception of the foundations that justify it, Itaúsa's management believes that the current level still does not reflect the proper indicator level.

The Investor Relations department discloses information about the discount on a monthly basis, which is available on: www.itausa.com.br/net-asset-value



Share buybacks

On February 22, 2021, the Board of Directors approved a Share Buyback Program, proposed by the Board of Officers, including up to the limit of 250 million shares (50 million common shares and 200 million preferred shares), which represent 4.5% outstanding shares. For the acquisition of shares issued by the Company, Itaúsa may use (i) its own resources, (ii) third parties, (iii) from earnings to be received from the investees and (iv) from the eventual sale of assets. Additionally, the Share Buyback Program will remain open until August 23, 2022.

This authorization is supported by the recent increase in the net asset value detached from the market value of Itaúsa shares, thus increasing the holding discount, and by the potential value creation in the coming years from of all the companies that make up your portfolio.

The possibility of buying back own shares will provide the Board of Officers with more opportunities for efficient capital allocation – one of Itaúsa's strategic pillars – aimed at the best interests of its stockholders. The Board of Officers will be incumbent upon the buyback program, to be carried out in accordance with both market conditions and equity and liquidity positions of the Company.

5. Comments on the Performance of Investees



Itaú Unibanco Holding S.A.

Highlights of Operations

Activities during the Covid-19 pandemic

Itaú Unibanco continues focused on supporting clients and mitigating the effects of the Covid-19 crisis on its respective business. Accordingly, driven by the reprofiling of repayment conditions for individuals, very small and small companies, loan portfolio totaled R\$50.8 billion on December 31, 2020, of which R\$38.4 billion are intended for individuals and R\$12.4 billion, for very small and small companies.

Additionally, Itaú Unibanco has allocated R\$22.3 billion to government programs for very small, small and middle-market companies. These funds were allocated through the National Support Program for Very Small and Small Companies (Pronampe), financing of companies' payrolls and other government credit lines, such as the Investment Guarantee Fund (FGI) and the Working Capital for Business Continuity Program (CGPE).

Digital Transformation and Efficiency

As a result of the Covid-19 pandemic crisis, many clients of the bank migrated to digital interactions. However, even after the most critical period of social distancing measures, digital channels post an ongoing growth, thus evidencing that digitalization is more than a single trend in the market of these times.

At the end of 2020, the bank reached 24.2 million digital clients, up 16.4% on a year-on-year basis. There was a 92.0% increase in the opening of online accounts for individuals and companies on a year-on-year basis. Driven by digital transformation, in the fourth quarter of 2020, 95 physical branches and CSBs were closed.

The bank has constantly increased its technology investments and in 2021 it will double the investment made in 2018. In the same period, Itaú Unibanco expects a 28% reduction in maintenance of infrastructure expenses. Over 2020 the bank added over 3,700 employees to the technology team through both direct hiring and acquisition of ZUP.

ESG: progress in the role of changing society

In 2020, Itaú Unibanco significantly increased its ESG activities. Of a R\$100 billion target for positive impact sectors by 2025, it has already allocated R\$47.7 billion by December 2020, of which R\$12.5 billion were allocated to renewable energy generation and services. In the entrepreneurship agenda, of the R\$11 billion target for credit origination for women-led small companies by 2024, R\$9.1 billion had already been allocated by December 2020.

Results

Net Income totaled R\$9.0 billion in 4Q20, up 3.6% on a year-on-year basis. This result was impacted by the effects of non-recurring items in the amount of R\$2.6 billion,

R\$ million (except where indicated)	4Q20	4Q19	Δ%	2020	2019	Δ%
Operating Revenues ²	35,077	32,760	7.1%	117,900	119,578	-1.4%
Net Income ¹	8,932	8,674	3.0%	18,896	27,113	-30.3%
Recurring Net Income ¹	6,390	6,434	-0.7%	19,077	26,311	-27.5%
ROE	25.8%	27.3%	- 1.5 p.p.	14.0%	21.6%	- 7.6 p.p.
Recurring ROE	18.3%	20.2%	- 0.1 p.p.	14.1%	20.9%	- 6.8 p.p.
Loan Portfolio ³	873,083	725,341	20.4%	873,083	725,341	20.4%

mainly associated with gains from the partial sale of equity interest in XP Inc. In 2020, Net Income totaled R\$18.9 billion, down 30.3% on a year-on-year basis, with managerial recurring return on equity of 14.1%, mainly driven by the 1.4% decrease in Operating Revenues and increase in expected losses on financial assets and claims on a year-on-year basis. Main factors leading to this result are as follows:

1. A 5.7% decrease in **Interest Income**, driven by lower interest rate and spread due to the change in the mix of retail products; and
2. A 1.2% decrease in **Commissions and Fees and Result of Insurance Operations**, mainly driven by a 11.6% decrease in revenues from credit and debit cards, partially offset by a 15.2% growth in revenues from advisory and brokerage services.

Expected Loss on Financial Assets and Claims increased by R\$7.4 billion on a year-on-year basis, mainly driven by higher expected loan losses due to the worsening of the macroeconomic scenario.

General and Administrative Expenses were up 5.2% in 2020. Excluding the effects of the non-recurring items arising from (i) the Voluntary Severance Program carried out in the second half of 2019, (ii) the impairment of goodwill and intangible assets in Itaú Corpbanca in 2Q20, and (iii) the donation to fight Covid-19 to the "Todos pela Saúde" (All for Health) alliance, expenses were down 2.3% in the year, mainly driven by cost strategic management and continuous technology investment, which allowed for lower personnel, propaganda and advertising expenses.

Capital management and liquidity

Capital management is vital, since it is a key element through which the bank seeks to optimize the application of funds and ensure business strength. At the end of December 2020, Tier I capital ratio was at 13.2%, above the minimum required by the Central Bank of Brazil (8.25%).

i For further information on Itaú Unibanco' results, please access: www.itau.com.br/relacoes-com-investidores



Highlights of Operations

In 2020, Alparagatas made headway in Havaianas' global growth strategy and in digital channels, with increase in online sales through DTC and B2B channels, expansion of new segments through scale innovation and development of sustainable solutions, thus reaching an all-time high in net revenue. The continuous focus on international expansion, mainly in priority markets in Europe, the United States and China, contributed to sales

¹Attributable to controlling stockholders.

²Adjusted to tax effects on hedge instruments for foreign investments.

³Loan portfolio with financial guarantees provided and corporate securities.

growth. Havaianas international represented approximately 28% of the brand's sales. In Brazil, there was a historic sales record, gains in market share and increased penetration in important channels such as online.

Additionally, the company entered into an agreement for the sale of total Mizuno brand operations in Brazil, a deal appraised at approximately R\$200 million. This transaction will be completed in two steps, the first step in January 2021, with the second one subject to compliance with certain conditions precedent.

Results

Net revenue was up 10.5% and 2.6% in 4Q20 and 2020, respectively, as a result of the better performance in Brazil (Havaianas and Osklen), in addition to the growth of the international

R\$ million (except where indicated)	4Q20	4Q19	Δ%	2020	2019	Δ%
Net Revenue	1,102.5	997.7	10.5%	3,364.3	3,279.8	2.6%
EBITDA	153.9	201.9	-23.8%	435.9	577.8	-24.6%
Net Income ⁴	54.1	121.0	-55.3%	140.2	274.1	-48.9%
Recurring Net Income ⁵	202.6	201.4	0.6%	448.9	450.5	-0.4%
ROE ⁴	7.4%	18.7%	- 11.3 p.p.	5.0%	11.0%	- 6.0 p.p.
Recurring ROE ⁵	27.9%	31.1%	- 3.2 p.p.	15.9%	17.4%	- 1.5 p.p.

revenue, driven by the mix of countries and foreign exchange variation, partly offsetting the effects from the Covid-19 pandemic.

Recurring EBITDA in 4Q20 was up 19.7% and reached R\$282.7 million, basically driven by better performance of operations in Brazil and international market. In 2020, recurring EBITDA was R\$595.6 million, down 2.2% on a year-on-year basis.

In 4Q20, recurring net income attributed to shareholders was R\$202.6 million, up 0.6% on a year-on-year basis. Recurring net income in 2020 was R\$448.9 million, down 0.3% on a year-on-year basis.

Major non-recurring items impacting 2020 results are related to expenses on closing stores, provisions for restructuring and write-off of assets arising from the disposal of Mizuno operations and expenses related to Covid-19.

Operating cash generation in the last 12 months was R\$369 million.

i For further information on Alpargatas' results, please access: <https://ri.alpargatas.com.br>



Highlights of Operations

Since the first signs of the Covid-19 pandemic, Duratex has assumed a position focused on continuing its operations and ensuring the safety and health of its employees. The faster-than-expected economic recovery (particularly in refurbishment and civil construction sectors), fostered by governmental measures and interest rate reduction, enable Duratex to speed up its commercial pace becoming more expeditious and assertive than its competitors, thus ensuring market share gains. The operational improvement with increase in sales volume in all divisions and in the national and international markets, better strategic management of its assets with relevant gains in working capital, resulting from factory optimizations, portfolio reduction and diversification strategy, led to company to present record results in the year, in addition to making important investments.

⁴Attributable to controlling stockholders.

⁵ Attributable to controlling stockholders (proforma).

Results

Consolidated net revenue in 4Q20 totaled R\$1,894 million, up 27.4% on a year-on-year basis, driven by the successful implementation of price increases and accelerated demand recovery, which

R\$ million (except where indicated)	4Q20	4Q19	Δ%	2020	2019	Δ%
Net Revenue	1,893.6	1,486.2	27.4%	5,879.6	5,011.7	17.3%
EBITDA	488.0	596.8	-18.2%	1,292.4	1,359.2	-4.9%
Net Income	301.6	284.7	5.9%	454.0	405.7	11.9%
Recurring Net Income	281.4	157.8	78.4%	528.2	275.1	92.0%
ROE	24.0%	23.5%	0.5 p.p.	9.3%	8.5%	0.8 p.p.
Recurring ROE	22.4%	13.0%	9.4 p.p.	10.8%	5.8%	5.0 p.p.

led to strong sales volume growth in all divisions. In 2020, in spite of the impacts of the pandemic, consolidated net revenue totaled R\$5,880 million, up 17.3% on a year-on-year basis, as a result of the rapid recovery combined with price adjustments.

The **Wood Division's** net revenue totaled R\$1,056.0 million in 4Q20, up 46.2% on a year-on-year basis, driven by the price increase implementation and higher volume shipped.

The **Deca Division's** net revenue totaled R\$549.0 million, up 25.4% on a year-on-year basis, driven by the increase in sales volume, due to demand increase and the division's better performance, particularly with channel diversification and the launch of its marketplace.

The **Ceramic Tiles Division's** net revenue totaled R\$288.6 million, up 32.1% on a year-on-year basis, mainly driven by the significant increase in sales volume, as well as by the capture of synergies between brands Ceusa and Portinari.

EBITDA in 4Q20 was impacted by a reversal of goodwill and impairment of assets. Excluding these effects, recurring EBITDA would be R\$516.2 million (up 85.4% from 4Q19). Profit recorded in the quarter totaled R\$301.6 million (up 5.9% from 4Q19). In 2020, Recurring EBITDA and Recurring Net Income totaled R\$1,288.3 million (up 41.7% from 2019) and R\$528.2 million (up 92.0% from 2019), respectively, driven by higher sales volume in all Divisions, combined with productivity gains from improved asset management, in addition to higher cost and expense efficiency.

The operational improvement coupled with the relevant gains in working capital favored the company's cash generation, which ended the year with an amount of R\$1,128.8 million, disregarding non-recurring events, such as an investment of R\$523.1 million in the construction project of the new dissolving wood pulp unit (LD Celulose). With this result, the leverage ratio at the end of 2020 was 1.15x (Net Debt/Adjusted and Recurring EBITDA for the last twelve months).

i For further information on Duratex's results, please access: www.duratex.com.br/ri



Highlights of Operations

In 4Q20, the construction of the new Guapimirim Receiving Site was completed, set to receive the gas processed at Comperj's Natural Gas Processing Unit (NGPU), under construction by Petrobras, and where the pre-salt production will be managed. The capacity of the Guapimirim Receiving Site is higher than 18 million

cubic meters/day and this project will contribute to increase the transportation network flexibility, with the inclusion of an additional gas receiving site close to the metropolitan region of Rio de Janeiro.

Results

In 4Q20, net revenue totaled R\$1.214 million, up 9.1% on a year-on-year basis, mainly driven

R\$ million	4Q20	4Q19	Δ%	2020	2019	Δ%
Net Revenue	1,214	1,113	9.1%	4,671	4,406	6.0%
Net Income	682	576	18.4%	2,528	2,218	14.0%

by the annual inflation adjustment of gas ship-or-pay agreements. Net income in 4Q20 totaled R\$682 million, an increase of 18.4% over 4Q19, impacted by the recognition of retroactive tax credits in the amount of R\$48 million, in addition to lower financial expenses, caused by the lower basic interest rate on debt. In 2020, NTS's net revenue was R\$ 4,671 million and profit was R\$2,528 million, up 6% and 14%, respectively, on a year-on-year basis, driven by the same reasons above mentioned.

Dividends and interest on capital

In the period from October to December 2020, Itaúsa received gross dividends/interest on capital in the amount of R\$43.3 million, and R\$181.8 million in 2020, in addition to R\$50.0 million in capital reimbursement from the capital reduction carried out in the year.

i For further information on NTS's results, please access: <https://ri.ntsbrasil.com/en/>

6. People management

Itaúsa Conglomerate had the support of approximately 126 thousand employees on December 31, 2020, including 13 thousand employees in foreign units. Its dedicated structure, intended to carry out the holding company's activities, had 95 professionals on that same date.

7. Independent Auditors – CVM Instruction No. 381

Procedures adopted by the Company

The policy adopted by Itaúsa, its subsidiaries and parent company, to engage non-audit services from our independent auditors is based on the applicable regulations and internationally accepted principles that preserve the auditors' independence. These principles include the following: (a) an auditor cannot audit their work; (b) an auditor cannot hold managerial positions at their client's; and (c) an auditor cannot promote the interests of their client.

In 2020, the independent auditors PricewaterhouseCoopers Auditores Independentes provided the following non-audit services, equivalent to 25.7% of total external audit fees due to the same auditors, as set forth in CVM Instruction No. 381:

Itaúsa: (i) Reference Form Assurance, contracted on April 29, 2020, in the amount of R\$65,000; (ii) Integrated Report Assurance, contracted on April 29, 2020 in the amount of R\$56,000.

Investee Duratex: (i) review of accounting and tax bookkeeping files, service engaged on April 30, 2020, in the amount of R\$169,000; (ii) appraisal report on the contribution to LD Celulose, service engaged on January 23,

2020, in the amount of R\$223,000; (iii) appraisal reports of this investee, service engaged on September 1, 2020, in the amount of R\$165,000; and (iv) consulting services for the appraisal of this investee's functional currency, service engaged on October 8, 2020, in the amount of R\$105,000.

Independent Auditors' Justification - PwC

The provision of the aforementioned non-audit services does not affect the independence or the objectivity of the external auditor of Itaúsa and its subsidiaries. The policy adopted for providing non-audit services to Itaúsa is based on principles that preserve the independence of the Independent Auditors, all of which were considered in the provision of the referred services.

8. Acknowledgements

We thank our stockholders for their trust, which we always try to repay by obtaining results differentiated from those of the market, and our employees, for their talent and dedication, which have ensured the sustainable business growth.

Candido Bracher step down this month as Itaú Unibanco's CEO, a position held since May 2017, as he reached the limit age of 62 for this position. Mr. Bracher, accumulates decades of experience in the financial sector, having joined Itaú at the time in 2002, through a business combination with Banco BBA, a bank founded by his family. He was president of Itaú BBA and responsible for Wholesale and Latin American operations until he was President of Itaú Unibanco.

Mr. Bracher left his mark on several fronts, such as the acceleration of digital transformation and the focus on customer service and satisfaction. After a three-month transition period, Milton Maluhy Filho takes over the presidency of the bank and Candido should be appointed in the coming months, by the controlling shareholder, as a member of the Board of Directors of Itaú Unibanco and Fundação Itaú. Itaúsa expresses its deep thanks to the executive for the crucial role he played in the development of the bank and for the country.